

THE PLANNING
OF
FREE SOCIETIES

By
FERDYNAND ZWEIG

AUTHOR OF
'BRITISH WORKER,'
'THE WORKER IN AN
AFFLUENT SOCIETY'

FIRST INDIAN EDITION

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FOREWORD

PLANNING is all the vogue today. The public is looking for "constructive" plans in order to find a way out of the Great Emergency which has overtaken mankind. Planning is the child of crisis; indeed, the strongest argument for planning is emergency.

On every hand we meet with "new orders," whether they be actual new social schemes of wider or narrower range imposed by authority, or paper patterns of new societies drawn up by constructive minds which combine imagination with courage. But in spite of this multitude of "new orders," whether they are actually functioning or exist only on paper, it is obvious that the right scheme of planning has not so far been found. We are struggling desperately to combine the old and precious values of freedom and democracy with the new requirements which have arisen from modern technology and social and political emergency, but so far we have failed.

Why is this? Is a combination between freedom and democracy on the one hand and a planned world on the other, like a union of fire and water, altogether impossible, or does the reason of the failure lie in our lack of courage, imagination or leadership? The latter supposition is the more optimistic, for the former leads us only to despair of the future of our civilization as developed in the last century on both sides of the Atlantic.

If the negative view is accepted, then two solutions may be offered as theoretical possibilities: one, a return to the position we left in August 1914, that is, to the pre-war world, and an attempt to build further on the principles applied until that fateful epoch; the other, the building-up of an entirely new civilization based on the principles of thoroughgoing planning.

But the former solution in reality reduces itself to the second, since a return to the pre-war position, a revival of what is already dead, must be regarded as impossible. Every year of total world war makes it more impossible.

The real alternative, therefore, with which we are now faced, is whether to build an entirely new civilization based on thoroughgoing planning, or to adapt the old world to the requirements of a new age. The real issue is not, To plan or not to plan? but, what kind of planning is needed; what must be its objectives, how far must it go, and in what spirit must it be carried out?

The present study, which makes no proposals, but confines itself to exposition and analysis, may help the reader to answer these difficult questions, or at least to formulate the problems more accurately.

These pages make no claim to constitute a systematic exposition, still less to exhaust the problems. Planning is a huge subject, embracing the whole field of social relations. Here will be found only some critical remarks on the subject. But as that subject must be regarded as one of crucial importance for the survival of mankind, even unsystematic remarks may be of some use.

My real purpose is to clear the ground for public discussion by setting forth the vast implications of planned economy and the wide range of alternatives connected with the different characteristics of many possible schemes.

It remains only to add my acknowledgments.

I owe much to the constant encouragement of Professor S. Kot, now Polish Ambassador in Moscow, and to the great interest shown in my work by H. Strasburger, Polish Minister of Finance, and Dr. Leon Baranski, Chairman of the Association of Polish Economists in London. They laid emphasis on the fact that the subject is one of the greatest importance, not only for Europe as a whole, but the post-war reconstruction of the economy of Poland, destroyed by the Nazi invasion.

Much kind help has been given to me by the British Council, whose scholarship I held for the first year of my stay in Britain after the collapse of France. I must mention also the assis-

tance of Count Rzewuski, the founder of the Polish-British Chamber of Commerce in Warsaw.

I must also acknowledge my debt to Professor Hayek, who kindly read the early drafts of my book; and to Professor A. B. Fisher and Mr. C. W. Guillebaud, who read later drafts and made useful criticisms and suggestions. Sir Henry Bunbury, of P.E.P. (Political and Economic Planning), devoted much time to elucidating certain points, and gave me much valuable assistance. Finally, I thank Mr. A. S. B. Glover for the correction of my English and his assistance in checking the proofs.

London,
May 1942.

INTRODUCTORY REMARKS

THE idea of economic planning may be dealt with either as a logical conception or as an economic-historical category.

As a logical conception, planning means the making of schemes to be carried out by successive steps, with foresight, and usually on a large scale. We plan a military, political or propaganda campaign. We plan a town or an industrial area, we plan new lines of communication, we plan great public works, such as the rebuilding of bombed areas. Economic planning in this sense would mean drawing up economic schemes with foresight and on a large scale for housing, agriculture, money and banking, foreign trade or public finance.

In this sense there has always been economic planning. It existed in the days of the Pharaohs of old, in ancient Greece, in the Roman Empire, under feudal and mercantilist society, in the days of early capitalism, in pre-war Britain. There has always been town planning, planning in relation to great public works, such as the Pyramids or large fortresses, and planning directed to building canals, harbours, and so on.

By approaching our subject from this angle, no fruitful results could be achieved. In a review of planning in this sense throughout the ages we could only state that undoubtedly there has been more of it in recent times than there was in earlier epochs. But this is due to the facts that large-scale works can be executed more easily to-day than of old, and that our foresight has been advanced, thanks to the progress of science and technology. Economic planning in this sense might be called planning *within* the economy.

But planning is more than a logical concept; it is also an economic-historical category, covering a definite phase of economic history, the recent period which begins with the years of the First World War. Economic planning in this sense is not an abstract logical concept, which might mean anything or nothing, but a definite economic-historical phenomenon with its own special working ideas and institutions.

The idea of economic planning is but a counterpart of many planned economies which arose in the course of the twentieth century. It is planning *of* the economy, not *within* the economy. It is not a mere planning of towns, public works, or separate sections of the national economy, but of that economy as a whole.

The present study, then, is devoted to economic planning in this latter sense, the planning of the economy of a nation as a connected whole.

In order to understand the fabric of planned economy we must first comprehend the idea of economic planning.

The continuous flux of economic structures is due to three kinds of phenomena :

(1) *The field of ideas* by which a given generation is affected. One generation, for example, is inspired by the idea of freedom in its most general sense, another by that of social equality, another by that of economic security, or the international struggle for empire or world domination.

(2) *The field of institutions* in which these ideas attempt to find their realization. A generation inspired by the idea of freedom will create institutions quite different from those of a generation inspired by that of economic equality or security, or by great political ambitions. Once built, the institutions have a certain autonomy; they develop on their own lines. As a rule, they are but imperfect reflections of the ideas that have given them birth, and after a time they bring those ideas into disrepute, thus bringing about a general disillusionment.

(3) Finally, *the field of actions* and their results, such as technological progress, increase of population, wars, revolutions, depressions, crises of various kinds, the struggle for profits and markets, etc. This field of actions creates new economic and social situations which call for new institutions and give rise to new ideas.

There is a constant interplay between these three fields. New ideas create new institutions, new institutions lead to new ideas, new situations bring about new ideas and new institutions.

This description of social and economic development must not be regarded as a denial of the materialistic conception of history, or as a return to an idealistic conception. Rather, it considers social and economic development from a three-dimensional standpoint, rejecting one-dimensional concepts which seek to reduce the whole of life to one denomination.

These introductory remarks serve to explain why our investigation starts from the *idea* of economic planning, regarding planned economy briefly as an economy governed by the idea of planning.

The world of today is greatly affected by the idea of planning, and this idea is responsible for the creation of many existing institutions. But the idea has become popular because the actual world was ready for its realization. The Great Emergency showed the genuine need for control, and the new technology provided ready-made the weapons of that control; while the old institutions were more and more deprived of their former functions and vitality.

The first two parts of this study are devoted to the explanation of the idea of planning, and of the driving forces of planned economy. Then follows a description of the objectives, machinery, and working of planned economy, and finally an exposition of the vast implications of planning in non-economic spheres. Special attention is paid to the problem of planning in backward countries and to that of self-government. Finally, a few conclusions are drawn from the considerations set forth.

The method applied is an analysis of the planned economy, based on the observation of actual trends implied in modern development, examples of which are given in the text and notes. The aim is to show the trends of this development and the interconnection between them.

The method followed is a combination of analysis and historical description, of a kind not unfamiliar in economic writings, especially in some older masterpieces, such as Smith's *Wealth of Nations* and Marx's *Das Kapital*, both of which made an extensive use of it. It has largely fallen into oblivion in modern economic literature, which separates abstract or mathematical analysis from historical description, a course which, in

my opinion, has not contributed greatly to the understanding of our fast-moving modern world.

It seems to me that this method may be especially useful in times of transition, or rather at the turning-point of great historical epochs.

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