



A
NATIONAL
POLICY

*An account of the emergency programme
advanced by*

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PART I

THE CRISIS

I

WE are confronted by a national crisis. The unemployment figures have risen to the terrible total of two and a half millions. The position of the industrialist becomes daily more impossible, and that of the worker daily more precarious. The Unemployment Insurance Fund is bankrupt. Pleavy attacks on the standard of life of the masses—miners, railwaymen, public servants, etc., are upon us, and Parliament seems powerless to avert them. Not only are the wages of the workers in danger : our whole system of insurances against sickness and unemployment, old age pensions and educational advantages, which is without rival in the world to-day, is threatened by the economic crisis, since the money to pay for it is being found with ever increasing difficulty. Day by

day the attacks on these “Social Services” grow stronger. Unless something is done—and done at once—the standard of life built up by generations of Trade Union Effort, the Social Services established by decades of political work, will be broken down. The situation demands action, if disaster to employers and workmen alike is to be avoided.

We see nothing in the official programme of the Conservative Party which offers a way out of the deepening crisis, nor any evidence that that crisis will wait on the slow gradualism of the Labour Front Bench. Indeed, we hold that the very machinery of Parliament and of

Government will need revision to permit of effective action.

We submit a policy to the judgment of the British people. In no sense is it designed to solve all the social problems of our day. In no sense is it a counsel of perfection. It is a programme of disciplined national effort to meet the emergency with which we are faced. We hope and believe that it will evoke a response that will impart a new impetus to British politics—a new urge to action in the face of threatened disaster.

THREE ESSENTIALS

At the outset of our own approach to the problem we lay down three general conditions. The first is that the way out of the crisis is not to be looked for in reductions of wages, or attacks upon the Social Services. Further wage cuts would make the already bad conditions of the workers intolerable. They would be bitterly resented and fiercely resisted. The strikes and lock-outs which they would inevitably produce would cause vast losses to the Nation, and make the position of British industry still more precarious. Nor do we believe that lower wages and Social Services, even when achieved, would restore prosperity to our industries, for they would reduce the purchasing power of the population in the home market by at least as much as they increased competitive power in foreign markets.

The second condition is that any programme for dealing with the crisis must be a practical one. Questions of the ultimate goal of society are excluded by the very urgency of the problem which confronts us. Thus, it will probably be found that some industries are ripe for transference to a Public Utility basis and

that their rationalisation, in fact, involves such a transference. Where such transference is necessary it should be made clear that what is contemplated is not management from Whitehall. In the case of other industries the public utility basis will not be found suitable or possible. In both cases the decision should rest on the merits of the case, and not on pre-conceived ideas as to the form of Social Organisation which is ultimately desirable. Some may believe that the ultimate ownership of industry must be vested in the community : others may believe that it must rest in private hands. But the immediate question we are concerned with is not the question of the ultimate form of Social Organisation, but with an emergency in which the whole structure of industry is threatened.

The third condition is that as far as is humanly possible employers and workers should meet the emergency by a common effort. In the words of a recent writer: " In the present emergency situation any adequate policy must fulfil two conditions. It must go deep enough to correct or tend to correct those fundamental maladjustments and disequilibria of our system out of which unemployment arises; and it must secure the willing co-operation of the business world as a whole.'⁵

II

THE ECONOMIC PROBLEM

THE British people are at length awaking to the fact that the basis on which British trade was built has largely been destroyed.

We had a long start of every other nation in the industrial race. For years we had what was almost a

monopoly in the production of many sorts of manufactured goods. While this was so Free Trade was undoubtedly the best policy for this country. For we had no serious competitors or rivals. All that we had to do was to manufacture the goods for which the world was crying out. Times, however, have entirely changed. It is now clear that we can no longer base our whole industrial system on one or two large exporting industries sending their goods to the whole world. The world will no longer buy these British goods in the old quantities. The whole case presented here is that we must face the fact that our old export trade is bound to be more and more threatened and curtailed by the actions of foreign countries, which we cannot control. There is nothing disastrous in this as we shall show. But it is a fact which must be recognised and dealt with, and it cuts right across the existing economic structure of Great Britain. This point is so important that it seems necessary to give the chief reasons why there is no possibility of our old, easy export monopoly returning to us.

(i.) *“Local Industrialisation.”*

Almost every nation in the world has shown itself determined to establish all the principal industries within its own borders. Even where it costs them a great deal to do so, they are making for themselves many of the things they used to buy from us. They do this by putting up high tariff walls behind which their own “ infant industries ” grow up. “ The Industrialisation of markets behind tariff barriers ” is happening all over the world. It may be very stupid of foreign nations, even from their own point of view, to do this, but the point is that they have done it. It is true that for a long time

these foreign tariffs against our goods mattered far less than might have been expected. We could produce things so much better and cheaper, that foreign countries simply could not keep our goods out. When they tried to do so by prohibitively high tariffs their own people protested against being made to pay so much more for inferior goods. But this is no longer true. Other nations have learnt how to make many things for themselves quite or almost as well as we make them. Again the “natural advantages” of making things in one place as against another have largely disappeared. For instance, it used to be almost impossible to manufacture on a big scale except near a coal-field. But now water power and oil have put many foreign countries into as good a position for manufacture as ourselves. The result of these two factors is that foreign tariffs are becoming, and will become, much more effective. For the locally produced goods are no longer so much inferior or dearer than the imported British goods. Therefore there is no outcry against the tariff and the foreign Government does succeed in shutting out the British Product. This point—“the local industrialisation of former markets”—is described in the Balfour Committee’s Report on Trade and Industry.

(2.) *New Competitors.*

Even when a foreign country cannot make something for itself, it need not to-day import it from Britain. Fifty years ago there was no other great exporting nation. But to-day there are three or four other competitors in the field desperately anxious to get orders for exports. Germany, for example, must export at all costs in order to get the money to pay Reparations. Her

industries are very efficient and her wages about 25 per cent, lower than wages in this country.

Japan is much better placed geographically to capture the markets which will no doubt grow up in Asia than is this country.

France and Belgium have rapidly growing manufacturing industries, with wages some 45 per cent, lower than ours.

America, however, is no doubt the most formidable competitor in the export field. She has already taken the predominant place in the South American market, and she is evidently determined to extend her great Export Trade all over the world. American costs of production are falling ; Reductions in wages, increased hours and “ speeding up ” are being applied as remedies for the slump. Consequently the necessity for increased exports will grow, and we must expect unprecedented American competition in every market in the world. In any price cutting competition her great industries with their extensive home markets have enormous advantages, since their foreign marketing arrangements are tending more and more to unification and monopoly.

Again, competitors of a new type are arising and are bound to arise increasingly. Until recently the menace to our export trade of goods produced by the extremely cheap labour of the East has not been a very real one. The greater efficiency of the comparatively highly paid British operative has been able to compete successfully with the 6*d.* or ir. a day wage of the Coolie. But as Mass Production Methods develop, manual efficiency becomes a less and less important factor. Oriental labour may indeed be found the most efficient for performing the very simple tasks necessary for mass production methods, for long hours at very low wages.

Then, indeed, the world's market will be flooded with Indian and Chinese goods at incredibly low prices.

(3.) *Arbitrary Interference.*

Free Trade theory has always been based upon the supremacy of British exports if “ the free play of economic forces ” is allowed to operate. But other nations are not letting “ the free play of economic forces ” settle what nations shall produce what commodities. On the contrary there is a tendency to form great Producers' organisations which are apt suddenly to sell large quantities of a commodity at prices which bear no relation to cost of production in order to capture a market or dispose of a surplus, or for other non-economic reasons. This so-called “ dumping ” must tend to aggravate the instability of world prices, (cf. the effect of the two great Producers' Organisations—The American Farm Board and the Canadian Wheat Pool on wheat prices in the past years.)

This growing instability of price is having a disastrous effect on our comparatively unorganised exporting industries. Every country is obviously determined to interfere drastically with the “ natural ” division of labour in order to establish every type of industry within its own borders. For example, America has now set out upon a determined attempt to establish, by direct subsidy, a merchant marine. American goods are to be carried in American bottoms, and the taxpayer is apparently prepared to pay heavily in order to establish a shipbuilding and shipping industry.

While it may be that the cost will be great and permanent, yet there is no reason to suppose that America will not persevere in this effort. The world's

carrying trade has up till now been a remaining preserve of British supremacy. And no doubt if economic forces were allowed free play it would remain so. But they are not to be allowed free play. Thus we see the deliberate negation of all possibility of a natural division of labour between the nations, even in cases where tariffs are not a possible method of interference. What industries, it may be asked, are to be left as the special province of this country if every nation in the world artificially creates every possible industry within its own borders? What we are arguing is in effect that it is no longer possible for us to leave the question of what industries we shall engage in to the “ free play of economic circumstance ”—in the belief that this will give the world the best possible division of labour. For this free play of economic circumstance no longer exists in reality. It has been frustrated by the activities of almost every other country, by tariffs, by subsidies, by exports bounties, by every kind of interference with the natural flow of trade. Rightly or wrongly these nations are willing to pay a high price in order to establish particular industries within their own borders. The only possible answer for this country is consciously to choose the forms of production best suited to it and to see that these industries are permanently established here, protected from the interference of quite arbitrary external factors.

OUR EXPORT PROSPECTS

This analysis may sound as if we despaired over the prospects of British Export Trade. This is by no means the case, as will appear later, when we propose certain definite steps for its maintenance and nurture. Nor are we unaware of certain counter-balancing factors. For

example, it is true that although we must certainly be content in future with a smaller percentage of world trade, yet if the total amount of world trade expands sufficiently rapidly, this smaller percentage may mean as great a net amount as formerly.

Again it is true that while the position in the older exporting industries such as Coal and Cotton may be very grave, yet our prospects in certain newer and highly specialised trades, such as electrical goods, aircraft engines, etc., are much brighter.

While welcoming these hopeful factors, we must point out that they have not in practice proved sufficient to offset the adverse factors. If they had there would be no economic crisis ; no chronic mass unemployment for the past ten years.

What has happened is that the decline in the old staple exporting trades has been far more rapid than the expansion of the new trades. The old trades have thrown out several men for every one which the new trades have absorbed. Admittedly this shows that our difficulty is fundamentally only one of transition. But it is just this transition which we are failing to make, and we refuse to turn our attention to making it, so long as we still pin our faith to a restoration of the old export position in the old industries.

A misconception of the whole question of the dependence of this country on its foreign trade is widespread to-day. The undoubted fact that it would be far too costly for us to produce all the food and raw materials we need, instead of importing them from abroad, where they can be produced much more cheaply, has led many people to make entirely unjustifiable assumptions about the necessity for an enormous export trade. When they hear of anything such as “ the control of imports ” or

“ the stabilisation and protection of the Home Market ”, they object at once that however great the benefit of such measures would be, they are impossible since it is claimed that they might adversely affect our exports. And, they argue, anything which might even conceivably do that is out of the question since “ we must live by exporting in order to pay for the foodstuffs and raw materials without which we should starve

This view ignores in the first place that any policy for the control of imports would have as one of its objects the decrease of the manufactured goods which we buy from abroad, thus proportionately lessening the amount of exports needed to pay for them. It is, however, true that we cannot do without a large importation of foodstuffs and raw materials ; but to suggest that this country would be in the slightest danger of finding itself unable to pay for those, even if we lost half our present export trade, shows a complete ignorance of the relevant figures.

We import into this country about £509 millions (1929) of foodstuffs, including drink and tobacco. In addition we import about £285 millions of raw materials. Some £150 millions of these raw materials, however, are for re-export after manufacture. Taking all the figures into consideration not more than some £700 millions can be regarded as our necessary imports that we cannot do without; even so, this allows nothing for any development of British agriculture, which is highly desirable, and could certainly cut down our imports of foodstuffs by another -£100 millions a year. But let us take the round figure of £700 millions a year as our unavoidable imports ^{<6} bill ”, which must somehow be paid since we cannot do without them. How are we to pay ?

At first sight it would seem that we can only pay by

means of exports. Two other assets, however, which are usually forgotten, themselves go far towards balancing the account. In the first place, foreign countries have to pay us £232 millions a year for “ services ”, such, as shipping, insurances, banking, etc., which we render them. Secondly, they have to pay us no less than £285 millions a year as the interest on our Overseas investments. Together these two sums make £517 millions a year. So that they pay for all but some £200 millions of the foodstuffs and raw materials which we have to buy. Our exports (1929) may be taken at £700 millions a year. So that we could lose £ 5 00 millions a year of exports—more than two thirds of the total—and yet pay our imports bill.

These figures are given here merely in order to restore a sense of proportion. It is not, of course, suggested that we could in practice reduce to zero our imports of non-essential manufactured goods. Again, they give no warrant for neglecting in any way our great exporting industries; and we shall detail proposals for their benefit. But they do show conclusively how groundless are the fears of those who object to a policy which looks to the fostering of the Home Market as the real solution of our difficulties. The raising of the standard of life of our own people, the consequent increase in their purchasing power, and the organisation of our productive resources and the mobilisation of our idle workers to meet that increase, these are the true remedies.

The old catch phrase about ‘ living by taking in- each other’s washing ’ is entirely beside the point. *If* by ‘ taking in each other’s washing ’ is meant the satisfaction of our fellow citizens’ economic needs by our own efforts, then indeed this is the proper objective of every

economic policy. We have ample margins with which to pay for what we want from abroad. Let us do everything to help our exports, but do not let us be frightened by the ignorant panic cry of “ paying for foodstuffs ” into neglecting our greatest asset, the organisation of the Home Market.

The proposals which we make may be regarded from one point of view as the conscious attempt to effect the great transition to the new basis of British industry, which has obviously become necessary.

THE HOME MARKET

But these entirely novel factors in the world situation do more than prejudice the chances of recovery for our export trade. Here in our own home market they are now operating with disastrous effects. Price fluctuations, “ dumping ”, the competition of sweated labour, are creating instability and lack of confidence. For reasons sketched above we are not likely to find an outlet for the full production of post-war machinery in foreign markets. To find that outlet on our home market requires a purchasing power not lower, but far greater, than at present. To absorb, in fact, the production of rationalised industry we require a standard of life in these islands higher instead of lower than that which prevails in the rest of the world. Yet how can any high standard of life be built if it is exposed to the shocks of present world economic anarchy ? At present, in fact, we are asked yet further to lower our standard of life in an effort to reduce our competitive costs. The result can only be a serious reduction of purchasing power in the home market. If this brief analysis has any validity our best hope of recovery will thus have been destroyed.

THE NEED FOR PLANNING

The whole structure and balance of British Industry were adjusted to a world situation which the foregoing factors have revolutionised. For one hundred years our prosperity was conditioned by a high degree of industrial specialisation. Many of the industries in which we specialised are just the industries which changing conditions have injured most. Cotton manufacture in America and the Far East was stimulated by the War : shipbuilding has been depressed by the more economical use of existing tonnage made possible by the far greater speed and the shorter stays in port of the modern ship : and rival fuels and the opening up of new coal fields have reduced the market for our coal. The rapidly changing conditions of the past twelve years called upon us for a rapid change over to new forms of production, yet this period has been characterised by a rigidity which has brought ruinous results. Elasticity and adaptability are the first conditions of success in a world which increases its productivity and changes its needs at the ever-increasing rate which the modern machine demands. Our failure in this respect is the most menacing factor in the whole situation. To emerge from our difficulties we must now find a way of compressing into the next few years the readjustment and adaptation we have failed to carry out in the last decade.

For this purpose a National Economic Planning Organisation is essential. The rationalisation of separate industries will fail in its purpose, and intensify our problem unless it is completed by the co-ordination, balance and guidance which only national planning can effect. National planning is

as essential to-day to the future prosperity of Britain as rationalisation has been recognised to be essential to the prosperity of separate Industries. But before we can plan we must control and regulate the factors which frustrate the wise direction of our production. For this reason and for the broad reasons indicated in this brief analysis of our problem, the policy which we have described as “ insulation ” is essential.

To sum up, our analysis drives us to the conclusion that new world conditions inimical to our old easy-going export monopoly have come, and come to stay: that our only answer to these new conditions is the re-planning of our economic life on a new basis both for the Home and Export trades. In the next section we propose measures for the stabilisation and planning of the home market. In the following section we propose measures for the preservation of our Export trade.

PART II

THE POLICY

I

INSULATION AND PROTECTION

THE difference between the conception of Insulation and that of Protection by the simple method of tariffs, rests on the belief that modern industry is not simple, but complex, and therefore requires not simple, but complex treatment. There are modern cases in which tariffs appear clearly ineffective. What tariff, for instance, could meet recent fluctuations in the price of wheat? An *ad valorem* tariff which is effective one week may be made quite ineffective the next by a downward fluctuation in price; or a tariff which is moderate one week may be made prohibitive the next by an upward fluctuation. Again, how can any tariff meet dumping under the great selling pressure of some big producer's organisation backed by Government finance? It may be worth the while of such organisations to go over any tariff at almost any loss to themselves in certain conditions.

To meet world price fluctuations and dumping, tariffs are ineffective, and are consequently inapplicable to the basic commodities such as foodstuffs and raw materials, in which immense price fluctuations are now taking place. The crude and simple tariff method simply does not meet the facts of the modern situation. In the case of food-stuffs and raw materials a more complex organisation is required, ranging from bulk purchase to licence or

quotas issued by an Import Control Board. Such methods however, cannot be applied to the numerous separate types and categories of imports that comprise an important proportion of the total imports of this country.

We believe that an entirely new kind of organisation will have to be set up to deal with this class of imports. In principle this organisation must be one which can be trusted to ensure that the protection granted to an industry will be one which will safeguard the national interest, as distinct from a simple taxation device which may merely increase the profits of a sectional interest. The question of whether an organisation for the control of imports can be evolved which will satisfy these conditions can now, we feel, be answered in the affirmative.

It is the type of organisation which we have called a "Commodity Board"—since each such Board would deal with one important commodity or group of commodities. The machinery set up under the Dyestuffs Act may be taken as some analogy to what we are proposing. The Dyestuffs Act contains the essential principle that protection to the producers of a given commodity is only given with the concurrence of representatives of the users of that commodity. Thus the Dyestuffs Licensing Committee, which contains five representatives of the Dye Users, three representatives of the Dye Makers, and three independent persons, is, in fact, the germ of a Commodity Board. It will be recalled that the functions of this Board are to allow the users of Dyestuffs to import foreign Dyes free of all tariff or restrictions if they can show that the equivalent British product is unobtainable, or excessively costly. We must not, however, be thought to be suggesting that the machinery of Dyestuffs Act shall be reproduced. We can well believe that the complaints of the Dye users of delays and

inconveniences under that Act, in the early years of its operations, were justified.

The whole question turns, of course, on the instructions which are given to the Licensing Committee or Commodity Board as to the conditions in which they should allow foreign imports. These instructions must vary with the commodity concerned, and we are not suggesting that the Dyestuffs Act would serve as a model for a Commodity Board controlling the importation of some great staple article such as steel. The only deduction which we make from the Dyestuffs Act is that the experience gained in the working of that Act does prove conclusively that there is nothing impractical in the suggestion of the scientific protection of an industry by means of a Committee of Import Control on which the users of the commodity in question are given heavy representation.

The function of the Commodity Boards which we have in mind would be to control the importations of a given commodity—say steel—with the following objectives in view, and under the following conditions:

(i) In order to enable an industry to rationalise. It is clear that a Board on which the representatives of the users were constantly pressing for a cheap and high quality supply, and the manufacturers for the exclusion of the imported product, would be a most powerful instrument for the steady improvement of the methods of the British industry concerned. For agreement between users and manufacturers could only be come to on the basis of the satisfactory supply of the article from the British industry. Thus the Commodity Board would become a permanent instrument exerting a steady pressure towards improvement. It is noteworthy in this respect that the Dyestuffs industry, which has been

subjected to this pressure during the past ten years, is admittedly one of the most efficient of British Industries.

(2) The Commodity Board must have access to the costings, etc., of industries protected, so that the Boards will always be in a position to safeguard the community against exploitation, etc. At the same time, as the Boards are co-operative organisations set up between industries, these costings, etc., will remain confidential.

We do not suggest that the method used by the Dye-stuffs Act, namely, total prohibition of imports, subject to licence from the Joint Committee of users and makers is universally applicable. Because of difficulties of an international character (Commercial Treaties, etc.) and in order to secure flexibility we envisage the Commodity Boards as using the method of tariffs, through which licences are given, as well as that of prohibitions and licences.

Again, the representation of the Trade Unions, both of the producing and the consuming industries involved, on the Commodity Boards, would be essential. This would ensure that due weight should be given to wage factors. For it would be only when a clear case existed that the British wages were markedly higher than those paid by the foreign producer that imports would be restricted in instances where the British price did not approximate to the world level. It is the essence of the proposals we make that the protection afforded to any industry by the State should be protection not only of the manufacturer in that industry, but of the consumer and of the worker. Unless the worker's consuming power rises as his power to produce rises, the gap between the capacity to produce and the capacity to consume, which is the supreme paradox of this century, and which lies at the root of the unemployment problem, will continue to grow. If the power of the State, which represents the

whole community, is to be used through the machinery we have suggested to protect the manufacturer, the State has the right to ensure that this protection shall benefit the worker as well as the employer. With the home market protected from the shock of world instability, each year, as production increases, ought to see an equivalent rise in the standard of life of the worker. Thus we propose that the benefit of State protection shall be conditional on a square deal being given to the workpeople.

The State would be justified in withdrawing its protection, and in our view ought to withdraw its protection from any industry in which fair treatment for the workers is not forthcoming. It is for this reason, as well as for the wider reason that the workers have a right to a real share in the control of industry, that we propose, as a cardinal feature, the representation of the Trade Unions on the Commodity Boards. The operation of this machinery should ensure that any difference between the price of an imported article and the price of a home produced article under Commodity Board protection would be due solely to the higher wages paid in this country. In fact, the case against such protection would be destroyed in the minds of all who accept the principle that the price of an article must not be allowed to fall to a point which means starvation wages to the workers in the industry. The serious case that Protection entrenches inefficiency and enriches the manufacturer at the expense of the consumer would be met to an extent never yet suggested by any other proposal.

SUMMARY OF CONTROL OF IMPORTS

To sum up, our position is that national planning—[?] which to-day is the only way out for Britain—is impos-

sible without the control of imports. Of course, it would be theoretically better to plan the whole world as a single unit. But no one has the power to do that. Therefore, you must start somewhere. The only area in which we can start is Great Britain; but first we must mark off this area from the chaos of present world economy. This we propose to do by the policy of controlling imports. We have indicated the various methods and devices which might be used. It would be unreal to say that anyone can tell exactly what methods will be used for the solution of any particular problem in advance, but we have stated clearly that we adhere to the principle of the protection of the home market by the control of imports; for without this national planning is impossible.

COMMONWEALTH DEVELOPMENT AND OUR EXPORT TRADE

The foregoing proposals refer to the stabilisation of the home market. It is not possible, however, to rest content with this. Our great export trade is to-day subjected to the full force of world economic instability and the cut-throat competition of sweated goods. We must, perforce, turn our attention to the problem of regulating and protecting our Overseas trade. It would be illogical to plan the protection of our industries from instability and unfair competition in the home market in order to maintain wage standards, and then refuse to make any effort to protect the same products from the same competition when production is for the export trade. We cannot contemplate a continuance of the circumstances in which the workers in our export industries are at the mercy of uncontrollable and arbitrary world forces. If we did so we would be condemning

them to a lower standard of life than that enjoyed by workers in industries catering for the home market. Moreover, we should inflict injury on the home market by reducing purchasing power, thus leaving ourselves open to a repetition of the depression from which we are seeking to escape.

How is the protection of our export trade to be accomplished? Broadly by the direction of our valuable purchases of food and raw materials we should be able to arrange such conditions in Overseas markets as would ensure for our export industries assured access to adequate markets. For these purposes it is natural to turn first to the Dominions—great self-governing nations which are yet for historical reasons ready to enter into reciprocal trading arrangements with us: nations which already meet us periodically in Economic Conferences: nations with which we already do a very important proportion of our export trade.

The existence of the Empire Commonwealth gives us a great opportunity to extend the essential principle of planning and order from the nation to a whole section of the Globe; from our home trade to a part, at least, of our export trade. If the Colonies, as well as the Dominions, are included, this means that no less than some 40 per cent, of our export trade is especially susceptible to arrangement, planning, and protection. And so long as the trading arrangements—the Imperial planning—is genuinely to the mutual advantage of both parties, and is carried out with the full consent of their populations both British and Native, it is highly desirable that the principle should be extended from the Dominions to the Colonies and Dependencies. Indeed, it is not too much to say that the creation of say a systematic plan for the orderly, and balanced development

of the gigantic resources of the territories associated together by the British connection would be one of the greatest steps forward towards the conquest of economic security and well-being that could be made.

There must, of course, be no suggestion of going back to the old pre-nineteenth century Colonial system, by which Britain attempted to monopolise, and so exploit, the trade of her Colonies. That policy lost Britain one Empire and, if anyone were so mad as to attempt to revive it, would certainly lose her another. Nor must there be any attempt to prevent the steady industrialisation of those parts of the non-self-governing Empire as are suitable and ripe for the process; for this is, in fact, only a concealed form of exploitation and must in the end lead to the deepest resentment and, ultimately to revolt. On the contrary, the Imperial planning—in the case of the non-self-governing parts of the Empire—which we envisage would provide for the steady industrialisation of suitable areas. But this industrialisation would proceed on a conscious plan, not haphazardly and lopsidedly as at present. For example, definite industries for which local conditions were especially favourable would be fostered in one place, while other industries would be encouraged in another. At the same time the dependencies, however rapid their progress, would be dependent for many years to come on an old industrial country for their more complicated and highly developed industrial needs. British industry could be consciously developed and adapted to the supply of these needs, in the confidence that the very process of primary industrialisation which was being fostered in the Dependencies would create the necessary markets.

The suggestion of the Trades Union Congress Report, proposing an Economic Secretariat of Empire, gives a start in the right direction. The central conception is the planning of an Economic Commonwealth on the lines of a great economic enterprise with a variety of complementary rather than conflicting departments. In such planning a variety of devices will be employed without fear of catchwords, whether Socialist or Protectionist.

It is, of course, true that the Empire is not a complete economic unit. It is also true that the abrupt rupture of purchase from other countries which at present give a market in return to our export trade would damage that trade. But no such abrupt transitions are necessary, or are contemplated. With the power of centralised buying in our hands we could give to the Dominions advantages which would compel the rapid development of Empire economic unity, while at the same time we could maintain buying relations with countries which supply us in return with substantial markets. Broadly speaking, our policy would be to maintain purchases from countries which now afford us reciprocal markets, but to divert purchases to Empire countries from countries which at present give us little or no market in return. The volume of the direct purchases which our centralised buying organisation must in any case make would give us an ample margin to pursue these purposes.

Those who object to a policy of developing Empire markets ignore certain basic facts of the present situation to which some reference has already been made.

- (1) Empire markets already absorb 40 per cent, of our exports.
- (2) They have been and will be rapidly expanding markets.

(3) We are losing ground in nearly every other market on account of factors over which we have no control, and which are likely to increase rather than diminish.

In the Empire we have the possibility of building a market which will give an assured basis for the development of our industry. Within that largely self-contained unit we can build up a standard of life high enough to absorb the product of the modern machine. We can, in fact, not only insulate our home market, we can also begin to insulate 40 per cent, of our existing export trade in its most rapidly expanding markets. Let us by all means take what measures we can to maintain our export trade in the rest of the world, but let us realise that factors over which we have no control will probably tend in the end to offset our efforts.

Our position is that the situation arising from the increasing difficulties of our export position in foreign markets can be met by (a) the development of our export trade within the Empire, (b) by the curtailment of imports and increased home production, both agricultural and industrial.

We must not, however, be thought to despair over the prospects of our export trade to certain foreign countries, and in the case of certain types of specialities. It is true that we believe that we must face the fact that these exports will suffer increasingly from the factors we have mentioned (e.g. prohibitive foreign tariffs, competition of sweated goods, etc. etc.), but at the same time we believe that a vigorous "selling drive" (such as Mr. Hoover, when Secretary of Commerce, organised for American Industry), bargaining with foreign countries, our specialised skill, together with the large scale

production which our assured home and Empire markets would make possible, can keep these exports up to a very substantial figure for many years to come, in spite of larger wage and taxation costs in this country. Again, we believe that economic arrangements can in some cases be come to with Foreign Powers as well as with units of the Empire. For instance, we believe that the time has come when it would be advisable to shoulder whatever risks are alleged to be involved in a policy of granting the export credits necessary to make possible a really large scale export of goods from our heavy industries to Russia. After all, the alternative is to continue to incur, as we do now, the far graver risk of seeing American and German exporters securing a firm footing in this great new market, while our own heavy industries grow obsolete and bankrupt for lack of orders. At the same time, such an arrangement would provide for the orderly import of Russian raw materials, etc., into this country, free from the suggestion of dumping. The Argentine is another example of a foreign power with whom trading arrangements should be made.

THE PRESERVATION OF PEACE

The remaining adherents of a laissez-faire economic policy will no doubt allege that any proposals for economic planning will cause international friction, and so increase the difficulty of maintaining a permanent and secure peace. The objection is wholly unreal: moreover, it comes particularly ill from adherents of the laissez-faire system, for laissez-faire itself has led to the most insoluble international difficulties. When we come to consider the international aspects of the economic policy which we are here advancing it is essential to

bear constantly in mind the alternative possibilities in the real world. It is quite true that a policy which envisages national and regional planning is open to objection on the grounds of international friction, as compared to a policy of world planning. But effective world economic planning (which is the only final solution of man's economic problem) pre-supposes a world authority to plan. No party in Great Britain can have more than a modest influence one way or another in the creation of such an authority. In fact, we know that the possibility is remote. Hence the only realistic comparison of the policy of regional planning here advocated is not with a Utopian policy of world planning, but with the planless, dangerous, economic dog-fight of the real world of to-day.

If this, the true comparison, is made, it can be unhesitatingly claimed that the orderly economic planning of a section of the Globe will be a stabilising, not a disturbing, element. It is quite true that our proposals will not put an end to economic rivalries between nations: that, for example, there may be strenuous international competition for the bulk orders of a centralised British buying organisation. We lay no claim to be writing a prospectus for Utopia. Can it be suggested, however, that international economic rivalries are not rampant to-day under a British laissez-faire economic policy ?

Laissez-faire under twentieth century conditions has resolved itself into a mad scramble for markets; each nation is driven to cut down the real wages and social standards of its population to the lowest possible point in order to " get business " \ Governments while preserving a pretence of non-interference, actively promote the economic advantage of their nationals: the traders and industrialists of one nation push blindly forward in

the exploitation of some foreign market until they meet the traders of another nation and their economic interest;; clash. Before anyone has realised fully what has happened, the Governments are involved. Neither Government, in nine cases out of ten, is really bellicose. But each feels it must support its own nationals in an economic contest which has already broken out. Such are the real consequences of unregulated laissez-faire in the twentieth century world. The prime difficulty in international affairs to-day is the fact that the great nations are highly organised politically but are quite unorganised economically. It is this disparity which lies at the root of most of our stubborn international difficulties. Short of a World State, the only possibility for the permanent preservation of peace rests in economic organisation and integration by the great nations, so that each will become a well-regulated, stable and successful economic enterprise trading with the others on well-defined and well-regulated lines.

An analogy from domestic affairs is relevant. No one to-day supposes that industrial peace can be secured by breaking up the organisations of the employers and the Trade Unions by forcibly dissolving the Federation of British Industries and the Trade Union Council. Such action would indeed restore complete laissez-faire in the labour market. But it is recognised that, far from preventing strikes and lock-outs, it would certainly create such chaos and confusion as to result in continual and disastrous industrial warfare.

Yet, this state of disorganisation actually exists in the economic relations between nations. Surely a policy of conscious economic planning which will foresee and guide the trend of economic development; which will anticipate the points of inevitable friction; which will

enter in advance, before passions are aroused and prestige is involved, into negotiations with foreign Governments for their equitable solution, offers incomparably better possibilities for the maintenance of peace ? Nations do not go to war because they wish to do so. They go to war because they suddenly discover that they have got themselves into an economic impasse from which there is no escape except by force. Anything which tends to put the economic life of nations on to an assured and stable basis will certainly promote the peace of the world.

II

NATIONAL PLANNING AND INDUSTRIAL DEVELOPMENT

It has already been suggested that we do not consider that national planning can successfully be undertaken without the foregoing measures for the stabilisation of the home market by the control of imports, and the fostering of export trade within the Empire, and wherever else opportunities may offer, by the means suggested above. But when these steps have been taken we believe that confidence in Britain's industrial future will have been restored. The British entrepreneur and manufacturer, agriculturist and scientific inventor will all be able confidently to go forward with plans of development. The menace of irregular imports, often sold here over long periods at uneconomic prices, or produced under sweated conditions, will have been removed from the business community. Certain defined export markets will have been secured in which our great exporting industries can have the opportunity of development.

We believe, however, that such are the difficulties of

the present industrial situation that further assistance to industry must be forthcoming from the State. We propose the establishment of a National Planning Council. This Council would co-ordinate the activities of the proposed Commodity Boards, and would bring into consultation representatives of the great industries. Its chief executive instrument would be a National Investment Board.

THE FINANCE OF INDUSTRY

We believe that no adequate machinery exists in Great Britain to-day for the financing of new industries and the re-equipment and re-organisation of old ones. We regard it as a tragedy that no Government has hitherto seen fit to establish such an organisation. The British banking system is historically unfitted for this task, and the tentative moves which the City of London has made (by the establishment of the Bankers' Industrial Development Company, etc.) in this direction, do not seem to have had appreciable results. We feel that Governments have been completely in error when they felt that they had better wash their hands of the responsibility for rationalisation. A modern Government is always, in fact, held responsible by the electorate for the general condition of the Community, and it would be far wiser for the State frankly to shoulder this responsibility, to intervene to improve and expedite the process of rationalisation, while mitigating its painful consequences. In short, the State should form an organisation for the raising, under Government guarantee, of fresh capital needed for the establishment of new industries and the re-equipment and re-organisation of the old ones.

The main organ for executing national economic planning would be a National Investment Board. The first

function of this Board would be to control and co-ordinate all the investments which are at present made under the auspices of the Government or local authorities. This would include the present work of the Public Works Loans Board, the investment of the balances of the Post Office Savings Bank and similar bodies. The Board should take over and extend the functions of the Bankers' Industrial Development Company.

In addition, the Board should administer a similar machinery to that set up under the Trade Facilities Act in 1921. Under this the State will guarantee loans to industrialists for approved purposes of capital re-equipment. The whole field of economic policy involved in administering these powers (which are expected to lead to a far larger investment of capital than that which followed the old Trade Facilities Act) must be within the purview of the Board. Questions of which industries are to be assisted, what form of capital equipment they are to use, and the location of new works should be considered by the National Investment Board as part of the execution of a general economic plan.

It may also be found that the Community needs, in addition to the National Investment Board, an Industrial Bank, whose function it would be to meet the needs of industry in the short money market in the same way as the National Board would meet its needs for long-term capital. The whole policy of the Industrial Bank should be subjected to control from the Investment Board, and the granting of assistance by the Industrial Bank would carry with it similar conditions, in the interests of public policy. Such a bank should not work in active competition with the existing Banks, but should secure their co-operation in the working of the proposed machinery.

At a time of depression like the present the main work of the Board would be to set on foot new capital projects throughout the whole field of industry which would not, under present circumstances, be undertaken.

Industrial and Scientific Research.

Closely linked with this new Public Finance House must be a greatly enlarged and re-constituted Department of Industrial and Scientific Research. In the long run no task is of more vital importance than that of mobilising and rendering effective for the purposes of national revival, Great Britain's formidable scientific resources and attainments. It has been said that the results attained by Science during the last twenty years have created a greater revolution in man's whole life than did all the discoveries of the previous two hundred years: and that the only persons who remain ignorant and uninterested in these results are the politicians who guide the destinies of the nation. However that may be, it is unquestionably true that Britain's industrial future depends more, perhaps, upon the rapid and effective adoption of new scientific results than upon any other single factor. We can only maintain ourself as a leading world power by actually leading the world in some important fields of human activity. Our high degree of industrialisation, our unrivalled technical experience, the skill of our workers, our great resources of scientific ability and devotion, give us the opportunity to maintain our lead indefinitely. What is chiefly lacking—as so often in Great Britain—is the effective co-ordination and application of our resources.

We have not a word to say against the admirable work being done to-day by the Department of Scientific

and Industrial Research. But the scale upon which it is allowed to operate is far too limited. Again, the method that the Department chiefly employs is only suitable for certain purposes. At present the Department proceeds chiefly by making grants of expenditure proportionate to the total amount subscribed to Research organisations established by various industries. This is no doubt an excellent method and should be continued and developed. At the same time much more is needed. Above all, a method must be established by which new devices and inventions can be carried through the difficult intermediate stage between successful laboratory results and commercial exploitation. At present the Department can only test inventions at the owner's own expense and issue a report on the results obtained. This report may, of course, be of value when the inventor proceeds to the city in the attempt to obtain financial backing for his device; but that is all the public assistance he can receive.

We are satisfied that present methods mean in practice that the question of whether a new discovery obtains the necessary finance is largely a matter of chance: many worthless devices receive backing, and the Community's savings are squandered on them, while vitally important discoveries are ignored. The Department of Scientific and Industrial Research must be made, in fact if not in form, a section of the National Investment Board. A certain maximum sum or "Block Grant" should be set aside each year which the Department will use for the development of a small number of selected inventions. These inventions should be taken, after a suitable financial arrangement has been come to with the patentee, right out of the laboratory stages and put on to the market under public auspices. Usually, no

doubt, the Department would recoup itself by allowing the manufacture of the device under licence by a private firm, rather than by entering into manufacture itself.

Naturally a proportion of the inventions selected would prove failures and the money expended upon these would be lost. If, however, only one in ten of the selected devices proved successful, the Department would find itself recouped many times over. Its object, however, would not be to make a profit, but to provide a steady stream of scientific improvements for the use of British industry.

Science and Coal.

Another field in which a National Investment Board should work in close association with its scientific department, would be on the question of the establishment of whole new industries in this country, industries which, while yet insufficiently profitable to attract private capital, would, on broader public grounds, be of the very greatest use to the Community.

A striking example of such an industry is that of coal carbonisation. This process appears to be insufficiently profitable to attract an adequate amount of private capital. It should, however, be most carefully considered whether the deliberate establishment of a large scale Coal Carbonisation industry in this country would not be justified on grounds of public policy, even though the yield on the capital invested would remain below the rate which private capital would require.

It might be found that such considerations as the following, which no private investor could take into account, would fully justify such a course. First, the

possibility of " Salvaging " a large amount of the Community's capital which has been sunk in coal-mining, and which would be rendered profitable again if a new market for coal was created. Second, the reduction of our degree of dependence on imported oil fuel. Third, the production of a smokeless fuel with all the incalculable benefits which such a discovery" would bring to our urban populations. Fourth, the saving in unemployment relief which would be effected by the creation of a large volume of work in the coal-fields.

The fostering of inventions is, however, only one side of the critically important role which science must play in any national revival. For agriculture, both here and in tropical parts of the Empire, something is being done ; but much more could and should be done. A comparatively small sum used in medical research would almost certainly increase the national efficiency to an extent which would reimburse the Community many times over. Again, no organised attempt at the standardisation, for mass production purposes, of many of the basic products of industry, comparable to Mr. Hoover's remarkable campaign in the U.S.A., has been made in this country. In sum, Science must be mobilised and applied by organised and systematic methods if any plans of national revival are to bear fruit.

THE LOCATION OF INDUSTRY

We believe that one of the most important steps towards successful national planning would be for the State to acquire the right to plan the location of new industrial developments in this country". It is a mistake to think of this country, even at the present time, as being in a state of industrial stagnation. New industries

are developing with considerable rapidity even to-day. The industrial crisis consists in the fact that the old industries are decaying more rapidly than the new are developing. We are confident that our proposals will adjust this balance; but the problem of how and where new industries shall develop remains of the greatest urgency. We believe that the Government should establish a Department which would issue licences to new enterprises before they established works, mines or factories. The business of this Department would be to help business men in finding the scientifically most suitable place for their new works, not to hamper or hinder them. It would prepare the most comprehensive information available as to the natural and acquired conditions of every part of this country. Detailed economic maps of each area would be prepared so that an industrialist intending to establish a new plant would find in this Department an incomparable wealth of information as to his most suitable site.

The urgency of this proposal cannot be exaggerated. Development is going on to-day rapidly, but in the most haphazard and undesirable manner. This irregular development is creating almost insoluble problems in the matter of transfer of labour, re-housing and local government generally. Whole areas are being left derelict and a significant proportion of the capital resources of the Community thereby squandered. It is absolutely essential to make some of our older industrial areas available for the establishment of new industries. Many of them are among the best equipped areas in the world with respect to power, fuel, transport facilities, the availability of coal supplies and their unique nearness to ports available for ocean transport. Nature has endowed them with gifts which we seem determined to squander. Up

to the War and later we have been building up systems of transport and power supply, the return on which we appear not to be anxious to secure.

At present new industries are not going to these areas, but are flowing either to the agricultural areas in the South and West of England, or into Greater London. In the first case, they spoil irrevocably some of the most beautiful countryside in the world, thus ruining for ever one of our greatest national heritages and, incidentally, destroying an asset of very considerable economic value in an age in which the tourist industry is one of real importance. In the second instance, they increase the congestion of population in Greater London, which is every day creating insoluble problems of transport, health, etc. etc. Surely the Community has a right to plan the location of its industrial development ? The individual manufacturer does not and cannot reckon the balance of gain and loss to the Community as a whole when he established his works. No entry is made in the manufacturer's balance sheet for the cost to the Community of migrating new workers into his area, of building them houses, roads and drains, and providing them with gas, water, electricity, 'buses and trams, of the costs of congestion of population, and finally of the cost of writing off the derelict social capital in the depressed areas where the new industries might have been set up. All these charges have to be born in some form by the Community as a whole and very often by the local authorities. We believe that this question of the right of supervision of the location of new industries is one of the most important which can be secured to the Community to-day. National planning, in any true sense of the word, is impossible without it. Again, no comprehensive new housing policy, such as we suggest below,

is possible without this provision. At present municipalities build new houses, generally in accordance with town planning schemes, to re-house the slum dwellers, but have no power of bringing industries into the areas indicated by the town planners. Consequently workers in the new houses have to travel long distances to and from work; the Ministry of Labour through its Training and Transference Department is constantly bringing men away from depressed areas, but has no guaranteed employment to train them for or housing to offer them; the State subsidies are used to enable every local authority to build houses and roads without knowing where or whither they will be required ; while the industrialist brings his works to a district chosen by himself, often on irrational or invalid grounds, and complains that he can get neither workers, housing, power nor transport. Once, however, we have created an organisation for the orderly planning of the new industrial revolution which is undoubtedly upon you, great schemes of housing become possible. These would be largely additional to slum clearance schemes. Again, this national industrial planning must, of course, be carried on in conjunction with the Agricultural development which we propose below.

CURRENCY AND DEBT

We believe that no economic proposals will in the end succeed unless they include the rational planning of currency so that the present disastrous fall in the general price level is arrested, and producers are given a firm expectation of a reasonably stable general price level in future. The fall in the price level has already, in the course of the last few years, enormously increased the

proportion of the national income which has to be devoted to the service of the National Debt, and of all other securities bearing interest at a fixed rate. We are having to pay interest on that debt in pounds worth much more than the pounds which we borrowed. Indeed, although we have been paying crushingly large sums each year since the end of the War for the reduction of debt, the Debt is to-day, owing to the fall in the general price level, a very much heavier burden than it was ten years ago. At the present time we are spending nearly half of the Budget in the service of the Debt.

The effect of the fall in the general price level during the last ten years has been to transfer to the passive rentiers or bondholders from the active producing sections of the Community, from workers and employers alike, a huge annual tribute. It cannot be too strongly emphasised that in the case of the National Debt this heavy burden has to be met out of taxation, which in turn has to be met out of the proceeds of industry. The industrialist and the workman alike suffer from it. It may be impossible to go back on the past, but the experience of the last ten years has taught us that it is indispensable to avoid a further fall, in the general price level. For every such fall has the effect of increasing the real weight of debt much faster than it can be reduced even by crushingly heavy repayments of capital.

The problem of International Debts is necessarily a distinct one. There can be no doubt, however, that the economic effects arising out of Reparations and Inter-Allied Debts have been disastrous alike to the world as a whole and to Great Britain. Great Britain is paid by the European countries approximately the same annual sum as she pays to America. Therefore, as both a Creditor and Debtor nation she has nothing

to gain or lose directly by a mutual Cancellation of Debt. This puts the British Government in a good position to initiate a movement for the cancellation of all War indebtedness by mutual agreement. Sooner or later the fact that she is losing far more in trade than she is gaining financially by the debt payments may become apparent to the American people—as it has already become apparent to American Bankers and Industrialists. The British Government should show its willingness to cancel all foreign War debt obligations to it on condition that the American Government does the same. Unless some step of this kind is taken, and unless the fall in the general price level is corrected, international indebtedness will become an ever more intolerable burden, and must tend to defaults and repudiations.

Beyond this, the effects of a falling general price level in depressing business are too well known to need description here. On both counts the maintenance of a relatively stable general price level in future is indispensable.

It is, undoubtedly, preferable that the stabilisation of the world price level should be achieved internationally by the co-operative management of the world stock of gold by the great Central Banks. But there seems no substantial expectation of any such world policy developing. The next best thing would be for the Central Banks of the British Empire to achieve a stable Imperial price level by means of inter-imperial regulations, which freed our currencies from the world monetary chaos. If even this proved impracticable, at any rate in the immediate future, we believe that the question of securing a stable internal price level for this country will have to be faced in earnest. This object is of such over-riding importance

that no less important objective should be allowed to stand in its way. We are not however amongst those who believe that a stable general price level would solve every problem. The disastrous tendency of undirected economic forces to disproportionate production—to produce too much of one thing and not enough of another would remain. That can only be met by national planning. But we readily agree that such national planning is impossible without a relatively stable general price level.

PART III

THE MACHINE OF GOVERNMENT

WE are well aware that any programme of fundamental national reconstruction is impossible of fulfilment with the present Parliamentary and Governmental machine. To get half the legislation implied by our proposals through the House of Commons under the present procedure would take many years. But the emergency requires a policy which would be in motion within a period of months. Hence we propose a complete reform of the machine. The object of reform would be to ensure that the Government elected by the people should be in a position to implement the national will. The present position is a mere mockery of democracy. Repeatedly in the last ten years the nation has voted for what it believed was a policy of action. But each Government, when it has been elected, has found that the administrative and legislative machine was so antiquated and cumbrous that it was utterly impossible to do much. Hence no Government has made any serious attempt to carry out its election pledges. The country has realised this, and apathy and disillusionment have grown. Politics are in danger of becoming a mere “ game ” for professional players divorced from reality.

The only way out of this situation is to devise a machine which will enable a Government to put through in actuality the programme upon which it has appealed

to the country. This is, in fact, the only way in which the reality of democracy can be saved. For the reality of democracy consists in providing a legislative and administrative machine which can and will implement the nation's will, instead of thwarting and frustrating it as does the present system. In order to do this a whole labyrinth of the forms and conventions of the traditional system must be scrapped; only so, however, can the stifling of the national will be prevented.

Broadly we say to the Electorate : " Choose whatever Government you like. But when you have chosen it, for heaven's sake let it get on with the job without being frustrated and baffled at every turn by a legislative and administrative procedure designed for the express purpose of preventing things being done."

PARLIAMENT

In general Parliament must be relieved of detail. Its essential function must be to place in power an Executive Government of the character decided upon by the nation at the last election; to maintain it in power until and unless it commits some action which in the opinion of Parliament is deserving of censure ; in that event to turn it out by way of direct Vote of Censure and appeal to the Electorate; to debate the broad principles of Government action as is now done in " Second Reading " debates ; to interrogate Ministers on their actions so that anything which Parliament considers needs elucidation should be fully ventilated.

Exact proposals for the reform of Parliament on these lines can be submitted. In particular the present cum-

brous procedure for dealing with " Private Bills", promoted by municipalities, etc., needs thorough-going reform. In general our proposals will be designed both to allow the Executive to act with the swiftness and precision which modern conditions have made imperative, and so to convert Parliament from being a mere " Obstructionist's Paradise ", as it is to-day, into a true agent of the national interests. Thus, with this greatly simplified and expedited procedure, it would again be possible for men and women who were playing a leading part in the affairs of the nation to sit in Parliament, and the present charges of Parliament degenerating into a " talk shop " for professional politicians would be met.

THE EXECUTIVE

This drastic reform of Parliamentary procedure is not, however, enough. The conditions under which Government is carried on in this country to-day make a well thought out national policy impossible. The Cabinet system has degenerated, so that it can no longer formulate or carry through the kind of programme of national reconstruction which we envisage.

At present the Government of this country is in the hands of a Committee of over twenty men, meeting irregularly not more than once, or at most twice, a week, and composed of men most of whom are overwhelmed with the affairs of the Great Departments of which they are the head. No wonder that this country, under whatever kind of Government, has never had a conscious policy for the last ten years, and has drifted helplessly from one crisis to another.

It is essential that a small inner Cabinet Committee consisting of five or six men should be formed. These

men must be Ministers without portfolio : that is to say, they must be free from the burden of running a great Department of State, so that their whole energies may be devoted to formulating and implementing the general policy of the Government. They must form a small Committee under the Prime Minister, and their decisions must be binding upon all Departmental Ministers. The full Cabinet of Departmental Heads will, of course, continue to meet at intervals.

This proposal has been described as an attempt to set up five Dictators. No accusation could be more inept. There is nothing either more or less democratic about entrusting the ultimate responsibility for the decisions of the Government to a Cabinet of five men, who are free from all other work, than entrusting them, as at present, to a Cabinet of twenty men who are too busy to give real consideration to their most vitally important decisions. The only difference is that one system will work while the other does not.

PART IV

IMMEDIATE RECONSTRUCTION

THE PLANNING OF WORK

WE believe that the policy of National and Commonwealth organisation and planning, which we have no more than indicated above, is the only way out of the economic crisis. But we recognise that the immediate situation confronts us with an unemployment problem which brooks no delay. It is useless to deny—for the facts prove otherwise—that the maintenance of the present enormous standing army of men idle through no fault of their own, at even their present very low standard of life, is becoming a burden which threatens to place such a strain on the State and Industry as itself to cause new unemployment.

This situation is very serious and calls for urgent action. We believe that the question of the maintenance of the unemployed cannot be separated from that of the provision of work. We are simply unable to comprehend the attitude of those people who are unable to find ready to hand a very great amount of urgently needed work which will yield the country a solid return. We detail below the three principal spheres into which this work falls: namely (i) Housing, (2) Agriculture, (3) Electricity, Transport, etc. Work of this kind, which urgently needs doing, can be found in the immediate future for the men who are clearly permanently out of their old employments .

ECONOMY

It is perfectly true that this will involve the investment of very great sums of money in the undermentioned capital improvements to this country, and that this money must be raised by the Government by way of loans. But this is not in the least inconsistent with a policy of strict governmental economy which is rightly considered an important point in any constructive policy. The importance of distinguishing clearly between capital and income, productive and unproductive, expenditure cannot be exaggerated in this connection. For instance, there is nothing in the least inconsistent in investing £100 millions in re-housing the slum dwellers, and at the same time insisting on a substantial decrease in Government expenditure. Indeed, capital expenditure does automatically decrease income expenditure where it employs an unemployed man on economic work.

It is the prime object of our whole policy—both on the side of planning the industrial life of the community in the way indicated above and in the large scale development of Housing, Agriculture and Transport to be indicated below, to cut down the Government's unproductive expenditure on maintaining the unemployed in the only tolerable way—namely, by giving employment.

HOUSING

An almost unlimited amount of not merely useful, but urgently necessary work is lying waiting to be done in the provision of decent homes for the mass of the British people. A large reserve of trained labour is immediately available, since there is mass unemployment in the building

industry itself. What holds up the provision of employment to several hundreds of thousands of men to-day is merely the unwillingness of Governments to cut through the hopelessly cumbersome machinery whereby they attempt to induce the Municipalities to build houses by offering them subsidies.

It is suggested that the State should take over the Slum Clearance problem from the Municipalities and turn out houses much as munitions were produced in the War. The problem of the slums, the problem that is of re-housing a substantial proportion of the inhabitants of the great cities, should be dealt with by direct State action of this character. This problem is distinct from the ordinary problem of catering for the normal new housing needs of the population, which must be left, for the present at any rate, to the Municipalities and private enterprise operating within defined limits as to rational spacing, planning, etc. The Slum Clearance problem should, in fact, be isolated from the general housing problem for direct State action. For this purpose something amounting to a Building Service must be inaugurated beginning, if necessary, with the production of materials and going right through the processes of demolition, reconstruction and the provision of alternative temporary accommodation with temporary transport facilities, etc.

This large scale effort would not be conducted by Whitehall, but by a Housing Board constituted by statute. The exact magnitude and spacing of the task could be determined with precision in advance. It might for instance, be determined to gut and to rebuild the slums of our great cities in a defined period. Steady employment in the new building service could be guaranteed for that period, which should engage the

active support of the Building Unions. The whole work could be financed by Slum Clearance Bonds guaranteed by the State. The difference between the economic rent to cover the service of interest on the Bonds and the rent which the present occupants of slums could pay at their present wages might have to be met, if necessary, by the State as a national health service. How great a national gain—even from a strictly economic standpoint—this could be is shown by the fact that no less than 29[^] million weeks of work (far more than are ever lost as a result of strikes)—are lost per year in this country as a result of sickness. A very high proportion of this appalling loss of national efficiency through sickness is due to the abominable housing conditions of our cities. Even the money cost to the State should not be so large as might appear if the same methods in the mass-production of building materials and houses or blocks of flats were employed that proved so effective in the analogous case of munitions in the War. The claim of the slum landlord to compensation has already been denied by Conservative legislation. It is believed that no other reform would involve so much national benefit at so low a charge to the Exchequer.

AGRICULTURE

Agriculture is a field in which work, next to housing in urgency, is waiting to be done. In the first place, we believe it to be essential to find some method of ensuring to the British farmer an assured market and a stable price. Agriculture has been almost ruined by the price fluctuations of the last ten years. For the farmer, with his long period of production between seed time and harvest must be able to rely on stability of price. We

are opposed to crude proposals for the imposition of a tariff on foodstuffs. We believe that benefits for the home producer can be achieved by more efficient methods of production, processing and marketing. Our import of foodstuffs, however, must be controlled and regulated by an Import Control Board, which would effect considerable economies by the purchase in bulk of many of our necessary food imports.

Here the Government has made a beginning but more is required if a real impression is to be made on this difficult problem. It is essential that we should increase the productivity of the land so that we may achieve a better balance as between industry and agriculture, and be able to improve our international trade balance by becoming less dependent on certain foreign supplies of foodstuffs, which we can well produce here. In addition, we are faced with a problem of surplus labour in the Industrial North, which, through the revolutionary changes in industry, rationalisation and the spread of industrialism throughout the world, is never likely to be absorbed in its old industries again. We must aim at providing employment on the land for a number of people, who would normally have become attached to one of the older industries.

The first thing that ought to be done, is to make a systematic survey of the agricultural land of Great Britain, so that it may be mapped into zones with the object of classifying areas according to the kind of farming for which they are suitable. Thus it will probably be found that certain parts of the North and West of England would take a large number of smallholders and family farmers, while the Eastern counties may have to be developed for large scale cereal production, In the case of the smallholders and family

farmers, the actual production per acre may not be increased, but the social value of the change will be great in view of the unemployment situation in our urban centres, and the health of our people improved by a better distribution of the population. Even if there was no improvement in agricultural practice, a number of men would be engaged in producing food instead of being on unemployed benefit. In the Eastern counties large scale cultivation with tractors, etc., whilst not perhaps increasing the number employed, would prevent land from becoming derelict, and thereby save the existing rural population from unemployment and growing poverty.

In this connection, we think the Liberal Party's proposals, on how to tackle the unemployment question, worthy of consideration. According to these proposals, the State should be empowered to acquire land where the soil needs improving and buildings re-equipping, and land which cannot be farmed profitably under existing conditions or which is needed for settlement, mainly in lieu of death duties or on a basis of paying to the owner an annuity equal to the nett rent. The State should, where necessary, re-equip and re-condition such land as a preliminary to re-letting to tenants, to be farmed in accordance with modern standards. Many of these proposals are already contained in the Government Land Settlement Bill, which may shortly become law," but that part which deals with the acceptance of suitable land in lieu of death duties, has up to now been opposed by the Treasury on the ground that death duties are for general revenue producing purposes and not for the achieving of economic changes such as the agricultural development we propose. If, however, the process of acquiring land by this means was spread over

a period of years, the loss to the revenue would not be considerable. The next step should be for the State to undertake as rapidly as possible, the creation of many small family farms on land acquired by the methods just described. There are considerable areas in England where the family farm of from 50-150 acres provides an efficient economic unit. In areas, where climate, soil and proximity to markets, permit of successful fruit, vegetable, pig, dairy and live stock rearing, the family farm can hold its own against other forms of holdings.

It is also worth considering whether the State should not, through an agriculture credit organisation, make capital advances to existing owner-occupiers for approved schemes of reconditioning and re-equipping their lands for modernised farming. The present methods of granting credit to farms, under the acts passed by the last Conservative Government, is, to a large extent, a dead letter owing to the fact that the working of the scheme is largely in the hands of the big private banks, which have no direct interest in agriculture development. This is a function which the State itself should assume, but it must guard against the use of public money for subsidising private industry without the necessary control. The granting of public money for reconditioning would have to carry with it the obligation of the owner-occupier to pay interest on the capital loaned by the State and to observe certain standards of cultivation. In order that agriculture, re-capitalised in this way where necessary, may be assisted to capture a larger share of the home food market, we consider that the following measures should also be taken.

- (a) A revision of railway rates and port facilities, so that instead of foreign products having prefer-

ence, as is the case now, the British farmer would be given easier and cheaper access to the British market. If preference is to be given at all, it should be to the home producer.

(b) Better marketing arrangements, broadly on the lines proposed in the present Government's Marketing Bill, in order to secure for the farmers a larger share of the price paid by the consumer.

In addition to the agricultural developments already described, we believe it is essential to set up Public Utility Concerns to operate abattoirs, bacon factories, creameries, canning plants, etc., and to develop new industries for the handling on mass production lines of the by-products which would be obtained. These industries would provide new employment for a large number of workers and would bring into relation with the marketing of agriculture products the profits on these industries which now go to the foreign producers. To co-ordinate the activities of the whole agricultural industry in the various forms described we believe that a National Council for Agriculture should be set up. Such a National Council, working in close touch with the Transport Control Board, might stabilise the whole industry. In this way, we believe agriculture can be lifted from its present condition of depression and become one of our most prosperous industries, finding employment for a much larger proportion of the population.

ELECTRICITY AND TRANSPORT

With a drastic reform of the whole present methods of dealing with the matter, but only on this condition, an

immense amount of very necessary work awaits a Government of action in the related fields of Transport and Electricity (including Roads and Telephone). Here there is no real difference on the question of the desirability of the work. Our whole difference with previous Governments, and with the present Government, is on the question of the “ tempo ” at which these proposals should be initiated. We are quite willing to believe that the present Government has reached the limits of speed with the present machinery of Administration. The whole essence of our proposal is that it is now urgently necessary to change that machinery.

TAXATION

While our policy demands the investment at home of large sums of money in plans of national development, it also calls for a reduction in the unproductive expenditure of the Government. Taxation in Great Britain amounts to about £15 per head as compared with £7 per head in Germany, and £6 per head in the United States of America. This imposes a serious handicap on British industry as compared with industry abroad, and gives rise directly to the attacks on the Social Services which have developed to a dangerous point. If the Annual Expenditure is examined it will be seen that out of a total expenditure of 800 millions no less than 550 millions goes on three items—the Service of the Debt, Armaments and the maintenance of the Unemployed. It is under these three headings, and not on the Social Services, that reductions in expenditure should be sought. As regards the Debt, we have already said something on an earlier page. As regards armaments, we propose, as will be seen later, a substantial reduction in expenditure,

As regards expenditure on the maintenance of the unemployed each unemployed person costs the Insurance Fund on the average £5 7 a year, and the enormous annual expenditure which this represents is a standing inducement to Governments to seek a way out by reducing benefit. We take the view that there is only one way of reducing this, and this is not to attack the Insurance Fund, to reduce the rates of benefits or to increase the contributions of workmen and employers, but to find work for the unemployed. This is essential.

Reductions in taxation will be made possible by a policy which provides work, and we think that relief as and when it becomes available should be given to the taxpayer in the following ways : (a) on food taxes, (b) on the lower ranges of earned income and (y) on sums definitely set aside by companies for development work. We advocate substantial reductions in these spheres, the money to be found from the following sources : (1) A substantial reduction in expenditure on armaments (see below). (2) The Import duties which we advocate on luxury imports which are not appropriate for treatment by the method of Import Board, licence, etc. (3) A drastic reduction in the Statutory Sinking Fund. This we believe to be a just field for the following reasons. The proposal is based on a view supported by many great industrialists—that it is folly to attempt to pay off the War Debt so quickly. To burden the struggling present for the sake of a prosperous posterity (if we survive at all) is like asking a man to box twenty rounds after rising from a bed of influenza instead of deferring the contest for a few months when reconditioning and training will make him fit for the exertion. In the light of history the effort is an absurdity. America emerged from the Civil War with a national debt of

£2,000 millions, and a computed national wealth of £3,000 millions. At the beginning of the Great War her national wealth was roughly computed at £30,000 millions, and the debt had been shaken off like water from a duck. What folly if she had crippled, by premature efforts at repayment, her great development which made the debt irrelevant. Britain's position and experience on emerging from the Napoleonic Wars was very similar. If our economic policy succeeds, the debt of the present should assume altogether different proportions in relation to the wealth of the future.

Successive Governments have sought by the maintenance of a very high Sinking Fund to bolster up large conversion schemes. These efforts so far, however, have merely resulted in a further artificial appreciation in gilt-edged securities and further increases in the purchasing power of the rentier class at the expense of the rest of the Community. As has been shown with considerable force, the hope of bringing down the rate at which a British Government can borrow far below the world rate is largely illusory, and a reduction of the world rate depends far more on entirely different methods, such as a Consortium in London, Paris and New York to deal with "distressed borrowers", who are maintaining the rate of interest by competing desperately with each other in the money market.

In any case, efforts to effect conversion through deflation and depression are self-defeating. The Treasury has pushed up gilt-edged securities by the simple process of making industrial investments so unprofitable that the investor has no resource but gilt-edged. The further effect of that policy, which is now being felt, is the investment of British Funds abroad rather than in British industrials or Government securities.

DEFENCE

In the sphere of the efficiency of the defence forces of the nation lies a great field for Governmental economy. We suggest the establishment of a Ministry of Defence. Such a Ministry might, in fact, entail little more than an enlargement and reorganisation of the present Committee of Imperial Defence. A total sum of money, substantially lower than present expenditure, should be voted by Parliament to this Ministry for allocation between the Army, Navy and Air Force. It will then be found, we suggest, that we are expending vast sums on obsolete armaments which could be sharply reduced. At the same time if our really modern and effective armaments were fully maintained, until such time as proportionate disarmament agreements can be arrived at with other nations, the security of the nation would be definitely increased.

CONCLUSION

Such is our programme for dealing with the present emergency. It is not suggested that it covers the whole ground of political affairs.

For example, there is no mention of such major subjects as Education, the future of India or indeed of the whole question of Foreign Affairs. To have discussed such problems would have necessitated the writing of a full length political Treatise. The intention of the sponsors of this programme is more modest. It is to indicate " a line " which they believe provides the only tolerable way out of the national crisis. Subjects even of the utmost importance in themselves have only been discussed in so far as they were germane to the immediate

economic crisis. That crisis is so profound, its ramifications are so extensive, and the measures essential for its solution are so fundamental that our analysis and proposed programme have taken us over a wide range of topics. Readers, however, must not suppose that we have arbitrarily ignored problems not mentioned in these pages.

Nor do we suppose that even in that field of politics with which this programme is concerned, it is the last word in political wisdom. It may be suggested—it has been suggested—that our proposals for Parliamentary reform are undemocratic. To this we reply that systems of government will stand or fall by the test of how far they prove adequate to cope with the situation which they are called upon to face. The real enemies of democracy are not those who suggest that we have reached a stage where the antiquated methods of Parliament must be brought up to date, but those who by endless talk and obstruction paralyse the Parliamentary machine at a time when action is essential, and so bring Parliamentary democracy into contempt.

One thing we' claim for the programme we have outlined. It is an effort on the part of men who appreciate the gravity of the crisis to summon the nation into action on a policy more realistic than any which has so far been put forward by any Government. And we invite all our fellow citizens who are in agreement with its main lines to communicate with us and to support us in our effort to impart a new impetus to British politics; to secure effective action before it is too late.

S U M M A R Y

The pamphlet is described by its authors as "a programme of disciplined national effort to meet the emergency with which we are faced."

THE CRISIS (Page 5).

The symptoms of national emergency are mass unemployment, heavy wage attacks throughout industry, and budgetary deficits leading to demands for reductions in Unemployment Insurance, Social Services, etc,

THE POLICY (Page 19).

The pamphlet proposes an emergency policy of national reconstruction as the only tolerable way out of this crisis. After a brief analysis of the economic position of Great Britain both in regard to home and export trade, a series of definite proposals for national reconstruction are made. These proposals fall under three heads:—

1. *Control of Imports* (Page 23).

The protection of the home market by a system for the control of imports which, is described in detail.

2. *Commonwealth Partnership* (Page 24).

Economic partnership with the Dominions and Colonies on the basis of mutual advantage and, trade agreements with any foreign countries with whom arrangements can be made for the maintenance and protection of our export trade.

3. *National Planning* (Page 32).

A comprehensive scheme of National Planning through a National Economic Planning Council which would recruit the assistance and advice of the best brains in industry. They would co-ordinate the Commodity Boards for the regulation of imports, and the rationalisation of production and marketing.

The chief executive instruments for National Planning must be:—

(a) *A National Investment Board* (Page 33).

A National Investment Board to mobilise our capital resources and make them available for industrial reconstruction on a defined method.

(b) Science (Page 35)-

The mobilisation in connection with the Investment Board of our resources in scientific and technical fields.

(c) Currency and Finance (Page 41).

A new policy in regard to currency problems which makes the establishment and maintenance of a stable internal general price level an essential aim to which everything else must be subordinated.

THE REVISION OF PARLIAMENT (Page 45).

It is recognised that in order to make feasible the carrying out of this comprehensive programme of economic reconstruction the Parliamentary and Governmental machine need drastic revision. Accordingly proposals are made which would relieve Parliament of all detail work. Parliament under these proposals would again find its place as a guardian of the liberties of the Nation, able to change the Executive at will; but it would abandon the attempt to control every detail of Executive action.

AN EMERGENCY CABINET (Page 47).

The Executive itself, however, has become unwieldy, and proposals are made for a complete reform of the Cabinet System. A small inner Cabinet Committee of Ministers without portfolio is proposed to assist the Prime Minister in carrying out the general policy.

IMMEDIATE RECONSTRUCTION (Page 49).

The pamphlet recognises that the programme of fundamental economic reconstruction which it proposes will take time to mature. In the meanwhile, and in order to prepare the country for economic revival, the physical reconstruction of Great Britain must be undertaken on a far larger scale than has yet been proposed. The pamphlet proposes in this direction:—

(a) National Slum Clearance (Page 50).

A National Slum Clearance scheme by which the task of freeing our Cities from their plague spots is taken out of the hands of Local Authorities and placed in those of a National Housing Board formed on the lines of the Central Electricity Board.

(b) Agricultural Reconstruction (Page 52).

A comprehensive scheme for the reorganisation and rehabilitation of agriculture is proposed and is made possible by the control of agricultural imports.