

The New Socialism of Dickinson-Lange.

The Russian experiment has proved at the cost of great - and in the light of reason entirely unnecessary - suffering, that a planned economy is impossible and that there exists today no fundamental alternative to the capitalist system.

The same result has also been reached theoretically - even though unwillingly by a new school of socialist thinkers. The movement was started by the writings of an opponent of Socialism, Professor Ludwig von Mises of Vienna, whose first paper on the subject, in 1920, was followed in 1922 by his book "Die Gemeinwirtschaft" which appeared in a revised English translation under the title "Socialism" in 1936. The significance of Mises' contribution may be best characterised in the words of one of his ablest Socialist critics, Oskar Lange, whose "Economic Theory of Socialism" (1938) begins with this passage:

“Socialists have certainly good reasons to be grateful to Professor von Mises, the great advocatus diaboli of their cause. For it was his powerful challenge that forced the socialists to recognise the importance of an adequate system of economic accounting to guide the allocation of resources in a socialist economy. Even more, it was chiefly due to Professor Mises' challenge that many socialists became aware of the very existence of the problem. And although Professor Mises was not the first to raise it, and although not all socialists were as unaware of the problem as frequently held, it is true nevertheless, that, particularly on the European Continent, the merit of having caused the socialists to approach this problem systematically belongs entirely to Professor Mises.”

During the thirteen years following the first publication of Mises' argument no Socialist writer seems to have taken up his challenge. (The American economist, F.M. Taylor, who, in 1928, first sketched out publicly the solution later offered in more detail by other writers, seems to have been unaware of Mises' work and to have regarded the problem as a matter of pure speculation). The Socialist reply to Mises was eventually given - on the lines

foreshadowed by F.M. Taylor - by H.D. Dickinson¹, Oscar Lange², A.P. Lerner³, and J.E. Meade⁴, E.F.M. Durbin⁵.

The solution offered by this array of Socialist economists to the difficulty raised by von Visés is this. The Socialist State shall duly take possession of Industrial enterprises - at least of those which show monopolistic tendencies in falling to expand production to the utmost socially desirable limit. There shall be prices ascribed in money to all resources of production and to all finished articles of consumption. The State shall appoint managers to each individual enterprise, who should direct production so that it may bring forth the maximum money value of goods at the lowest possible money cost. Production of each plant shall be expanded up to the socially desirable limit as shown by the reduction to zero of the difference between marginal cost and marginal product. This rule is different from that which governs the range of operations under private enterprise. In my opinion the rule can be proved unworkable by subjecting it to an analysis in the light of the criteria set out above 3/49. But in any case this makes no difference to our present argument which is concerned not with the possible advantages of Socialism in general, but only with the practicability of Socialist economic planning. We continue, therefore, our description of the machinery of the system of Dickinson-Lange.

The prices of resources of production under capitalism are not fixed between individual managers bargaining for resources and individual agencies disposing of the resources, but by a central authority which Mr Lange calls the Central Planning Board and Mr Dickinson names the Supreme Economic Council.

The rules prescribed for them in this function are similar to those practised by War Ministries in adjusting, and readjusting, point values for rationed foods. These are fixed in such a way as to clear the whole stock of different goods available at any time. If at six points for a tin of salmon paste queues were formed for salmon paste and many people could not get any, the point value was raised until the over-demand was eliminated.

¹ Econ. Journ. June 1933, "Economics of Socialism", 1938.

² Ibid, Oct. 1936, "The Economic Theory of Socialism", 1938.

³ Review of Econ. Studies, Oct. 1934

⁴ Economic Analysis and Policy, 1936.

⁵ Econ. Journ, Dec. 1936. An article by Barbara Wootton in the Political Quarterly (1942) indicated that the author has accepted the same standpoint.

When on the other hand sardines at four points to the tin could not be sold, this point value had to be reduced to two. That is how the socialist authorities of Dickinson and Lange are supposed to operate prices. They receive reports whether any particular type of materials is in over demand at the current price, or whether, on the contrary, stocks of it are accumulating unsold. In the former event, they will raise, in the latter reduce the price, hoping thus to equate again supply and demand in either case.

Professor F. A. Hayek has criticised, and I think rightly, this method of fixing prices as extremely cumbersome⁶. I would add that, in the circumstances, assumed by the authors it is entirely redundant. Professor Lange says himself that "... the determination of equilibrium prices in a socialist economy ... is quite analogous to that in a competitive market. The Central Planning Board performs the function of the market." But why then not let the market perform its own functions? Mr Meade (l.c.) in his account of the new Socialist Economics finds no difficulty in letting the prices be agreed upon between buyers and sellers. Nothing can be gained - but ably unnecessary delay and incidental maladjustment caused - by interpolating between the observation of the producer that a certain line of merchandise is proving unsaleable at the current price and the obvious conclusion arising therefrom that an offer has to be made of it at a lower price, a report by the producer to a central authority so that the latter may order him to do what he would have otherwise done (and done better) by himself.

However, I am not concerned here with pressing on the representatives of the New Socialism a modification of their proposals in the sense of locally agreed, rather than centrally established prices. My purpose in pointing out the ineffectualness of the central economic authority in their schemes is to demonstrate that their New Socialism, while vindicating public ownership, has abandoned economic planning. Professor v. Mises had argued that in the absence of a market for raw materials, etc. a Socialist economy had no rational criterion by which to allocate resources to individual plants. New Socialism has discovered a system of rational criteria which are compatible with public ownership. But these are essentially the same which a system of private enterprise uses and their adoption reduces the State, under Socialism, to a position closely similar to that which it possesses under Capitalism. The achievement announced by Professor Lange: "Thus the accounting prices in a socialist

⁶ Economics, May, 1940

economy, far from being arbitrary, have quite the same objective character as the market price's in a regime of competition" disposes of all claims to economic planning. A state which is only used as a recording machine for a process running its own objective ungovernable course, can only maintain a ludicrous pretense of planning . As if the calendar makers were to pretend that they were planning the seasons and the phases of the moon.

Actually, Professor Lange, apart from calling his chief economic authority by the name of Central Planning Board, makes no reference to the functions of planning in the proper sense. The matter is different in the case of Mr Dickinson who opens his volume with a declaration in favour of resolute, completely centralized economic planning. But by the time our author has developed his scheme in detail the result is this:-

"In one or two matters, perhaps, considerations of social policy would be planned on their merits. (But even here the tendency would be to make specific grants to particular undertakings or to lay specific burdens upon particular branches of production, and then to leave them to the quasi-automatic working of market forces.) In all other matters, and in all questions of detail even within the special schemes the normal indices of prices and cost would be decisive. The great majority of lines of production would be carried on automatically within the given framework of costs and prices so as to supply goods to consumers according to their preferences as indicated by the market." (p. 222)

There is no more, nor - of course - less, economic planning practised here than in a Capitalist State. But since the pretence of planning is upheld - thus giving nourishment to the false hopes which humanity acts on economic planning, impairing our sense of reality and tempting people to neglect the path of rational progress and to embark instead on the reckless course of endowing the State with powers over their own wealth and life, which no State can rationally exercise - we must make the whole context clear beyond doubt. It must be recalled and never forgotten that Socialist planning was originally intended to replace the independent dispositions of individual managers, taken on the basis of a fragmentary knowledge of economic facts and without due regard to the intentions of others acting in similar way - by a system of central! decisions, conceived in full possession of all economic data throughout the country, in which every disposition made with respect to one plant, would be rationally coordinated to the concomitant dispositions made with respect to all the other plants. The advocates of economic planning refused to submit to the automatic

functioning of the laws of supply and demand operating through a market and to rely on the establishment of economic equilibrium for the achievement of harmony between the participants of economic life. The production of commodities for an impersonal market was to be replaced by production for use, for the common good. The claim of economic theory that production of commodities for an impersonal market was in fact the best way of satisfying people's needs and serving in this respect the common good, was laughed to scorn. All this has now been abandoned.

We can but agree with Mr Dobb - leading theorist of Marxist Socialism in Britain - in his reference to the theories of New Socialism:-

Either planning means overriding the autonomy of separate decisions or it apparently means nothing at all ⁷ he writes. And he proceeds to pour ridicule on the whole scheme.

"That in a socialist economy it should be thought necessary for the managers of various plants, having ascertained the necessary data about productivity, to use these data to play an elaborate game of bidding for capital on the market, instead of transmitting the information direct to some planning authority, is a "Heath Robinson" kind of suggestion which is hard to take seriously. Moreover it has the positive disadvantage that in playing such a game the managers of socialist enterprises would be as much "in the blinkers" as to the concurrent decisions made elsewhere as are private entrepreneurs today, and thus would be subject to a similar degree of competitive uncertainty." ⁸

The New Socialist movement has unwittingly abandoned economic planning in its effort to prove that public ownership is practicable.

But its followers have as yet given no consideration to the administrative problems involved in the pooling of all capital risks which constitute State Ownership. They have yet to face the problems discussed earlier in this chapter and give an adequate administrative analysis of their project. The mere suggestion that the State shall take on certain new comprehensive functions means nothing at all without an examination of the administrative feasibility of such schemes.

⁷ Political Economy and Capitalism p. 275.

⁸ I.c., p. 305