

(April 9, 1934)

Economic Planning

BY SIR STAFFORD CRIPPS, K.C., M.P.

PRESIDENT ARSCOTT:—Gentlemen, it is a great pleasure for us to have as our guest at this meeting, the Rt. Hon. Sir Stafford Cripps, K.C., M.P. We appreciate his coming here to visit us, especially as I understand he has a very full day and, in addition to that, has to give a further address this evening in Massey Hall. In this connection, I am asked to tell you the subject of his address will be, "Can We Have Socialism Without Dictatorship?" The meeting is at 8.15 p.m.

Sir Stafford, as you are aware, is very prominent in public life and has been identified with British politics for many years. From 1929 until 1931, he was Solicitor-General in the British cabinet and, at present, is representing East Bristol in the House of Commons. His activities have covered a very wide range and he is regarded as one of the most able debaters in the British House of Commons. He is to speak to us today on "Economic Planning." We have heard some discussions on this subject and we are anxious to hear what Sir Stafford has to tell us. I shall now ask him to address you.

SIR STAFFORD:—Mr. Chairman and gentlemen, I want today to deal, if I may, with one particular aspect of economic planning and that is finance planning. It is almost impossible in the course of a short address to deal with the whole range of planning. Therefore, I am going to limit myself to this one aspect. In every country, of course, whatever its stage of development, finance form an important part of the life of the country for both industrial and agricultural purposes. And whether a country is Socialist, or Capitalist or Communist or any other-ist, it has got to

have some organized finance system. In fact, in recent years, finance has, under capitalism, become very largely the dominating factor, dominating over industry and over agriculture. Every country, unfortunately, has had its Hatrys and Kylsants who have utilized the financial machinery of the country for their own purposes. Money and credit, instead of becoming, as it should be, the servant of industry and the servant of agriculture, has become a commercial method of deriving profit from the community. If money and credit fulfills its proper functions, it should operate as a means of exchange which becomes more and more necessary as the division of labor develops in a growing civilization. That exchange may be the current day-to-day exchange or it may be the delayed exchange which takes place when money is used for capital purposes. And such use of money and credit is, of course, a legitimate and necessary use which must be made today by every community. But it is neither legitimate nor necessary in the process of effecting these exchanges for intermediate persons to take rake-offs in the process.

The creation of an exchange medium in money or credit has always been the prerogative of sovereign power—at least when I say always, I should say, was, in its origin, the prerogative of sovereign power. Hence in almost every country in the world, the minting of money and, in many countries, the creation of paper money, has been kept in the hands of the state and the hands of the community and that operation of the community's sovereign power which relates to the creation of money and credit is a very vital part of its sovereignty. Owing to the expansion of industrial enterprise we have found a growing tendency for private individuals to control the important operations of issuing credit to the nation. And with the growing importance of credit and diminishing importance of money, it is more and more a power over the life of the community and has passed into the hands of those who control the financial machinery. I do not want to attempt to go into all the complex mechanism of finance that has been set up within the capitalist system, but I do want to deal shortly with the various methods that have

been adopted for the purpose of serving the community and the vital needs for which finance is required.

Firstly, day-to-day exchange of commodities. That is to say, the producer of goods, the person who works either by hand or brain upon the producing or finishing of goods from the raw material of the world, must have means of exchanging the goods which he produces for all other requirements that he has. His surpluses must be exchanged with the surpluses of others, and that means the provision of money and credit in order to accomplish that. The amount of money and credit available, the speed with which it is made to circulate will, between them, in society such as we know today, have a very large influence upon prices and, therefore, upon consuming power of individuals in that community.

To some extent, indeed, you will get a very definite influence upon the ratio in which national wealth is divided up in the community by the control of your monetary and credit policy. For instance, as everybody knows, if you have a period of inflation, those with fixed incomes have smaller purchasing power and you bring about a rearrangement of the national wealth. That may be done upon a planned or unplanned basis. In society at present, the operation of that force is very largely left in the private hands of individuals. There is very little conscience and very little possible control of such great monetary and credit movements as profoundly influence the life and employment of the citizens of a country. Secondly, credit is required for the production of capital goods, long term or intermediate credit, in order that fresh consuming forces, which a community requires, may be put into operation to bring about a larger production of consumption goods. And then, also, credit it is required for financing, purchasing and sale of commodities over short periods of time and, finally, for the purpose of enabling the state or community to balance its requirements with its expenditures also over comparatively short periods of time, unless you have longer term plans which are adopted in a country such as the United States of America.

At present, under our existing system these functions,

which finance has to perform, are performed in what I call a haphazard way. Take first of all the distribution of national wealth by allocation of purchasing power of individuals. That is not done according to any plan nor according to any equitable principle. It is on the basis of money power, and the reward for the possession of money often brings a greater portion of the national wealth to its possessor than to the man who contributes to the community welfare. The division through rents and interests, profits, dividends, commissions, speculation, wages and salaries, is not an ordered and planned division of national wealth but a casual division, bound up with the complexity of industry in many cases, which must be familiar to everybody. You find people who make very little effort towards community welfare far better rewarded in their share of national wealth than those who make a very real effort towards the advancement of the people. And correction of this somewhat fantastic method of dividing up national wealth, which is based upon nothing but the power of economic force and materialism, can only be brought about, I believe, by conscious planning of the national life, a planning which as its first step must include control by the community of the wealth producing means of the community. It cannot be produced by mere credit or monetary jugglery. There are a number of people who seem to think by devising systems of credit distribution, family allowances and credit systems of all kinds that it will be possible, without in any way planning production and distribution, to bring about a fuller production and a more equitable distribution, which is aimed at by every class and every political party in society today. So long as production for profit remains so long will it be impossible for any community to plan its production and distribution.

Efforts of every kind to plan production and distribution within capitalism have been made throughout the world in the last twenty years. There is being tried today what some people regard as a liberal or radical method in the United States of America. I am quite confident that within a few months, or at most a year or two, the impossibility of that system of planning will be fully and per-

fectly demonstrated in that great country. Any creation of artificial purchasing power, whether attempted through the N.R.A., or by distributing doles to farmers in consideration of their not cultivating land, as is being done in the Southern States of America today, will inevitably lead to some form of inflation. That form of inflation will give a temporary kick to the system. You will get a temporary price rise, but you will find, at the same time, that most of that will flow into speculators' and profit earners' pockets and that the consuming power of the worker, who is the great consumer in the community, will not be benefited to the extent that some people would wish it. You will find what has happened in the last month in America will happen in other countries. Where you have a planned rise in wages amounting to one per cent., you have had a rise in prices of three per cent., leading to a fall in consuming power of two per cent. Along that line, I think, there can be no cure, if you are desirous of reaching the stage of producing the maximum that you can and distributing that maximum throughout the community. The experience of Europe has been that in order to enforce such a system upon democratic countries you have been obliged to abolish democracy because the peoples were not prepared to accept the perpetuation of such a system and it is because of that you have had the growth of Fascism in Europe today; and I believe, every country in the world will have to chose sooner or later between Fascism, on the one hand, and some completely new economic development, which, I believe, can only be Socialism, on the other hand. And the sole way of saving democracy, which most of us hold dear, will be by making that democracy effective—to bring about the most fundamental economic changes in our society and in our industrial life.

Now the second objective of finance, the production of capital, long term or short term, is carried out with the assistance of the banks, the finance houses and company promoters. The banks by controlling short-term credit exercise, naturally, a very large measure of control over the industrial life of the country, and they do so quite properly under our existing system, not in the interests of

industry but in the interests of the banks themselves. They are bound to work upon the profit system as is industry and they are bound to have first regard for the matter of their own profits, no matter what the general community interest in the matter may be. It is rather as if in some great city the water supply were controlled, not by the quality of water available, not by the desires and needs of the inhabitants, but by the will of the man who happens to operate the valve. That flow of credit is today operated not by the community as a whole in the general community interest, but by the profit earner in that branch of industry—finance industry—for the interests and profit of that particular branch. And just as you cannot in planning credit, isolate distribution from industry, you cannot isolate industry from industry, because of the essential reactions which consuming power, created in a particular industry, has upon all other industries in the country. Consuming power of farmers in the West is a matter of the most vital importance to the manufacturers in the East. And no planning of matching production and consumption can ever take place until you have one co-ordinated control over both West and East as regards both finance and industrial and agricultural development.

The operation of the control of credit is, therefore, today not a community operation. The profit motive in what one may term credit commerce is obvious. It is obviously the wrong method and brings about the wrong results in the interests of industry, agriculture and the workers in any particular country.

Apart from this creation of credit, you have as well, the financing of long term credit by means of issues, public or private, and those issues are placed upon the market on the principle of the cheap-jack in the old markets of commodities. He who shouts the loudest and makes the most attractive prospectus will be able to catch most money. I do not know what your experience is here in Canada, but in the years following the war in Great Britain, we had instance after instance, where surpluses were collected in this way merely to be lost and entirely wasted. Great booms in the silk industry and industries of that kind led

not only to enormous wastage of community effort but to the ruination of some of the industries themselves. This is the exact opposite of planning in finance, and unless we can do away with that type of economic anarchy, we cannot utilize all the best resources of the community. The exploitation which takes place by the present methods is something against which nowadays, communities and the world are beginning to protest. Enquiries are being set up all over the world. I believe there are enquiries being set up in this country. I believe communities will come to the conclusion, sooner or later, that if they are to make the best use of their resources, the community itself must take a hand in planning and controlling the way in which these resources must be utilized, not leaving it merely to the speculator, or to the promotor who is solely concerned with the question of his own profit, to divert the wealth of the community into channels where it cannot benefit the community.

Perhaps the worst methods of all that are applied nowadays are the methods of financing government expenditure. Let me take as an example the method of financing government expenditure during the Great War in Britain. During that period, owing to the energy of the population we manufactured something like a thousand million pounds worth of commodities which we blew away in the destructive war. When we had financed the effort and finished destroying commodities we produced, any ordinary person would think that the community had finished with the question of production and consumption. But not at all. The community then found itself indebted to private individuals for the whole value of these commodities which it had had itself produced—in fact for the permission to produce them. It had then forthright to pay tribute amounting to two or three hundred million pounds a year to a people who had lent the community its own credit and that method of government financing is one of the matters which has played so large a part in the difficulties of countries in the post war period. This enormous building up of indebtedness in respect to the past manufacture and consumption of commodities. And that method, I believe, is one which must be got away from.

Now, if those are the methods adopted under our present system, how are we going to start planning our finances so as to avoid the difficulties which arise under our existing method? I believe that one of the most vital factors in initiating planned finance—planned economy—is to get into the hands of the community control of its own credit. That is to say, to take into community ownership the banking and finance system of the countries, in order to enable them to plan the use of that credit, to organize the use of that machinery that exists, not for the present purpose of bringing profit to the bank or financier, but in order to knit it in with the industrial and agricultural activities of the community so that it may be made what it should be, that is the hand-servant of agriculture and industry, rather than being the master of agriculture and industry which it is today. And once the community eliminates the necessity for profit-earning in the finance machinery of the country, it will find itself able to plan the right development of credit policy. That is to say, it will be able to divert that credit into channels which will be useful to the community as a whole. In other words, it will be able to control the development of industrial and agricultural production, and through that control, even in the initial stages of planning, it will be able to give direction to the national life and these objectives which a community has at heart because, I presume, that every member of the community has some economic objective towards which he wishes to move. I presume, also, that that economic objective is to get a fair distribution of national wealth, not necessarily an equal distribution, but a fair distribution of national wealth, so that you do not have throughout the world this great mass of the population living in a state that rightly may be termed semi-starvation and, in some countries, may be termed starvation and, at the same time, have other individuals who are living in the greatest luxury. Nobody can justify that, either from an economic or an ethical point of view, and that is the objective which we have before us. We have to devise means of planning in our national life so as to reach that objective. And one of the fundamental steps, especially in the highly-organized state

of industry today, is to be able to direct the credit into channels where the community may desire it, and that cannot be done by any control so long as credit commerce remains subject to private enterprise. You cannot order a bank to do certain things which may lead to loss of money. It would not be fair to the shareholders, the directorate or the staff of the bank.

If you are going to take control, if you are going conscientiously to direct, you must, in fairness, accept the liability of the direction you give. And you can only do that by saying to those who at present own the means of production in credit commerce, "We will compensate you for the means you have created. We will take that under community control. We, as a community, will be responsible for the loss, if any, by reason of our control." At the same time, it is suggested in doing that, you will get rid of the initiative of which the capitalist is so fond. He says, "You cannot create a great industrial community unless you give free play to the initiative of the ordinary human being." The ordinary human being working for a wage or salary has very little chance of showing any initiative. But if the community were to take into its hands the great banking institutions, the whole technical direction of these banking institutions, they would remain precisely as they are today—the same managers and the same staff, provided they were prepared to work the new system, as I have no doubt they would be, and still direct the day to day operations of the bank. The fundamental thing that you would change would be the directional control of the bank, directional control in the sense, not of the day to day work but of the general policy, both as regards credit and as regards money.

It is often said that the commodity dollar fixed on the wholesale price basis is a satisfactory means of stabilizing currency. In a planned society you must stabilize. Retail prices are prices that you must plan in order to get your distribution. You must plan, on the one side, retail price levels for all the various commodities. On the other side, you must plan the division of national wealth through wages, salaries or whatever it may be, in order to deter-

mine the sum total of your prices and the sum total of your national wealth. Therefore, your monetary policy should aim towards being able to fix your dollar upon the basis of the retail price list, so that it always has the same consuming power, in order to enable you to plan ahead on the fixed consuming power of your money values. Of course, that will mean that it will only apply to countries that adopt the same index. Foreign exchange will have to be left to take care of itself. But greater good, I believe, in planned economy will arise from fixed monetary values in the state itself.

So far as foreign trade is concerned, the fluctuation of foreign exchange will have a considerable influence, but again under planned economy, you will eventually have reached the stage where the community, having foreign trade monopoly as they have in Russia today, will be able, by means of barter arrangement, to dispose of its surplus. One of the great problems today is the problem of the disposal of surpluses, made absolutely impossible by the restrictive retail arrangements imposed by capitalism. If, in Great Britain today, we were able to give our people the full satisfaction of their needs, not of their effective demand but of their needs, we should be able to absorb great quantities more of Canadian wheat. But so long as the profit-earning system is in Britain which insists upon devices in order to raise profits for the farming community in Britain, you will be unable to get a proper exchange of service which lies at the root of the full satisfaction of the demands of international communities.

I do not believe that within the capitalist system you can ever get any type of planning or control except that type which is now being so largely experimented with in certain countries and which I call scarcity control, which no man can justify. The difficulty is that in order to get planned economy you have got to get rid of private ownership of property. And that is going to need a great change of opinion which may be brought about by the democratic power of reasoning or it may be brought about by violence. I hope that in our community in Britain and in your community in Canada we shall keep our minds

sufficiently flexible and democratic to allow that full, frank reasoning on these matters which will enable us to attain those necessary changes without the terrors and tragedies of revolution.

CHAIRMAN ARSCOTT:—Sir Stafford, I have been following your address so closely that I have not had time to think as to how to express our gratitude. We are very grateful for your coming here today. I think the applause of your audience is an evidence of how much your address was enjoyed. It was very kind of you to give the time out of the full day you have before you. On behalf of the Club, I extend to you our warmest thanks. We hope that you will enjoy your visit to Canada.