

THE publication of this book is an event of first-rate interest and it is of the greatest importance that all educated people of moderate opinions should take note. What gives it this interest is not so much the content of the plan recommended as the basic assumption on which it is written and the fact that its author is a Conservative Member of Parliament.

His basic assumption is that the troubles from which we are suffering are not in the main the aftermath of war, but arise out of the inherent nature of our economic evolution and would have come upon us, albeit perhaps less catastrophically, had there been no war. While there are still a number of respectable publicists who speak of an economic solution mainly in terms of liquidating post-War difficulties, the tendency of those economists who have given deep thought to the matter has been to lay less stress on these and to find the causes of the great depression rather in forces within the normal economic structure, which are tending to produce greater and greater oscillation in production and trade. Mr. Macmillan shows that he is alive to this progress of opinion among experts and that he is thus in advance of by far the greater part of his political colleagues. The importance of this in turn may be gathered from a perusal of his chapter on Fascism and Communism. So long as our politicians remain in blinkers, it will be impossible to secure reconstruction by the aid of our political institutions, which are potentially of admirable efficiency. The pressure of distress will drive men to impatience with these institutions; Fascism and Communism will have their opportunity; but, after all their obnoxious political methods have been applied, "after all this play-acting and demagoguery has had its run . . . they will be faced with precisely the same economic problems as those which confront us to-day." If only Mr. Macmillan and men of his type had greater influence in our democracy, we should be insured against dangerous and retrograde constitutional experiments.

When, leaving this basic assumption, we proceed to the detailed formulation of it and his constructive plans, there is much matter for criticism. He thinks it enough to say that the productive capacity of the world is expanding more quickly than markets, and adduces a comparison of our present condition with that when new continents were opening up. The point cannot really be stated so simply. The market for some goods always consists in the effective demand of those who make other goods; markets and capacity should always expand *pari passu*, even if the trading area of the world is not increasing. To arrive at a correct understanding it is necessary to analyse the particular mechanisms of distribution and exchange in use, especially the monetary systems, more closely. The consequence of his formulation is a regrettable lack of emphasis on the importance of monetary reform. He does well, however, on p. 58 to endorse Mr. Keynes' proposition that investment should be made to keep pace with saving.

Mr. Macmillan desires to coordinate competition by the formation of Industrial Councils. He is rather inexplicit (though limited space naturally forbade much elaboration) about the coercive powers of these councils or of the "Central Economic Council." This must be connected with some vagueness, and perhaps some misunderstanding, about their policy. We welcome his statement in one place that "we shall be able to preserve the price indicator," and in another that "commodities would exchange at approximately their fair cost of production." But he does not appreciate how great are the forces which might, in certain phases of the market, lead councils with the best will in the world to secure contraction of output, and at all times to charge prices that are unduly high. It is not enough to postulate good intentions; loyalty to one's trade and those who depend on it is a good motive. Nor could the Central Economic Council overcome the specialist defence of their policies which Industrial Councils could

put up, *unless it had a predetermined philosophy with regard to prices and output* which it was firmly resolved and *empowered* to enforce.

Mr. Macmillan's belief that we should work at full capacity and efficiency if only Industrial Councils with reasonably good intentions were operating may be connected with a fallacy which occurs on pp. 20-21. He associates the danger of miscalculation in modern times with an increase in the *number* of producers. In fact there has been a relative decrease in the number of independent producing units, and it is *this* that makes miscalculation more likely to be dangerous; for where there is a great number there is a greater probability of errors cancelling out. Nor is it only a matter of miscalculation. There is also the question of interest. Where numbers are small it is more likely, for various reasons, to be in the interest of each to contract in the face of depression, and it is this pull of interest which makes for greater reduction of activity in the downward phase of the cycle in modern times. The establishment of monopolies, allowed, within reasonable limits, to act in their own interests, might well intensify and not mitigate industrial fluctuation.

Mr. Macmillan does not go far enough; it is necessary not only to have Industrial Councils, but also a coherent and enforceable principle to govern their policy, to supplement the motive of profit; and it should be coordinated with the national monetary policy. This, however, could still be made to leave the greatest possible scope for the stimulus of private enterprise.

Mr. Macmillan is a Protectionist. He informs us that his proposals are intimately connected with Protection. That may be true of the form in which he presents them; but I do not think it is true of their inner rationale. Protection is in essence a refusal, whether for good reasons or bad, to take full advantage of the potential benefits of the international exchange of goods. It is surely just as feasible to make a national plan on the basis of taking full advantage of these opportunities as on the basis of not taking full advantage of them. (It is more open to question whether national planning is compatible with a return to the gold standard [*cf.* p. 103], unless the other gold nations have themselves begun to "plan" on the right lines.) Be the question of Protection as it may, it is a pity that crude controversial misrepresentations should have found their way into this dignified and respectable volume. For instance, on p. 19 Mr. Macmillan writes, "free trade merely means that the markets will go to those who can produce the same quality of goods with the lowest paid labour." And on p. 81 he suggests that the case for Free Trade in one country depends on the rest of the world adopting it. *Per contra* we welcome his statement on p. 15 that "our policy therefore must be one which seeks to improve our own position without inflicting injury upon our neighbours."

Whatever weight may be properly attached to these criticisms, all lovers of constitutional government should be greatly encouraged by the fact that one who is taking part in our democratic system has shown himself alive to the economic problems of to-day.

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