

# whatever will happen to the National Plan?

Ralph Oppenheimer, Harold Lind  
young fabian pamphlet 12 3s



# young fabian pamphlet 12 whatever will happen to the National Plan ?

---

contents	1	introduction	1
	2	why should we plan ?	8
	3	how should we plan ?	11
	4	Whitehall and the National Plan	16
	5	conclusion	23

---

this pamphlet, like all publications of the Fabian Society, represents not the collective view of the Society but only the view of the individuals who prepared it. The responsibility of the Society is limited to approving the publications which it issues as worthy of consideration within the Labour movement. Fabian Society, 11 Dartmouth Street, London SW1.  
April 1966

# 1. introduction

In 1961, a Conservative Party battered by economic failure and at its last gasp for new ideas, discovered the French economic "miracle", and (wrongly) attributed this to the success of French economic planning. For several years thereafter, "planning" became the panacea which both political parties tended to proffer as their solution to Britain's problems of lagging growth, rising inflation, declining investment and, in fact, just about all the ills that flesh is heir to. Since then, first through the NEDC, then through the DEA, the planning has come, but the problems, in large part, remain and it seems quite possible that the problems will overcome the planning before the planning overcomes the problems. Perhaps the major challenge facing the new Labour Government is whether, under the pressure of short-term foreign debts, they are going to jettison the growth targets advanced by the National Plan. If once again a British Government decides that of all its commitments, that planned growth is the most expendable, it will be perilously easy to deduce from this that the concept of planning is a snare, a fraud and a delusion. It is no coincidence that Enoch Powell's advocacy of precisely this doctrine has become increasingly influential within the Conservative Party, and the danger is that by 1970 it might have gained influence with the country as a whole.

Those who believe that planning has a key role to play in achieving the sort of society they want, must therefore be ready to explain that the apparent failure of planning has not been due to any inherent deficiency of a planned economy. People have been disappointed because they misunderstand what planning is about; a misunderstanding fostered by the glib over-simplifications which are the backbone of any politician's electoral appeal. Those who believed NEDC's forecast of 4 per cent growth would automatically lead to this desirable end are now sadder and wiser. It is, to say the least, a possibility that the 25 per cent growth by 1970, forecast by the National Plan will also not be achieved. Before fashion switches and planning is discounted completely, the

new Labour Government must determine exactly how planning can be used to assist it in achieving its ends. It must then abstain from claiming more than can reasonably be expected, but must class as a first priority the achievement of what it has promised. Planning is a useful, indeed, a necessary tool, but it is not a crutch. The Government must use its plan to get things done—not lean on it and hope desirable changes will happen automatically.

However, a Government which intervenes more effectively in the economy cannot ignore the relationship between planning and individual liberty. Economic planning still arouses hostile and emotional responses in some quarters, because it is thought to threaten freedom. Much of this freedom is mythical, the free market system is largely the construction of academic theoreticians, and in our mixed economy one need only refer to the existing size and social power of large corporations, trade unions and government to ridicule the notion that the individual is a completely free agent. Nevertheless the feeling that the rise of planning and of what might be called state capitalism is threatening individual liberty has spread quite widely, far beyond the extremist fringe.

Certain forms of planning imply an increase in state control over the economy. For example more selective government intervention in industry entails an increase in state power as would an effective incomes policy. One of the major differences between the DEA incomes policy and earlier attempts to influence earnings is that there the government steps in directly instead of relying on automatic mechanisms like high interest rates or credit squeezes. These increases in government interference are not desirable as such. They should be supported because it is believed that they will lead to an increase in national prosperity, which is profoundly desired by most people.

However, although there are minor differences in the degree of intervention; there is no difference in kind as both critics and apologists of the National

Plan are wont to suggest. Many of the planning innovations are merely suggestions for improving the efficiency of government operations in areas where government has always been actively involved. The extent of state power in the economy today is already enormous. The Government is responsible for over 40 per cent of investment and employs directly or indirectly one quarter of the labour force. Moreover there are effective safeguards for preventing the "faceless planners" from using their new powers to "take over the country". It is for instance, possible to minimise the extent to which planning implies centralised decision making by a large and powerful bureaucracy. In many cases planners can achieve their objectives most successfully by working through the price mechanism, thus allowing people to take decisions for themselves without governmental interference or red tape. In addition much can and should be done to strengthen democratic safeguards by exposing government planning to as much public scrutiny and comment as possible, and by tearing away the veils of secrecy, behind which administrators are prone to shelter.

Above all there remains the most important democratic safeguard: the electorate can always vote for a party which advocates less planning or no planning at all. If people feel they are being pushed around by faceless bureaucrats they can always react against the government, and government in turn will respond with a reaction so quick as to be almost Pavlovian. Extremists who bemoan the decline of freedom might consider what happens in countries where the government, by abolishing elections, no longer needs to keep their fingers on the pulse of public opinion.

## PLANNING SINCE THE WAR

Planning can only be defined as a general term for any purposive government intervention in the economy. Any attempt to distinguish planning from other branches of economic policy is bound to lead to confusion. The immensely complicated economic system which links firms and

countries all over the world cannot be left to autonomous forces to control without running the risk of another great slump. Since 1945, no major country has dreamt of abdicating its powers of overall economic management, though the means employed have been changing over time, as indeed have the ends to which the greatest priority have been given.

## Labour planning 1945-51

Labour planning in the post war years was somewhat limited in its objectives. The primary aim of economic policy at home was to maintain full employment. Thanks to Keynes it was by then accepted that budgetary manipulation and adjustments in the level of public expenditure could achieve this result. It was to be expected that the Government should place so much emphasis on full employment, as they were dominated by pre-war experience and it was not immediately clear that the conditions of the 1930s had vanished. Nevertheless Keynesian planning had certain drawbacks. Since government expenditure was used as the main regulator to balance the economy, the arrival and continuation of full employment led to cuts in this expenditure and the consequent neglect of the infrastructure of the economy, roads, railways, education and so on.

Keynesian planning is essentially a negative concept, its aim preventative, its object short term balance rather than growth. The lack of long term planning, at this time, was reflected in the annual economic surveys, which usually looked only a year ahead. Policy was concerned with rationing scarce resources, planning decisions were responses to critical pressure rather than positive attempts to shape a growing economy. The neglect of the infrastructure in the long run only damaged growth prospects. Keynesian planning by itself does not provide adequate solutions to the problems facing a modern economy. Public expenditure is treated as a residual, short term considerations dominate and the concentration on aggregate concepts obscures the possi-

bility of regional or structural unemployment.

In addition to Keynesian weapons a formidable apparatus of physical controls had been assembled during the war. No doubt it was necessary at a time of shortage to continue using many of these controls to allocate resources. But it was unfortunate that a well founded belief that the free market misallocates resources led to an ill-founded prejudice against the use of the price mechanism and in favour of physical controls. A dwindling legacy from this prejudice still survives today amongst a small section of the Left, which believes that planning and the price mechanism are incompatible and identifies effective planning with widespread physical controls. Recent Russian experience and the publicity surrounding the Lieberman proposals may once and for all dispel this fallacy.

Labour's efforts in the post war years should not be belittled. In some fields, notably location of industry and the promotion of exports, Government intervention was extremely effective, even if exporting was facilitated by conditions in the world economy. Great advances were made in social legislation, and one of the more creditable facets of Labour economic policy, particularly under Dalton, was the attention given to environmental considerations. But with the benefit of hindsight, criticism is required if lessons are to be learnt from the past. The inescapable impression remains that the possibilities and requirements of economic planning were not really grasped, even within the Government itself. This failure was reflected in the institutional arrangements made by the Government. In 1947, for example, the Treasury was allowed to take over the dominant role in economic planning and co-ordination. A new Ministry of Economic Affairs had been set up a few months earlier under Sir Stafford Cripps. When Cripps moved to the Treasury the new Department was casually extinguished. The Treasury was already responsible for the Civil Service and for controlling annual Government expenditure and should not have been given even broader planning responsi-

bilities. Moreover it was out of touch with industry, and as one of the main functions of planning is to identify and remove obstacles to industrial growth, this implies that the planning department should be firmly linked with industry.

The lack of direct contact with private industry led to the absence of any clear policy, apart from nationalisation. This is exemplified in the 1948 Industrial Development Act, which empowered Ministries to set up Development Councils for selected industries, to examine suggestions for improving organisation, distribution and production methods. Only four such Councils were ever set up, partly because of opposition from the Trade Associations, who knew that their position would be undermined; but also because the Government itself was hesitant about the extent to which it should directly intervene in industry to enforce its own objectives, and unsure of what form this intervention should take. Yet, as Arthur Lewis wrote in his outstanding Fabian booklet (*Principles of economic planning*) seventeen years ago: "The nationalisation of industry is not essential to planning; a government can do nearly anything it wants to do by way of controlling industry without resorting to nationalisation". Of course nationalisation does not impede planning though to think that conflicts of interests would cease once an industry is in public ownership is just naive. But in the hope of avoiding a well worn controversy, all that need be said is that Government is perfectly capable of intervening in private industry, and as long as industries are under private ownership, government responsibilities in this field must not be shirked.

## Conservative planning 1951-64

The first ten years of Conservative administration were significant for the negligence and incompetence shown on the economic front. The general economic strategy was to do nothing until a crisis resulted, and then display a frenzied activity which was divorced from any coherent long term policies. When subsidies

were given, as for example to cotton, shipbuilding and steel, these were usually not clearly linked to schemes of improvement. Pricing and investment decisions in the nationalised industries were often motivated by political rather than economic considerations. It is unfair to criticise the Conservatives for not intervening in the economy. They intervened frequently. One merely regrets that their interventions seemed less concerned with implementing an overall economic strategy than with window dressing in marginal constituencies shortly before elections.

Conservative regional policy was perhaps the most blatant example of complacency and short sightedness. In June 1956 it was announced that there would be no more expenditure on building factories in the Development Areas, in view of the improvement in their basic conditions. In the following year regional imbalance once more became acute, and a more active policy had to be resumed as could have been predicted with a little foresight. But even though creditable efforts were made to induce motor car manufacturers to move North, Conservative policy was doomed to prove inadequate. Simple calculations from past figures of Industrial Development certificates issued would have shown that the amount of new jobs made available by new industry diverted to the North could not possibly match the amount of jobs required, given existing unemployment and the expected further decline in employment of established industries. Nor was this result surprising in view of the fall in the proportion of the labour force employed in manufacturing industry and the shift to white collar occupations. A successful regional policy would have had to concentrate not only on footloose new industry but also on new universities, research institutes, government and private offices, tourism, even military establishments and prisons, since these are all primary employment that serve the national as opposed to the regional or local market.

Employment in a depressed region can be kept artificially high through aid from

the central government, either in the form of unemployment pay or by financing additional public expenditure, even if this is only for digging holes. But this is only a short term palliative. Long term policy must be directed to attracting employment which serves the national market. To put all the burden of regional policy on manufacturing industry was inadequate as well as unfair, and to the extent that it succeeded only emphasised the social division between an industrial North and a white collar South. In the meantime, employment in London was allowed to continue growing, living conditions deteriorated even further, commuters' journeys lengthened and the countryside throughout the South continued to be ravaged. The most elementary social cost benefit studies would have shown that the costs at the margin of further expansion in London were prohibitive, largely because new jobs implied extra commuters' journeys from beyond the Green Belt.

The only positive thing that can be said about Conservative failures is that they emphasised the need for a long term policy to accommodate the growth of population of nearly twenty million expected by the turn of the century. Free market forces have already proved disastrous in our overcrowded country, even without this population increase. A long term policy is needed to provide a background for public expenditure decisions, especially in transport, where the construction of roads and the closure of railways must not be based on immediate prospects, since transport facilities themselves affect the regional distribution of new employment. Physical or town and country planners in any case must know what population levels to plan for, and how much money will be available for public service investment. As the Buchanan report (*Traffic in towns* HMSO, 1963) argued, the motor car and higher living standards have intensified the need for physical planning, but physical planning within the regions demands as a background national policies in respect of population and public investment. The regional plans for the North-East, central Scotland and the South

East, brought in by the Tories, showed how little can be expected from plans that are not integrated into a national framework.

## the neddy experiment

In 1961 the deathbed conversion of the Conservatives to long term planning was marked by the setting up of the National Economic Development Council, with its own staff and offices. Neddy was to have two functions: to draw up a five year plan, and to establish the essential conditions for growth. In practice it appeared that the Government's chief aim was to obtain agreement on a one sided incomes policy. Conservative planning was half hearted, not unnaturally it produced half planning.

Neddy's greatest asset by comparison with the Treasury was presumed to be its close contact with industry. This asset was squandered at the outset by concentrating on the formal plan rather than industrial problems and the obstacles to growth. Why was so much emphasis placed on the plan? One possible explanation is that it was hoped a plan could increase confidence and raise the level of expectations, leading to greater investment and hence a higher rate of growth. The growth of aggregate demand is partly dependent on the aggregate amount of investment, but the individual firm is wary of investing too much because of the danger of excess capacity and consequent losses. If sufficient number of firms make optimistic predictions and invest on this basis, these predictions will become self realising, since more investment will lead to higher incomes and more aggregate demand and output. Unfortunately businessmen are not as gullible as governments believe, and it takes more than the mere presentation of a plan to convince them that happy days are here again.

The plan itself was unsatisfactory and has since been justly criticised for being excessively ambitious and yet representing nothing but a vague statement of aspirations. The original assumption that

balance could be attained in international payments with exports growing at 5.1 per cent and imports at the same 4 per cent as total output has certainly proved to be mere wishful thinking. But what exactly did the Plan try to achieve? The 4 per cent figure was clearly not a forecast of what was likely to happen. Nor was 4 per cent a target, since one can only speak of a target if one can specify the action required from specific individuals or institutions to attain this target. A macro growth rate, however, is primarily a statistical concept, derived from the activities of millions of individuals and thousands of institutions, and even though loose projections were made for 17 industries, these groupings were so large as to be devoid of any relevance for decision making by the individual firm. One can only conjecture that the explanation suggested earlier is correct, the Neddy Plan was not primarily concerned with targets or forecasts, but rather was a deliberate attempt to raise the rate of growth by boosting confidence and hence increasing investment. The fact that the projections have proved to be inaccurate is not therefore so central a criticism, since the exact contents of the Plan were of secondary importance, provided they enabled the planners to declaim 4 per cent from the windows of their skyscraper. The Neddy Plan can however, be criticised on other grounds. There may be nothing wrong with confidence tricks when they succeed; this one, however, failed.

In retrospect it can be seen how naive was the view that all you need for faster growth is a general belief that faster growth is possible. The intellectual roots of this view are grounded in post war economic theory. Many economists in the fifties emphasised capital accumulation as the major factor governing the rate of development, sometimes, indeed, the only factor, and earlier both Harrod (*Towards a dynamic economics*), and Keynes (*General theory of employment interest, and money*) had stressed the role of confidence or expectations, in determining the amount of investment. However justified this may have been in the days of the individual entrepreneur,

he has now become rather rare. In the large corporations that have replaced him, scientific methods of investment appraisal are being adopted, and decision making procedures in general are more systematic. Investment cannot be increased overnight by changing expectations, something more tangible is required than mere attempts to boost confidence. The belief that capital accumulation is the sole factor determining growth is much more pernicious. By concentrating attention on the total quantity of investment, it diverts attention from the vital task of improving the allocation of capital expenditure. By assigning such an exclusive role to capital as a source of growth, it implies that it is impossible to grow through more efficient use of existing capital and resources. Yet it is almost certainly possible to raise the rate of growth without any increase in investment. Increased investment may be one way of raising growth, but there are many other ways which should not be ignored. Abolishing restrictive practices on both sides of industry might be much more important than increasing the rate of capital accumulation. It is true that Neddy published a brief pamphlet, *Conditions favourable to faster growth*, which made some sensible, if slightly platitudinous comments on some other policies favourable to growth. But words are no substitute for action, and the really important work of investigating in detail the problems of individual industries was completely neglected.

The Neddy plan can also be criticised for failing to define the objectives or qualitative aspects of growth. Economic growth is generally considered desirable by itself, since more output is better than less output. But not all output will increase welfare to the same degree, economies can clearly grow in different ways, some of which are preferable to others. In allocating future resources a government chooses a particular path of growth, following W. W. Rostow in *Stages in economic development*, we can for example distinguish the welfare state path of development from the mass consumption path, which emphasises the

production of consumer goods and services on the historical American pattern. The allocation of future resources or choice of a particular path of growth is clearly a political decision, even though it is embedded in the framework on an economic plan. It is not satisfactory to characterise growth solely in terms of rates of change, such as the 4 per cent Neddy slogan. This may be an advance compared to the previous exclusive concentration on short term balance, but it is also essential that the political judgements embedded in the plan should be exposed as such and brought to the forefront. In actual fact the Neddy plan scheduled public expenditure to increase by 3.5 per cent a year, compared with the overall growth of output of 4 per cent. Most people with specialist knowledge of particular areas of government responsibility such as universities or roads are agreed that there is an acute need for more public spending in nearly every sphere. Throughout the fifties the Conservatives had starved essential community services of the funds they so badly needed. Perhaps it was inevitable that a plan drawn up under a Conservative government should also place more emphasis on private consumption than on collective needs.

It would be a mistake, however, to completely dismiss Neddy's work as a failure. In France and Japan planning is facilitated by the close co-operation and understanding that exists between industrialists and administrators. Britain, however has been unfortunate in the iron curtains that have separated the worlds of the Civil Service, industry and universities, and, within industry, management and unions. Neddy managed to make a slight breach in these walls. Its staff was drawn in part from industry and the universities, and the technical expertise of these new recruits was contrasted with the much narrower experience of the established Civil Service. Some leading industrialists and trade unionists sat on the main council, and a small beginning was made in the task of bringing together government, management and unions and involving them in common objectives. Economic Development Com-



mittees known as "little Neddies" were established for six industries. These Committees were to help draw up the plan by examining prospects for their respective industries, and also to consider ways of improving efficiency and economic performance. Although progress was slow, nevertheless an important foundation was laid for future Labour planning. The very real difficulties of collecting a skilled staff, and building up the institutional machinery for planning are often ignored by those outside government. Undoubtedly Labour would not have got off to such a rapid start without the last moment preparatory work done by the Conservatives. As Enoch Powell acutely observed at the time, Neddy was the Trojan horse, that prepared the way for more effective Labour planning.

## 2. why should we plan ?

In the past the major objectives of planning were thought to be full employment and fair distribution. Nowadays the first of these objectives is rarely challenged, and, since the war, governments have been reasonably successful in preventing mass unemployment. At the same time, the elimination of the more obvious manifestations of widespread poverty has, unfortunately, taken the edge off calls for greater redistribution of wealth.

While old problems have become less acute, new ones have arisen. Economic growth is now generally considered to be the most important policy objective for government. New responsibilities are being accepted and these require new forms of planning. It is no longer thought sufficient for government merely to press buttons from time to time. It is no longer good enough to concentrate on short term objectives. Instead there must be a conscious effort to shape the course of events over a longer period of up to five or ten years. All governments plan, but some more effectively than others. It is easy to see the mistakes that have been made by Government planners in the past. It is less easy to say what actions need to be taken now. Before examining Labour's National Plan we must reconsider both the purposes for which planning now needs to be used, and equally important its limitations.

The emergence of new planning objectives can be largely attributed to the rapid rate of industrial development, and the consequent changes that have taken place in the economic and social environment. Opponents of planning claim that government intervention impedes change, but it is just because of change that more intervention is now required. When man is able to make enormous alterations in his environment, it becomes increasingly important to consider fully whether the particular set of changes chosen produce the best possible results. If planners had existed amongst various ancient African tribes, we might still be reaping harvests from the Sahara.

The pace of change over the last half century is best shown merely by listing

some of the more important innovations such as motor cars, aeroplanes, radio, television, computers and modern armaments. It is hard to imagine how the world looked fifty years ago, even 1945 seems remote. And only seven years ago there were no skyscrapers in London and no motorways in Britain. In the next half century we can expect faster developments, new industrial techniques are constantly being introduced, innovation is accepted and expected. Current technology has brought us almost within reach of a fully automated monorail system, and the full electronic control of motor vehicles seems a practical possibility. Revolutionary developments in electronics, space research and biology are within reach. Economic growth has been accelerating, and there is evidence that the underlying rate of growth of productivity is still increasing. To the observer of fifty years hence our contemporary world will appear even stranger than the world of fifty years ago appears today. Present economic difficulties sometimes make it difficult for us to realise what opportunities lie ahead, but if our future wealth and opportunities are not to be squandered and dissipated, we must think out the problems they will bring and plan to meet them.

### the use of resources

The first of these problems is how to dispose of our increasing resources in the best way possible, how to make use of tomorrow's riches. As we become richer, collective needs for a satisfying social environment and for educational and leisure facilities will grow relatively more urgent than our primary needs for food and shelter. The path of short term profit that is always indicated by Mr. Powell's free market is unlikely to maximise community satisfaction over time. The North of England is still scarred with the towns that were built by hard headed Victorian business men. It was, of course, cheaper to build cramped ugly towns than spacious beautiful ones, but today there is less excuse than ever for imposing similar monstrosities on the next century. The Galbraithian picture of private

affluence alongside public squalor has by now become a commonplace in Britain. New consumer demands stimulated by advertising are increasingly well catered for, but at the same time there exist acute shortages of hospitals, housing and roads. There are hundreds of schools in appalling conditions and facilities for sport and culture are inadequate. Welfare services for groups such as the mentally ill or retarded children suffer even greater neglect because inadequate provision in these fields is not immediately brought to public notice. The plight of old people in an affluent society makes it plain that free market forces left to themselves do not produce the most desirable allocation of resources.

The resources created by technological progress could be used for a variety of purposes. They could, for example, be turned over to space research and military production. We could also choose a path of development for our economy which emphasises the mass production of goods and services on the American pattern. Or we could choose a welfare state path of growth, which gives greater weight to the production of public goods and services. And if we are to pay more than lip service to this last alternative, it must be the task of planning to steer the economy along the desired path of growth.

## adjusting to change

Secondly, planning is needed to meet the new problems of transition brought on by more rapid economic development. Rapid growth disturbs settled patterns of existence, it causes technological redundancy and localised unemployment, it calls for greater labour mobility between industries. New skills must be imparted and employment opportunities provided to avoid the unemployment that will follow the rapid decline in the labour requirements of traditional industries like coal and shipbuilding, and even of a new industry like aviation. Recent American experience suggests that structural unemployment can be as persistent as the mass unemployment of the thirties, and that

the Keynesian solution of expanding aggregate demand may prove inadequate. In a rapidly changing society, government must undertake the responsibility of ensuring that workers are trained for the jobs that will be available in the future, otherwise shortages of some categories of labour can coexist with surpluses in other fields. An expansion of aggregate demand is also an inadequate solution to the problem of regional unemployment. Regional problems, of course, have always existed, though nowadays changes in the regional structure of industry take place more abruptly. But there is no need to allow these problems to be resolved by the slow and ineffective hand of free market forces.

It must be the task of planning to smooth the path of growth, and the more potentially thorny the path the greater the need for careful advanced planning. This is especially necessary at the moment because of the growth of population of nearly twenty million that is expected by the turn of the century and because of the creeping congestion that has already afflicted our major cities. Regional and manpower planning are closely related fields of policies. It is impossible to plan to meet the employment requirements of a region without looking at the particular industries in that region. Similarly, one cannot assess the supply and demand position for labour in an industry without looking at the regional distribution of that industry. Both tasks are equally essential if we are to adapt harmoniously to change, without dislocation or social disruption.

## incomes policy

Planning is necessary in the field of income distribution. Many sceptical economists question the usefulness of an incomes policy, because they give too much weight to excess demand as a cause of inflation. If this pull of excess demand really were the only factor at work, an incomes policy would be of little use in preventing inflation; in these circumstances the only solution would be to reduce the pressure on resources. But, in

fact, wages and prices are pushed upwards for a variety of other reasons besides demand. In a world of managed prices and institutional wage-bargaining, the pace of inflation can increase without any change in demand, through different occupational groups intensifying their efforts to improve their relative positions on the income scale. There are good empirical and theoretical grounds for believing that an incomes policy can make a certain contribution to our balance of payments position, by slowing down price rises at home and thereby improving our competitive position abroad. An incomes policy is also necessary to promote social justice and to prevent powerful groups and individuals exploiting their monopolistic power at the expense of other sectors of the community.

## faster growth

Although the pace of development over the last two decades has been rapid, criticism of Britain's economic performance has been made on the grounds that development has not been rapid enough. Some of the European countries have now overtaken our standard of living, and in any "league tables" comparing the recent economic performance of Western countries, Britain is always somewhere near the bottom. Our recent balance of payments crisis has shown that there is no overnight cure for the paralysis in large sectors of our industry, which reveals itself in their failure to compete effectively in world markets.

Planning, it is argued, can stimulate industrial efficiency and make investment decisions more rational. In many industries where large capital projects and long gestation periods are involved, investment decisions must be taken on the basis of forward estimates years in advance of production. That industries like coal and cement have made notoriously erroneous estimates in the past is an argument for more planning, not less. These forward estimates must be made, the choice is between forecasting well or badly. Planning is also necessary to improve industrial efficiency, to encourage

the growth of exports, and to restore our competitive position in relation to other industrial countries. Ultimately the growth of an economy can only depend on the growth and efficiency of its individual firms, whether these be under public or private ownership. Governments can, however, bring powerful influences to bear on trade unionists and management, and do much to encourage efficiency and the adoption of new techniques.

Of all the various planning objectives, growth is the most important. More output is desirable in itself, but a rapidly increasing national income is also the necessary lubricant without which it would be nearly impossible to steer the economy towards the other objectives listed earlier. In a time of stagnation all change becomes difficult, it is only when new resources are being created, that change becomes possible. Economic growth is not incompatible with the other objectives of planning, rather it is a precondition for their realisation.

# 3. how should we plan?

Judging by the confusion and misunderstanding that greeted Labour's National Plan, a discussion of the methodology of an economic plan is called for, even though this may take up a disproportionate amount of space. The publication every five years or so of formal plans is only the appearance and not necessarily the substance of planning, for planning as defined earlier is the day to day process of government intervention in the economy. Sometimes glamorous plans are produced that are little more than a gimmick, since government policy bears no relation to them. The underdeveloped countries are adept at this technique, but remembering the fate of the NEDC plan, they are certainly not the only ones. A plan can easily put forward goals and objectives and state policies to achieve these objectives, but it cannot put these policies into practice. On the other hand, even if the policies are adopted, the objectives stated in the plan may still be unrealistic and unattainable.

Essentially an economic plan is a statistical model of the economy at some future date, which allocates resources to broad categories of expenditure, such as exports, investment and consumption, and sets targets for output in a wide range of industries. Targets may also be set for employment, investment, regional development, productivity, exports, in fact, any policy objective that can be translated into quantitative terms. The plan can be fairly general or highly detailed, depending on whether the targets are mainly aggregative for large industries like steel and chemicals, or whether separate targets are included for all the different quality steels and for goods like toothbrushes and nylon stockings. Since the output of one industry is often the input of another, targets must be consistent with each other so that on paper the plan may appear as a series of interlocking statistical tables. The plan is, in fact, nothing more than a statistical blueprint indicating a course of action for industry and directing a series of responses from government.

This process of governmental intervention in the economy can be divided

into three stages: first, setting objectives or goals; secondly, devising policies or methods to achieve these objectives; and thirdly, putting the policies into practice. Targets formalise the first stage of this process and, despite the widespread distrust of numbers, this has distinct advantages. The very attempt to set up long term quantitative targets forces government, civil servants and industry to think clearly and systematically about the future. Targets impose discipline with beneficial results for greater efficiency.

A second advantage is that quantitative analysis improves efficiency in other ways. Work in the civil service is now far too complex to be handled by the informal and dilettante methods of the past. It would be absurd, for example, to plan the size of industries like steel, coal and electricity by intuition and feel, without any figures. It should seem equally absurd to use such methods for regional development or road programmes, yet civil servants have in the recent past relied on intuition together with so called administrative judgement. Management techniques, together with the development of better computing machines have greatly simplified the problems of processing data, yet the potentialities of numerical analysis are still not fully appreciated or understood within Whitehall. If objectives are formalised civil servants may get used to working with numbers. A third advantage is that quantitative targets can help to get things done. Targets provide both a measure of efforts needed, and a yardstick of progress achieved. By setting an effective challenge they can mobilise energies and resources. It will be argued, that to make vague approving noises about regional development is one thing, to set specific targets is quite another. Part of the reason for the difference is, of course, that targets allow one to identify success or failure more easily. A final and most important advantage of formalised objectives is that official targets clarify government intentions, assuming the targets are genuine, and bring them to the public's notice, where they are exposed to question and discussion. A few of the normal prejudices

against plans and statistics may have weakened, but a more detailed analysis is required to show how targets can help to overcome some of the problems facing a modern economy.

## public expenditure targets

The first and most important function for a National Plan is to select a path of growth for the economy, by means of an overall target for public expenditure, broken down into different uses to ensure effective control and co-ordination. As a result of recommendations made by the 1962-63 Estimates Committee report and the Plowden Committee report (*Control of Public Expenditure*, Cmd 1432, 1961), regular surveys of public expenditure over the ensuing five years are now made, as is essential if *ad hoc* and short sighted decisions are to give way to long term programmes based on coherent priorities. These surveys fit naturally into the framework of a National Plan, since the Government must make some projection of the size of the overall increase in output and also know what are the competing claims on resources from exports, investment and private consumption, before it can decide by how much it can increase public consumption. Once the overall target has been fixed, the total must be divided between the different Ministries, thus one hopes forcing Government to think intelligently about priorities. Each department can then be forced to plan in advance how to make the best use of its allocation over the next five years. Public expenditure programmes in the framework of a National Plan allow the Government to exercise effective control over ministries, and in turn allow the public to have slightly more control over government. Although all political parties now accept the need for such programmes, it is a striking condemnation of the Conservatives and the civil service that the very first ever White Paper on public expenditure over the next five years was published as late as 1963, and even then was a grossly inadequate document (*Public expenditure, 1963-4 and 1967-8*, HMSO, Cmd 2235, 1963).

A plan should, however, be seen as an instrument to steer an economy along a selected path of growth, as well as a way of controlling public expenditure. The decision on how to use future resources, which is expressed in the balance between public and private consumption, will determine the whole pattern of growth and in turn affect the quality of society. A National Plan can bring out the importance of such decisions by emphasising long term objectives. It is regrettable that in all our economic crises since the war, governments have been prepared to cut back public expenditure, for the cumulative effect of all these stops is part of the reason why we now have the contrast between private affluence and public squalor. The recent crisis proved no exception; the Labour Government, when faced with economic difficulties cut back public expenditure, since this appeared the most painless way of deflating. Once more short-term considerations were allowed to dominate over long term objectives, once again the shortcomings of Keynesian planning were made apparent. If a government is seriously attempting to steer an economy along a path of growth, the time to act is the present, for the long run is nothing more than a series of short runs.

The existence of a National Plan cannot itself prevent a government from treating public expenditure as a residual. In addition there must be the will on the part of government to follow the broad lines of advance sketched by the plan, and to ensure that the main targets for public consumption are fulfilled. By keeping long term objectives to the fore however it can make both government and the community aware of their power to select a path of growth and control the course of economic development. The plan can help to decide how to dispose of our increasing resources in the best way.

## output targets

The second function of a National Plan is to improve the allocation of industrial investment by means of output targets for selected industries. These must be tar-

gets rather than forecasts, because if the plan is to be taken seriously, it will reflect what government and industry hope to achieve in the future, and investment and policy decisions will be based on the targets. Yet it is important to realise that most of them will have to be modified in the light of future information, in other words, some of the original output targets will not be achieved. It is one thing to set limits on the overall growth of private consumption so as to free resources for public expenditure and collective needs. It is quite another thing to dictate how the total amount of expenditure allocated to private consumption should be divided up amongst different goods and services. In a democratic society planners will not wish to dictate consumers' preferences, nor allow advertisers or anyone else to dictate them. It is impossible, therefore, to lay down firm output targets five years in advance because consumer preferences are hard to predict, even with no growth in national income, preferences would still be affected by changes in fashion, taste and population structure.

Growth of national income through technical innovations makes it still more difficult to forecast with any precision how consumers will spend their incomes. Innovations in production change relative prices, and since demand and supply are not independent physical quantities but are functionally related to price, this implies further changes in the quantities demanded both of intermediate and final goods. The development of completely new goods and modifications to existing products clearly also affect demand. Planning which tries to enforce production in accordance with the targets set out in a national plan is bound to prove inflexible and inefficient, because of the difficulties of centralising information, and because consumer preferences and the full implications of technical progress can never be predicted for certain. In a dynamic industrialised economy, be it capitalist or socialist, it is essential to allow numerous decentralised decision makers to adjust output in response to changes in market situation. Targets chosen by planners which did not cor-

respond to actual consumer preference would result in waste and frustration if they were to be enforced.

The fact that actual industrial production will often differ from targets does not invalidate the usefulness of output targets, since their prime purpose is to guide the investment and policy decisions that must be taken in the present rather than specify exact production in five years time. In many firms, investment involves long gestation periods and large capital projects. Investment decisions must therefore reflect the output these firms hope to produce in the future. A plan makes explicit the targets firms must set themselves. This explicit formalisation is particularly valuable in the industries that produce intermediate goods and basic materials. Here mistakes can be costly, shortcomings in steel, bricks or machine tools could hold up the growth of the whole economy. A national plan should make such firms more aware of the requirements of other sectors of the economy, and where necessary help the rationalisation and co-ordination of investment decisions. Industries like coal, electricity and the railways must in any case take a forward view of the economy as a whole and of developments in different sectors. If these industries are involved in the planning exercise, with the chance to discuss, alter and reconcile their individual estimates, the forward view will be more accurate.

The implicit targets which firms set themselves can be improved with better information, and it should also be possible to increase total investment, by reducing the risk and uncertainty that deter the expansion of individual firms. A large firm or industry can often be induced to expand investment, provided it is certain that its customers or other firms in general also intend to increase their capacity and thus enlarge the market. A national plan should therefore both improve the allocation of investment expenditure and increase the rate of capital accumulation. It should also be possible to minimise the recurrent shortages of physical capacity, which, according to a recent NEDC study, have often been a major cause of im-

ports, as well as a bottleneck on domestic production. The output targets will not be exactly realised, nevertheless they represent the best possible estimate that can be made to guide investment decisions, and it is for their immediate investment implications that output targets are important.

For many consumer goods and services, detailed output targets are both impracticable and unnecessary. Forecasting future requirements for final goods is harder, since demand is volatile, and the more forecasts are disaggregated, the larger become the uncertainties and the margins of error. At the same time targets are redundant as there is no need to invest in capital equipment in these industries well in advance of production, and decisions about investment and output can best be left to individual firms. Output targets are mainly required for heavy industries, and though these produce materials for the consumer industries, the exact output of buckets as against spades in five years time is unimportant, provided one can predict whether the trend is to make them of plastic or steel. Demand for many basic materials is a stable predictable function of aggregate consumption expenditure, and to set output targets for heavy industries only the overall growth of consumption need therefore be determined. Of course separate targets are required for houses and consumer durables like cars, but in the main targets are not necessary for most consumer goods.

Settling output targets should, where possible, be a co-operative venture between government and industry. It could be disastrous for the planners to impose targets without consultation since firms can usually estimate future demand for their products with greater accuracy. Targets must be as accurate as possible, or otherwise firms will not base their own investment decisions on them. A firm that has over invested once because of an excessively ambitious target set by government will not be so easily persuaded a second time. Nor is there any virtue in forcing firms to install capacity for a target that has little pros-

pect of being realised. Planners do have access to computers and econometric techniques like input output analysis, for setting targets, but forecasting the future can never be an exact science, and those with specialist knowledge of their industries are normally able to take more individual factors into consideration. On the other hand planners can consider industry and production as a whole, with information that is not available to the single firm. Ideally the planning department should be closely linked to industry and act as a clearing house, correlating individual targets of firms by an iterative process. Information is received from different industries and passed on to others, so that targets are adjusted by trial and error at successive stages in the compilation of the plan, and the maximum potential rate of growth is achieved. To facilitate this close contact and co-operation between planners an industry, the department charged with drawing up a national plan should also be the department responsible for Government contacts with industry and trade, a suggestion considered later.

Implementing the plan is not a matter of ensuring that production meets the output targets. There is no sense, for example, in exactly producing a specified amount of steel in five years' time, if this proves not to be required by the rest of the economy. Implementation entails that the steel industry should install sufficient productive capacity so that in five years' time it will be in a position to produce the target quantity, should this be demanded. In most cases there should be no difficulty in ensuring that investment decisions are based on the plan targets, particularly if these have been drawn up as a co-operative venture between Government and industry. It is in each firm's interest to have sufficient productive capacity to be able to meet requirements in the rest of the economy, and the national plan should contain the best available estimate of these requirements.

Regional and industrial employment targets should not be confused with forecasts. A forecast purports to describe what is likely to happen on the basis of



present expectations, implicit in the concept of a forecast is the notion that nothing can be done to affect the eventual outcome, as for example with weather forecasts. Targets, however, suggest there is an area of freedom within which government has the power to act. It was argued above that government can influence the regional distribution of population and employment, through location of industry policy, through public investment, particularly in transport, and also through the siting of universities, research institutes, government offices, military establishments, and so forth. There is every reason, therefore, to expect regional targets to be fulfilled, provided they are accepted as targets and the appropriate policies and measures adopted. Industrial employment targets, however, are more akin to forecasts since their realisation depends on some factors which are partially outside the control of industry and government, such as demand for the output of the industry and the rate of increase of productivity.

Although an accurate estimate of future demand for a particular type of labour is almost impossible to make, trends are much easier to spot. No one can say just how many computer programmers will be needed in 1970, but equally no one doubts that they will be in short supply and only resolute action will prevent a famine. Government and industry must do the best they can in this situation to match future supply to anticipated demand. Skilled and semi-skilled workers like draughtsmen, riveters or engineers, cannot be created overnight, besides which individual firms may not have sufficient incentive to go in for training programmes, since they risk losing the benefits of their expenditure, if skilled labour then moves to another firm. Careful planning can overcome both these difficulties, provided that there exist estimates or targets of future demand on which to base training policy. Investment in human beings cannot be treated in quite the same way as investment in capital, though the concept of human capital now fashionable amongst economists does remind one that there are many similarities. Training programmes

of individual firms need to be co-ordinated just as their investment programmes, to prevent shortages or bottlenecks emerging. Thus industrial employment targets do have immediate policy implications, even if future demand is uncertain, and the exact targets may not be fulfilled.

## the overall picture

In all cases it has been stressed that targets must be supported by action. Output targets, for example, have implications for investment decisions, regional targets must influence location of industry and social investment policy, public expenditure targets must be followed by actual spending. If targets are important for the action they imply, why cannot government and industry adopt the requisite measures and policies without committing themselves to numerical figures in a national plan? The answer is that targets help to make action more coherent. The advantages of targets were briefly referred to at the beginning of this section. It seems unlikely that effective policies will be thought about, let alone put into practice, without the stimulus given by targets. Despite the fact that different sorts of action are required, all the targets suggested above have the same advantages in common. They set a challenge with clear standards for success, they force people to look to the future, they improve efficiency by encouraging quantitative analysis and they publicise objectives. A government which accepts a quantitative plan has given hostages to fortune. Perhaps it is not surprising that the governments which have welcomed targets most enthusiastically have been those, like Stalin's, that could rig the statistics to fit the plan. In adopting a national plan, Mr. Wilson's government has displayed considerable political courage. This quality will equally be required in the plan's implementation.

# 4. Whitehall and the National Plan

In September 1965 the Labour Government produced its own National Plan, the result of eight months strenuous efforts in the Department of Economic Affairs. Considered as an economic survey, this was the most impressive official document ever to have been produced in this country. Considered as a plan, it is possible to criticise the document from two points of view. Firstly, because it does not set sufficiently detailed or coherent targets. And secondly because the overall objectives are unlikely to be achieved. It is important to distinguish these two types of criticism. The first is essentially technical and is largely concerned with the methodology of the plan. The second is essentially practical and more concerned with the plausibility of its major targets in the light of the existing political and economic situation.

## a coherent plan?

The first technical objection to the National Plan is that the output targets were in some cases, such as the mechanical engineering sector, still not detailed enough to provide a basis for investment decisions. Setting targets becomes increasingly difficult the more one disaggregates, but if targets are too general they have no obvious implications for action, and are correspondingly less useful. Of course disaggregation is mainly required for those industries where investment projects are large and take a long time to reach fruition. Yet in the DEA Plan some of the targets were for small industries like hosiery and knitwear, while other groups of industries where disaggregation is necessary were treated as large amorphous blocks. The explanation of this strange selection of targets is, of course, availability of statistics. Unfortunately economic statistics are at present collected with a complete lack of system and drawing up a more satisfactory plan will be difficult, as long as government is not in possession of adequate information. Unless output targets are more sophisticated, they will also provide little guidance to the investment decisions made by individual firms. Since in private industry it is the firm which

invests, this represents a severe limitation on the confidence creating powers of the Plan's growth targets. It is not, therefore, surprising that investment by the private sector in 1965 and plans for 1966 are running considerably behind the Plan's targets.

A second objection, the lack of detailed targets for employment in regions and in industries, can also be attributed to inadequate statistics. The Plan laid great emphasis on policies for regional development and manpower training, but since objectives were not clearly specified in quantitative terms, inevitably some of the policies seemed to lack precision. For example, apart from a few platitudes there is no trace of an active policy to prepare for the large increase in population expected during the rest of the century. The Plan did talk in vague terms of putting an extra 200,000 people to work in the depressed regions, but we were not told which regions, or what the extra jobs would consist of. It is a salutary lesson to remember that some three years ago the National Economic Development Council set a similar target of 200,000 extra jobs in the depressed regions, and this target now seems more remote than ever. Targets must be disaggregated to be useful, a general target of this sort does not obviously entail any specific action and may therefore end up as a wishful dream. More than magic is required to make regional policy successful, but effective action is unlikely to appear until detailed objectives have been specified.

Detailed targets for employment would have ensured more co-ordination between the regional and manpower sections of the DEA Plan. The manpower section estimated on an industrial basis, with no regional breakdown, that there will be a shortage of 400,000 workers by 1970, and then expressed the hope that regional development could halve this gap. A large part of the additional demand for labour is accounted for by public administration, health and education services, and defence. These sectors are expected to require over 500,000 extra people, all of whom will be employed by

the state. If the Government had clear objectives for regional development in the form of regional employment targets, it might realise that by pursuing an active policy in locating its own jobs, there would be a greater prospect of the manpower gap being halved if not further reduced. Unfortunately the regional section appears to have been drawn up in complete isolation from the manpower section; there was no proper analysis of trends or future prospects for each region, there was no discussion of what new jobs could be attracted to areas of localised unemployment, there were not even regional employment targets. In fairness to the DEA, detailed employment targets cannot be produced by a handful of economists working in Whitehall. The Government has now set up Regional Economic Planning Boards and expanded the work of Industrial Training Boards. The Boards will collect comprehensive information on the supply and demand for skilled and unskilled labour, both by region and by industry, and with this statistical basis and specialist knowledge it should become much easier to forecast trends and set detailed targets. In addition a special review has been started to examine population trends, to report on the areas suitable for large scale development in the longer term, and to examine all the other factors relevant to population deployment strategy. If this review and the new boards are given top priority, the regional and manpower sections of the next National Plan should be much more satisfactory, and this in turn should mean better regional and manpower policies.

A third criticism that can be made of the nature of the plan is that it shows little awareness of the role a government plays in selecting a path of growth. No attempt was made, for example, to discuss the fundamental issue of the different uses to which increased wealth can be put. Quantitative targets always must have qualitative aspects, even though planners may not wish to concern themselves with this. In no sense can the DEA Plan be called a Socialist plan, the Britain of 1970 that it envisaged is to be much like the Britain of today, except

more affluent by 25 per cent. No doubt external fears for sterling were largely responsible for the timid public expenditure programmes. One can only hope that the review of public expenditure promised for next year will take place in more propitious circumstances and result in more ambitious proposals, that imply a path of growth in keeping with the human and social needs of society.

### a credible plan ?

It would be Utopian to expect every industrial or other sub-forecast of the National Plan to be achieved exactly as predicted. Planning cannot and does not need to aspire to any such degree of accuracy. Most sub-sectors should change in the direction forecast by the Plan, and it would be hoped that under and over achievements of different sectors would vary randomly around the predicted totals so that under and over estimates tend to cancel one another out in the big aggregate totals. This sounds a rather hit and miss method, but it must be remembered that aggregates as large as the entire gross national product or total investment are remarkably little altered by aberrations in individual sub-sectors. What is much more serious for the success of the plan is when the variations between the predicted and actual change in sub-sectors all tend to be in one direction, so that the aggregate in important sectors of the economy such as investment or exports falls considerably below the level required to sustain the overall growth rate postulated in the plan. It is here that the value of producing a plan becomes apparent. By attempting to work out the relationship between aggregates such as investment and exports, and the growth of the gross national product, the plan can act as an early warning system drawing attention to those sectors of the economy which are falling behind, and in effect, calling on the Government to do something about it, if the growth targets are to be maintained.

However, the tools available to the Government vary a great deal in effectiveness between different sectors. Gov-

ernment control over aggregate investment is, taking account of an unavoidable time lag, comparatively good, which, considering that public investment accounts for over 40 per cent of the total, is scarcely surprising. In other sectors, however, the Government faces far greater difficulties in changing the aggregates. This is particularly true of factors crucial to the success of the plan, such as exports and productivity. Since success in these two fields is absolutely necessary if the 25 per cent growth target by 1970 is to be reached, it is worth looking in rather more detail at the constraints on government action to increase exports and productivity.

The expansion of exports, required to achieve the surplus on balance of payments planned for 1970, is  $5\frac{1}{4}$  per cent per annum. This compares with a figure of 3 per cent for past performance and the DEA's own forecast of 4 per cent. The Plan does not attempt to hide the difficulty of hitting its export target. But as Stanley Baldwin proved, frank confessions do not, in themselves, do anything to produce results, nor, in all probability, do exhortations, for an improvement in export performance. The Plan fails to present us with an adequate account of how this constraint is to be surmounted, and thus by omission the feasibility of the growth target is made suspect. But what is to be done if it appears that exports are not increasing by  $5\frac{1}{4}$  per cent? The Government's immediate difficulty is that it cannot exercise control over foreign markets in the way it can over domestic goods. Some economists have complained about the omission of industrial export targets from the plan, but, in fact, this omission is merely an admission that the factors affecting our export markets are so complex and so far outside the control of this country that the provision of detailed targets would be merely whistling in the dark.

If it cannot influence overseas markets, can the Government's domestic policies influence the balance of payments? Of course, the easy answer is yes— if the Government wishes to forego its growth targets, and crash on the brakes, cutting

down on production and imports. However, if the National Plan is to mean anything, and the DEA is to save itself from becoming a joke in poor taste, one would hope that the Government would exclude this "simple" solution. In this case, however the Government would have to take action which would be unpopular both at home and abroad. Either by import surcharges and export rebates (a form of disguised devaluation) or by open devaluation, something would have to be done to generate a sufficient balance of payments surplus to allow the growth policies to continue.

Of course, devaluations, overt or covert, are not in themselves aids to efficiency and growth. They may, however, be the only alternative to a policy which deliberately accepts stagnation as the soft option designed to cause least offence. One of the key points in favour of a national plan is that it makes the passive acquiescence by the Government in stagnation a little less easy than it used to be.

Nevertheless, the refusal to accept stagnation is only a first step. If the National Plan is to mean anything, the Government has to ensure that its overall growth targets can be met from available resources, and that its competitiveness in overseas markets does not continue to decline. The crux of all these problems is the rate of increase in our productivity. Without a 3 to 4 per cent annual increase in productivity, the Plan objectives cannot be realised but, at the same time, quite small increases in productivity can make a very great difference. For instance, the difference between a 3 per cent and a 4 per cent productivity increase would more than overcome the notorious 200,000 "manpower gap" about which there has been so much, often ill informed, discussion. If the Plan is to be credible, there must be confidence that it is within this country's power, given the correct Government encouragement, to achieve an adequate productivity increase. But does the Plan give us reasonable grounds for such confidence?

There are many policies than can be adopted to increase efficiency, and the

National Plan shows it is aware of them. It talks of the need to encourage standardisation and longer runs in production. The structure of different industries should be examined to see if there is scope for reaping economies of scale. Management must be improved and both sides of industry encouraged to tackle restrictive practices and to adopt new techniques. A plan made and publicised by the Government must be more than a mere collection of forecasts to be altered unconcernedly as circumstances change. The National Plan lists some of the changes required in the economy if growth targets are to be realised, and this is certainly valuable, even though the "check list for action" does not get down to sufficient detail. But a plan is only a part of planning. To be committed in theory to a blueprint is not sufficient, the question to be asked is whether there exist institutional arrangements that can ensure the translation of a theoretical commitment into practical action. Marx said that the philosopher's task was not to describe the world but to change it, and if we substitute "planners" for philosopher, this must be George Brown's doctrine. But is the Government machine capable of this task?

## MACHINERY FOR PLANNING

If the National Plan is to have any impact, it must come through the management of individual firms, for the success of the Plan is dependent on increases in efficiency in these firms. An avalanche of criticism has rolled across most of British industry. The failings that are normally listed include bad design, shoddy products, late delivery dates, unwillingness to change traditional methods and a general failure to apply science or follow up technological innovations. Labour relations are crassly handled and labour is unco-operative, management is conservative and not sufficiently growth conscious. This orgy of self criticism, however, is so comprehensive and undifferentiated as to be of no practical use at all. If government action is to be effective, it must be able to diagnose exactly. For this purpose, general abuse

is no substitute for full detailed examination.

Government intervention to modernise industry can take various forms. The first type of intervention attempts to influence popular attitudes and the climate of opinion through the media of television and the press. Thus politicians preach the gospel of modernisation and change, presumably in the hope of making us drop outmoded practices in industry, increase productivity and exports, and so forth. This form of intervention is often unfairly derided. There are no grounds for saying it is totally ineffective because we cannot measure the impact of political propaganda on economic performance, but equally there are no grounds for saying it is effective. However, derision would certainly be in order if this were the sole means used.

The second type of intervention aims to create a general environment favourable to growth, by ensuring that government policies in every field are conducive to efficiency and technological innovation. All firms operate within a framework set by government, which depends on the general policies adopted in such diverse fields as taxation, accounting conventions, science and technology, industrial training and management education, monopoly and restrictive practices, labour mobility and redundancy. Each of these fields of policy deserves a pamphlet to itself, in a short space one would only succeed in trotting out stale clichés. Fashioning the economic framework is, however, by far the most important aspect of planning for growth, because of the enormous influence of general policies on the performance of the individual firm.

The third type of intervention consists of selective action to tackle specific problems in individual firms and industries. Very wide divergencies in efficiency are found in industry, but there are few signs that the forces of competition are working to drive the less efficient firms out of business. Because of economies of scale and the large amounts of capital required to break into markets the size of business

organisations is just not conducive to transforming the world of industry into a fierce Darwinian jungle. Most firms have a certain measure of monopoly power which will continue to provide protective shelter for incompetence, whatever anti-monopoly legislation may be passed.

If *laissez faire* works badly in practice, the theory of government action must adapt itself to find a way that works better. It is no longer sufficient for government to concentrate on the general economic framework, in the hope that competition will impose efficiency. If government were only to concentrate on the first two types of intervention mentioned above, the modernisation of British industry would be a lengthy and incomplete process. Competition is certainly a general force making for efficiency, but only an ideologist can claim that it precludes state intervention in industry. Even government promotion of mergers and industrial concentration is not incompatible with competition.

Even in communist countries state enterprises compete with each other, and so do the gas and electricity industries in our own country, though both are publicly owned monopolies. To a considerable extent competition at home is in any case being replaced by competition from abroad, and this makes it all the more necessary for government to intervene to ensure that our own industry can survive to compete.

Thus the third type of government intervention involves detailed investigations of the problems of particular industries followed by selective intervention wherever possible to improve efficiency. The creation of the Industrial Reconstruction Corporation under the aegis of the DEA is probably a move in the right direction. However, the move is a modest one.

The basic problems of management inertia which are at the root of most of industry's failings must be squarely tackled rather than fobbed on to new agencies. Government itself must examine the structure of different industries and pro-

pose changes. And if such action is to be effective, a smoothly working civil service machine is essential.

## the Whitehall maze

At present responsibility for dealing with industrial problems rests uneasily between four main bodies, the Department of Economic Affairs, NEDDY and the Economic Development Committees or little Neddies, the Board of Trade, and the Ministry of Technology. Certain other sponsor departments have special responsibilities for particular industries; for example, the Ministries of Power, Aviation and Agriculture. Government contact with industry may be through a sponsor department, advisory councils or through the EDCs. It seems unlikely that this proliferation of bodies with overlapping responsibilities can be conducive to selective government intervention in industry.

In fact, by far the most effective government action in this field that we have seen to date has come from a completely different body, the National Board for Prices and Incomes. In its reports, the Board has made detailed and constructive suggestions for improving productivity and efficiency, instead of merely concerning itself with the negative aspects of policy for restraining prices and incomes. Aubrey Jones and his small team are to be congratulated for showing the Government what selective intervention can mean, but even they are only laying the foundations—they diagnose, but the Government must find the courage to prescribe.

It was, of course, essential that the exercise of drawing up the National Plan should be carried out inside the Government machine, and the creation of the DEA made this possible. But, as argued earlier, the planning department must also be closely linked with industry in order to be able to tackle effectively obstacles to growth. As yet the DEA lacks close contact with individual firms, and though it has recognised the need for selective intervention in industry, it does

not have the means to put these policies into practice.

DEA has a representative on each little Neddy or, to be more precise, there are four industrial advisers from the DEA who serve on the little Neddies and thus constitute its main link with industry. But this is hardly adequate. The planning department should have a greater degree of control over its contacts with industry and a more direct line, rather than having to act through intermediaries and being only one voice amongst the 16 or so on the EDC. If the DEA remains a voice crying in the wilderness it will eventually stop trying to make itself heard, to the detriment of planning in this country.

The little Neddies and the Neddy Council undoubtedly provide the most valuable forum for discussions and communication between government, management and unions, and this forum must certainly be retained and expanded, particularly in view of its role in improving the climate of labour relations. But to expect voluntary and occasional committees to fulfil anything other than a consultative function is pure self deception.

More important still is the relationship—or lack of it—between the DEA and the Board of Trade. The latter has enormous responsibilities over this country's economy. It controls office building and the distribution of industry, and through its regional organisation keeps in touch with industry and trade throughout the country. It is the department responsible for policy decisions relating to monopolies, restrictive practices, company law, patents and copyrights. It collects and publishes a wide range of statistics and prepares the censuses of production and distribution. It sponsors various vital non-Government bodies, such as the Consumer Council, the Council of Industrial Design, and the British Standards Institute, which certainly should be playing a vital role in modernisation policy, and it is also the sponsor department for the greater part of manufacturing industry. It employs over 9,000 people, about 20 times as many as the DEA. Unfortunately,

there is little sign as yet that the Board of Trade is using its large staff and great influence to help to initiate the sort of policies needed to achieve the DEA's growth targets.

The Board of Trade should have two main areas of concern: the structure and managerial efficiency of British industry and the development of overseas trade. Concern for the structure of industry means, for example, that it should work in close co-operation with the IRC, instead of concerning itself almost exclusively with its anti-merger operations under the Restrictive Practices and Monopoly Acts. Above all, it should be concerned with the competitiveness of British industries *vis-a-vis* their main foreign competitors, and it should be its duty to throw light on such comparisons by processing foreign statistics. The Board of Trade must learn that its function is to criticise British industry as well as to praise it.

It should encourage management education and the use of management consultants. In addition, management consultants are needed within the government machine to help realise the enormous potentialities of public purchasing power for increasing standardisation in production and promoting efficiency. Action in this field requires that the Government should have its own skilled professionals, and if the Board of Trade is to do its job effectively it must bring in industrialists at the level of assistant secretary and above. It could also profitably send some of its own administrators for a training spell in industry and management colleges. In the long term, the aim of the Board of Trade must be to have a staff of people with the qualifications and the duty to help British firms to appreciate when they are failing and in what direction the remedy lies. This is not quite the same as the provision of a nationalised management consultancy service—that would require a degree of concentration on individual firms that would be impossible to achieve on a country wide scale. It is much closer to a nationalised inter-firm comparison service, where relative shortcomings are clearly demonstrated but the detailed actions conse-

quent on the reports are left—as they have to be—to the firm's management.

The second main function performed by the Board of Trade is the promotion of exports. Increasing exports is mainly a question of improving general efficiency, although the provision of more powerful financial incentives can also help. But Government can act in other ways to encourage exports directly. Again, the Board of Trade must be the key planning department. It already provides a comprehensive information service to exporters through the extremely efficient Export Services branch, and it is the only department in touch with the problems of exporters. It is in charge of tariff policy and collects and processes trade statistics, it should, therefore, be in a good position to throw detailed light on inadequacies and failings in British industry. It seems clear, for instance, that in the future we must concentrate more on sophisticated exports, such as machinery, metal goods and chemical products, since competition from low wage developing countries will reduce the scope for exports of light engineering goods. The Board of Trade should have a clear idea of where we are going and take active steps to encourage the emergence of tomorrow's export industries. To facilitate such action it should set up an overseas market research branch, doing country and product studies and surveying other countries' development plans to assess the scope within them for British exports. In Japan, government employs a whole host of economists for such studies and, judging by the Japanese export record there is a lot to be said for investigating Japanese planning methods.

The establishment first of Neddy and then of the DEA were both essential steps that permitted the gradual introduction of technocrats into Whitehall. But as we have tried to make clear, the work of administrative reform is not yet complete. In particular something must be done to bring together the planners in the DEA with the administrators in the Board of Trade. Some Conservatives have recently put forward what may appear to be a similar proposal for merg-

ing the DEA and the Board of Trade, but in fact, this is based on a completely different conception of the functions of the Board of Trade and the role of planning. The Conservatives would want their new Ministry to concern itself only with the general economic environment, whereas we have argued that in addition there is a need for selective intervention in industry, and it is just this latter function that requires a revitalised and creative Board of Trade. Whether the DEA and the Board of Trade should be actually fused into one Department of Economic Affairs, Industry and Trade, is far too complicated a matter to be argued here. It might be equally preferable for the Board of Trade to work under the DEA in the way that the Inland Revenue is responsible to the Treasury. But whatever the eventual outcome, one thing is clear: the present gulf between the ideas of the DEA and the activities of the Board of Trade is scarcely conducive to that purposive government about which we used to hear so much.

Britain's economic difficulties will not be overcome merely by a combination of civil service reform and ambitious National Plans. The basic requirement is a courageous government which is prepared to concentrate on economic recovery, even at the cost of courting unpopularity at home and abroad. There are no overnight cures for such a deep seated disease, and we do not for a moment pretend that we have found one. A government that is really in earnest cannot, however, afford to ignore the important assistance that an effectively implemented plan can bring to this task.



# 5. conclusion

In a complex technological society, planning is an absolutely necessary adjunct to economic operations. This is as true of government as it is of private industry. If the economic catastrophes of the inter war years are to be avoided, a government has no alternative but to constantly intervene in the economy.

Unfortunately, a bastardised and usually inaccurate concept of "planning" has frequently been used as a propaganda tool in party political infighting. As the pendulum has swung one way, all planning has been dismissed as restrictionist, while the reverse swing has led to planning being hailed as the cure for all economic ills. Both of these extreme views can, in the long run, only serve to discredit planning, and make it more difficult for a government to plan effectively.

After the war full employment and fair distribution were considered to be the main planning objectives. Three further objectives must now be placed in the forefront. First, to secure the best use of our increasing resources, so that production does not become an end in itself at the expense of amenity and the quality of life. Secondly, to ease the problems of transition brought on by more rapid economic development. Third, to improve industrial performance and increase our rate of growth.

A major purpose of planning is to force governments to look to the future and to consider all the implications of their actions—and even more important, of their inactions. Long term planning objectives must not be sacrificed to the pressures of expediency and short term considerations—even though for a time the refusal to face long term problems can make life more comfortable for governments.

A "national plan" can be advanced as a panacea by governments bankrupt of ideas—as happened when the Conservative Government cynically accepted the NEDC plan, which they knew was quite beyond their power to implement.

An honest national plan must tread the

narrow line between being a mere extrapolation of present economic trends, and being an expression of pious hopes about future achievements. A worthwhile national plan must have at least three features:

- (a) It must present a picture of the nation's economy at present.
- (b) It must set optimistic but not impossible targets for output and also for regional and industrial employment.
- (c) It must show how the Government intends to encourage the detailed changes in the economy required if these targets are to be realised.

The National Plan makes a good attempt to fulfil these criteria—far better than has been achieved before, and especially meritorious in view of the paucity of many of the necessary statistics, and the comparatively short time the DEA has had available. The really big question mark, however, concerns less the plan itself than the Government commitment to its targets—targets which in the light of Britain's relative economic stagnation on past years must be regarded as quite ambitious.

One advantage of the National Plan is that it identifies important potential bottlenecks in the economy which government must overcome. The feasibility of the growth rate is shown to depend on an improvement in export performance and on a rise in productivity to bridge the manpower gap.

The planning department should be closely linked to industry in order to effectively tackle obstacles and to draw up a realistic plan to increase efficiency. At present, there is a noticeable lack of liaison between the DEA, which works out overall strategy, the EDC's, which work at an industrial level, and the Board of Trade, which is in direct contact with individual firms. It is only when the DEA's ideas begin to reach down to the average firm that the ambitious targets laid down in the National Plan can hope to be reached.

Because of its extensive responsibilities the Board of Trade must be the key planning department, and a merger with the DEA is advisable. To influence the average firm, the Board of Trade requires staff with a greater knowledge of industrial practice than tend to be available at the moment. Some day, the Government might begin to wonder seriously whether there might not be a national health service for malfunctioning firms, with "doctors" working under the aegis of the Board of Trade.

The Government may soon be faced with the necessity of choosing between abandoning the targets set by the plan and taking politically unpalatable measures to maintain the growth rate—e.g., creating more unemployment, devaluing the pound or legislating to re-organise trade union structure.

In such a situation, the easy way out is to give up the idea of higher growth—the line the Conservatives took from 1955 onwards. However, when a plan exists to which the Government is fully committed, a solution of this sort would discredit both the Government and the idea of planning—the Powellites could ask for no greater political bonus. In this way, the political pressures on the Government in favour of growth are strengthened — the abandonment of growth is no longer quite as soft an option as it would otherwise be.

# young fabian group

# the authors

The Young Fabian Group exists to give socialists not over 30 years of age an opportunity to carry out research, discussion and propaganda. It aims to help its members publish the results of their research, and so make a more effective contribution to the work of the Labour movement. It therefore welcomes all those who have a thoughtful and radical approach to political matters.

The group is autonomous, electing its own committee. It co-operates closely with the Fabian Society which gives financial and clerical help. But the group is responsible for its own policy and activity, subject to the constitutional rule that it can have no declared political policy beyond that implied by its commitment to democratic socialism.

The group publishes pamphlets written by its members, arranges fortnightly meetings in London, and holds day and weekend schools.

Enquiries about membership should be sent to the Secretary, Young Fabian Group, 11 Dartmouth Street, London, SW1; telephone Whitehall 3077.

Ralph Oppenheimer is an economist and works for a firm of export merchants. He was previously employed at the National Economic Development Office.

Harold Lind is an economist and formerly worked for PEP, where he was joint author of the PEP book *Thrusters and sleepers* and the broadsheet *Government's role in applying science to industry*.

Cover design and typography by Geoffrey Cannon. Printed by The Walrus Press Ltd. (TU), 769 Harrow Road, Sudbury, Wembley, Middlesex.

# recent fabian pamphlets

## research series

233	Frederick Singleton		
	Anthony Topham	Workers' control in Yugoslavia	3s
235	Jack Cooper	Industrial relations: Sweden shows the way	3s
236	Laurie Pavitt	The health of the nation	3s 6d
237	Michael Armstrong		
	Michael Young	New look at comprehensive schools	2s
241	Edmund Dell	Brazil: the dilemma of reform	3s 6d
242	Norman Ross	The democratic firm	3s 6d
243	Cedric Thornberry	The stranger at the gate	2s 6d
245	Sidney Pollard	The Co-operatives at the crossroads	4s
247	a Fabian group	A plan for incomes	3s 6d
248	Richard Pryke	Why steel	3s
249	John Darker	Long distance road haulage	2s 6d
250	a Fabian group	The unprotected protectorates	2s 6d
251	Peter Odell	Oil: the new commanding height	2s 6d
252	Peter Mittler	The mental health services	3s
253	Keith Openshaw	The remoter rural areas	2s 6d

## tracts

321	Audrey Harvey	Casualties of the welfare state	2s 6d
346	Thomas Balogh	Planning for progress	4s 6d
349	Lisl Klein	The meaning of work	2s
352	Denis Healey	A Labour Britain and the world	1s 6d
353	Brian Abel-Smith	Freedom in the Welfare State	1s 6d
355	a Fabian group	The administrators	4s
356	a Fabian group	New patterns for primary schools	2s 6d
358	Sidney Wells	Trade and international inequality	2s 6d
359	Somerville Hastings		
	and Peggy Jay	The family and the social services	1s 6d
361	L. J. Sharpe	Why local democracy	3s 6d
362	Jeremy Bray	The new economy	4s
363	K. W. Wedderburn	Company law reform	2s 6d
364	David Downes		
	and Fred Flower	Educating for uncertainty	2s 6d
365	a Fabian group	Britain and South-East Asia	2s 6d
366	Norman Ross	Workshop bargaining: a new approach	3s 6d

## young fabian pamphlets

6	David Steele	More power to the regions	3s 6d
7	Howard Glennerster		
	and Richard Pryke	The public schools	3s 6d
8	Jonathan Radice	Transport	2s 6d
9	a study group	General practice	3s
10	a study group	Strangers within	3s 6d
11	a study group	Womanpower	3s

## other pamphlets

	Michael Pease	Parish and district councils	1s 6d
	Arthur Skeffington	Leasehold enfranchisement	3s 6d
	Mary Stewart	Unpaid public service	2s