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Mobility

THE efficiency of the market mechanism depends primarily on the mobility of resources, which is necessary if there is to be rapid adjustment without abnormal price movements and the hardship that they inflict. If there were perfect mobility we should never need rationing or licences, for we should never have shortages. (We could still have a general shortage if we were suffering from suppressed inflation; but the remedy for this is not rationing or licensing but disinflation.) If the quantity of money is just right, a shortage in one part of the economy must be balanced by overabundance elsewhere, and, given perfect mobility, it must rapidly disappear.) It may be that the shortage is of female cotton workers in Lancashire, while the overabundance is of navvies in Kent. Perfect mobility does not require that the navvy should travel from Kent to the Lancashire mill. There is a general readjustment; he displaces someone who displaces someone else, who displaces someone else who goes into cotton. Each moves a little way until adjustment is complete. (The shortage disappears when all that is wanted can be purchased freely at a reasonable price, and a reasonable price is that which corresponds to the normal average cost of production. Shortages are therefore the result of the immobility of our resources, and so also is such need as there is to use planning by direction. If we could greatly increase mobility we could eliminate all shortages, and could rely exclusively on planning by inducement. The quickest way to get rid of shortages and of licences is therefore to concentrate on immobility.) (This applies as much to foreign trade as it does to domestic production. We are short of imports because we are short of exports. This is partly due to inflation, which keeps resources working for home demand, but it would not disappear at once, even if the quantity of money were right, because of immobility. Given perfect mobility, the resources released by

disinflation would flow into export industries, where there is a great shortage of labour. The movement would not be direct, but would be achieved by many people making small adjustments.) (But in the absence of mobility disinflation creates pools of unemployment which do not necessarily reduce the shortage of labour in essential industries.) The existence of immobility then comes to be used as an argument for inflation; it is no use making navvies unemployed in Kent, we are told, because there are not enough cotton operatives in Lancashire. But how are we to get more cotton operatives unless pressure is applied in other parts of the economic system? Disinflation applies pressure deliberately to what is considered least essential. The only other alternative is to carry on with the inessential while applying pressure (which in the absence of disinflation has to be the direction of labour) to industries which are themselves essential though not so essential as the export trades. (Disinflation cannot be pursued smoothly unless there is a high degree of mobility; without mobility we are driven to direction of labour and of other resources.)

(Similarly, in the absence of mobility we cannot eliminate unemployment completely without inflation. If there were perfect mobility the 2 to 3 per cent of the population whose unemployment is frictional would disappear; there would be no frictional unemployment. But given immobility, which separates those who need work from the work of highest priority that is available, we can eliminate unemployment altogether only by providing a shortage of work everywhere, and eliminating the distinction between urgent and less urgent work. Such inflation in the labour market leads straight to the direction of labour. It is better to accept the 2 to 3 per cent and to concentrate on reducing it by eliminating immobility.)

We see this problem at its worst when we consider the implications of foreign trade in a fluctuating world economy. We shall soon be in the position that about 20 per cent of the labour force depends directly on export markets. What is to happen when there is a slump and exports contract? We talk glibly of planning for full employment, but how are we to employ the workers displaced from export trades? If there were perfect mobility it would be easy; we would expand the monetary circulation and thus provide additional jobs in working for

increased domestic consumption, or increased investment, or increased government service. But, with our resources as they are, such work will not be easy to organise—the equipment and the workers will not always be found together.(We cannot get rid of cyclical unemployment, until we greatly increase the mobility of resources)

. Equally difficult is the problem that we may call the post-re-equipment transition. At the end of the war there are great shortages of equipment to be made up, but there will come a day when the principal shortages have been made good. The back of the housing shortage will have been broken, and the demand for building labourers reduced. The mines will have been fully mechanised, and the demand both for miners and for makers of mining machinery will slacken, and so on. We cannot guarantee to each worker in each industry that his job will always be there until he dies. Full employment guarantees him some job, but not any particular job, and as conditions change many existing jobs will become redundant, and workers will be required to shift into new occupations. But, unless the workers are satisfied that new jobs will easily be found for them, they will continue, in the future as in the past, to try to resist all changes that may make the job they are doing redundant. We shall be back to restrictive practices and a low standard of living. Without easy mobility none of our problems is soluble.

(If the first task of the planner is thus to ensure that there is the right amount of money in circulation, neither too much nor too little, his second priority must be to facilitate mobility. Given these two all else is easy; shortages melt away, trade balances, unemployment disappears, and so on. But if either of these two policies is defective the planner is plunged into a maze of price controls, licences and directions, in which much of efficiency and of freedom is easily lost.

The way to facilitate mobility is to plan the location of industry, to facilitate the acquisition of skills and to plan the wage structure.)

LOCATION

The need to facilitate mobility is only one aspect of the problem of location, which we must examine in its widest setting.

The truth is that the market mechanism, acting through prices, is wholly incompetent to procure the correct location of industry. For example, if we are considering the disadvantages of allowing large towns to grow, such factors as traffic congestion do appear in prices, but inferior health conditions reflect less adequately and military considerations hardly reflect at all. Prices reflect wages, but wages are bad guides to location, for, wages being sticky, the wage differentials between towns where there is heavy unemployment and towns where there is not are not as wide as a free market would require. Similarly, the prices of services provided by public authorities do not adequately reflect social costs, with the result that new industries causing a town to expand do not pay the full extra costs they impose by way of extra schools, hospitals and so on, while in depressed areas, as excess capacity develops the rates tend to rise instead of to fall. Again, there is nothing in prices to reflect the disadvantage, in terms of mobility and thus also of unemployment and human misery, of having an entire region specialised to a particular trade, and dependent on its fortunes. Nor do prices adequately check the cumulative or multiplier processes at work in location. If by some chance accident a big factory migrates from one town to another (not necessarily only because the manager's wife wishes to be near London) cumulative forces are set up. The loss of purchasing power in the town it has left reduces the markets for firms that remain, and causes some to move, their movement in turn driving away still more. And in the town to which it has moved there is a cumulative upswing. Prices are supposed to check these tendencies through rents and quasi-rents, but these are sticky. This is why when a town starts to run down, it may die, and its industries transfer to some other town which grows rapidly, although in fact there is very little to choose between the two towns, and certainly not enough to justify the big differences caused by the cumulative process. (This recalls the similar deflationary process in export trade; those who say that there is no difference between foreign and domestic trade are right —both may cause serious waste and hardship if unregulated, and through the same processes.) The fact is simply that the price mechanism is a bad guide to location. This is certainly one of the most necessary spheres for planning

But, of course, it is not true that *any* planning is better than none. There are important issues in deciding what to plan, how to plan, and where to plan.

Only mobile industries should be planned, that is to say only industries that are not tied to particular locations, either because they are service industries or because they need particular raw materials or types of labour or water supplies or other services that can be provided elsewhere only at much higher social cost. When we undertake to plan location we are assuming that there exists a large number of these mobile industries, sufficient to give us the diversification that we need. No one can foresee whether this will prove to be true, for no one knows what types of industry are most likely to be expanding in this country in the next twenty-five years, nor what their locational needs must be.

(It is this that makes the technique of location planning so important.) When areas are scheduled for restriction, it is important to restrict only the mobile industries, which will not be gravely handicapped if they locate elsewhere; other industries should have freedom to locate where they please. And (when we are seeking to develop particular regions it is better to proceed by inducement than by direction. We have rightly decided that the best way to encourage new industries is to provide the basic services that they require, especially using the happy invention of the trading estate, and to subsidise such services if necessary. If industry will not come to an area even when special efforts are made to reduce the cost of working there, it is dangerous to direct it there, for there must be something basically wrong with the area.)

What should guide the choice of areas? Military factors seem to have been dominant in selecting the London area for discouragement, with almost universal approval, but there is less agreement on the choice of areas for encouragement. Nearly everyone agrees that the old special areas should be given new industries, because people and services are already there, even though it is agreed that it is a bad proposition ever to 'freeze' the current geographical distribution of the population. Actually, the war has solved most of this problem; given a full employment policy the special areas will soon have enough industries to provide work for all. The sharpest dispute has

been over the new industrial areas which must arise with the growth of population: should new industries be dispersed throughout the countryside, providing extra opportunities of employment for the families of agricultural workers, or should they be concentrated in new towns? For the moment the 'romantics' have won, with the aid of the shortage of agricultural labour; the rural atmosphere is to be preserved. It is in any case doubtful whether dispersal could ever get far; factories like to be close together, where they can share good basic industrial facilities; there are some industries which could survive without subsidy dispersed in lonely rural isolation, but they are not very numerous.

(To facilitate mobility we must add to these considerations the need to diversify regions, so that if a major industry slumps its workers can be easily absorbed into other industries close at hand. This means that no major industry subject to drastic fluctuations should be confined in a single region, and that no region should be dependent on some such industry. The major industries subject to drastic fluctuation are the export industries, especially textiles, coal, iron and steel and some branches of engineering.) We need to move some of the textile factories of Lancashire and Yorkshire into regions not now so dependent on exports, e.g. into the south, and into some of the new towns; to move some of the domestic industries into their place, and some more into regions now too dependent on coal, on ship-building, or on export engineering. We have not started to tackle this problem yet, but it will stare us starkly in the face with the first slump in foreign trade. It is indeed staring us in the face now, with the boom in foreign trade and the shortage of labour in export trades, which is partly due to their geographical concentration. At first we tried to avoid facing it, but the dwindling of foreign reserves put an end to that, and now we are trying to meet it by half-hearted importation of foreign labour. This is inevitable; as industry is now located the quickest way to fill the gaps is selective immigration, and we cannot afford to wait on slower methods. But the slump will come, and cannot be ignored or met by expelling foreign labour. It can be met only by so dispersing export industries amongst those catering for home demand, that it becomes easy to affect rapid transfers from one to the other. Here we have not even

made the preliminary survey of what is involved, but until we achieve this diversification all glib talk of guaranteeing full employment is so much foolishness.

(Planning location is a very difficult job, and one in which we are sure to make many mistakes. Here, as much as anywhere else, policy must be flexible, criticism must be welcomed, and there must be full opportunities for appeal. Planners know what has happened in the past, but they cannot foresee the future. The major industries of today will be forgotten tomorrow.) In twenty-five years Britain's greatness will depend on industries which are only now germinating, and whose progress depends on the freedom allowed to men of initiative. In this respect our problems are much more complicated than those of newer countries because it is we who pioneer the new, while they have only to imitate. At this stage of their development Russia and Eastern European countries are merely establishing industries that Western Europe and the U.S.A. have fully explored long ago; they have fewer mistakes to make, and their planning, however rigid, cannot do as much damage as would rigid planning in this country.

SKILL

(A much less difficult problem is that of facilitating the acquisition of skills, so that the unemployed may be absorbed easily into new trades.) In olden days a long apprenticeship was thought necessary, and so it still is, in some jobs; but in many others a man may now learn as much in a well organised training centre in six weeks or in three months or in six months as he learnt before in four years of haphazard apprenticeship. This is now recognised, and many government training centres have accordingly been established.)

The difficulty that remains is the unwillingness of some trade unions to accept newcomers who have not had the traditional apprenticeship. This is based often on real concern for standards; but as often it is based on fear. There are many hangovers from the days of mass unemployment, and this is one of them. Once the workers are persuaded, by experience, that whatever may happen, British governments will always have the maintenance of full employment as one of their first objectives,

this sort of fear will disappear. But we must not be surprised if centuries of hard experience are not rejected overnight. Fortunately the industries in which objection to 'dilution' is a problem are not numerous, and this is not now one of the major obstacles to mobility.

CONDITIONS OF WORK

(Wages and other conditions of work play a smaller role in determining mobility than is usually thought.) If the quantity of money were right a shortage of labour in some trades would always be balanced by unemployment in others, and, given no geographical obstacles to mobility, the unemployment would quickly be absorbed even though wages were no higher in the trades where labour was short than in trades where labour was abundant. It is only where there is inflation, and jobs can be had in all trades, that it becomes necessary sharply to differentiate in wages and conditions between jobs that are essential and those that are not.)

It so happens, in contemporary Britain, that the differentiation works the wrong way. The essential jobs, where labour is now most scarce, are to a large extent jobs in which labour was overabundant between the wars. It is not merely that wages in these jobs have been low—that can be remedied overnight; it is also that the conditions of workplaces are unfavourable—buildings are old, and welfare accommodation poor—and, still worse, that the record of these industries, in terms of unemployment and prospects of security, is so bad that workers have lost confidence in these industries. These difficulties cannot be overcome rapidly. We can raise wages, make a start on improving physical conditions, and swear to maintain full employment, but it will be long before the status of these industries is restored to a level at which recruits flow in easily.

This is also a reminder that wages are not the only or the dominating attraction to a job. But, once we have levelled up the physical conditions and wiped out the memory of insecurity, they come into their own again. They are important both positively and negatively; positively in that superior wages do attract, and negatively in that superior wages are needed to offset unpleasant conditions of labour—work that is dirty or

hot or monotonous. In conditions of full employment jobs of equal skill must be paid equal wages, with allowances one way or the other for differences in the pleasantness of the work. To achieve this position we shall need in this country a radical overhaul of the structure of wages, for the existing structure belongs to an economy of mass unemployment rather than to the nineteen-fifties. The dirty jobs are paid less than the clean jobs, of equal skill; many unskilled wages are too high, relatively to those of craftsmen; the wages of women and of boys are appropriate only to the old conditions when women and boys were in surplus supply; wages in consumer goods industries and services are too high in relation to the producer goods industries; methods of payment do not offer sufficient incentive; and so on. Until these matters are righted many essential industries will continue to find it difficult to attract away from the inessential all the labour they need.

(This is the case for the planning of wages. What is needed is not to 'freeze' wages, but on the contrary to raise a great number of classes of wages which are now too low. But this is a task which can succeed only if those wages that are not in the priority classes can be held while the adjustment is effected.)

In planning to leave behind the days of violent boom and slump, in which unemployment forced wages to adjust to relative shortages, we leave behind the days when each trade union could safely be left to try to get as much as it could for itself. (Wages must now be subject to central control.) But who is to control the centre? In a democratic country wages cannot be controlled without the full consent and cooperation not only of the union leaders, but also of the rank and file, and this means that we cannot even embark on solving this problem until it is widely understood by the rank and file, and until the will to solve it exists. To frame machinery that would examine each wage claim in relation to the general level of wages in the public interest is the task of a moment. But what we need now is rather to concentrate on the educational job of getting the rank and file to understand why, in a full employment economy, what matters is not the absolute level of wages, but the relation of each wage to the general level. Naturally, this proposition will not be accepted until the workers are convinced that the

government is earnestly planning for equality in other ways, is determined on full employment, and has the activities of capitalists well under control, and since all these things take time to demonstrate, there is little prospect of achieving a planned wage structure in the near future.

We cannot, in a word, solve the social problems left by centuries of *laissez-faire* in a year or two. In dealing with a wages structure, as with location, the best we can do is to begin to lay the foundations. It will be many years before the economy achieves flexibility. The corollaries of this are that the immediate urgencies of labour shortage in essential industries will have to be met largely by immigration; and that planning by direction, in the shape of rationing and licensing, which is due principally to immobility, will remain with us for some time yet. But the fact that these tasks will take us long to fulfil only makes it all the more urgent to work upon them now.

We have, in particular, been very foolish not to make full use of immigration, as other countries have done, to man up essential industries. We could have restored the output of coal to the pre-war level, and not only in this way reduced the adverse balance of payments and avoided our own fuel crisis, but also made a great contribution to European recovery, and to the comfort of the scores of millions on the continent whose wintry miseries in the past three years have been due to our nonchalant failure seriously to tackle the manpower problem in coal; we have a lot to answer for here. We could also have manned up agriculture, textiles, and other essential industries. In 1938 more than a quarter of our exports consisted of coal and of cotton and woollens. If we had the same volume of these exports today that we had then we should have no adverse balance, and we could have achieved this simply by allowing in about 200,000 workers, on condition that they went to work in essential industries. If we had done this we should now be able to import more food, and would be free of rationing and of other irksome controls of consumption. How small the margin has been very few people realise. 200,000 is only about 1 per cent of our working population, and it is only for lack of this 1 per cent that we have exposed ourselves to so much stress, and imposed upon other nations so much hardship. We could have got all the workers we needed very easily in 1946; they would have

been glad to have the opportunity to come, in spite of the overcrowded housing that was all that we could offer, knowing that in all other respects they would have exactly the same pay and conditions as their fellow British workers, and that they would have been much better off here than where they were. It is not so easy now; other nations, more sensible than we, have already skimmed the cream. But it would still be possible, if we wished to do it. The real reason why we have not done it is that neither the government nor the public has sufficiently realised the importance of mobility. We have talked of the need for extra production without seeming to realise that it is more important to produce some things than to produce others, and that what we really need is more of some and less of others. So long as the real nature of our problem has been hidden, false nationalism and other obstacles have triumphed over common sense. How to get labour into the places where it is most urgently needed—that is the first function of an economic system. When we realise this, all our problems will be solved; but till then we shall continue to waste our resources, and to inflict miseries both upon ourselves and upon our neighbours.

Once we have got through the big readjustments demanded by the war and reconversion, the mobility of labour may well prove a much less difficult problem than it is now fashionable to think. Many people suggest that full employment makes labour less willing to move, but there is no evidence for this. On the contrary, full employment is more usually associated with an excessive turnover of labour, and it is not full employment but the universal shortage of houses that is at present holding down mobility. When there is a sufficient surplus of houses for a worker to feel confident of getting a house wherever he may move, the problem in full employment is more likely to be that labour is too mobile than that it is too little mobile. If by that time the wage structure has been revised to make equally difficult jobs equally remunerative; and if we have learnt the secret of having neither too much money nor too little, so that shortage in one part of the economy is always balanced by equivalent surpluses elsewhere (and *vice versa*); then the supply of labour should prove sufficiently responsive to marginal changes in the demands of different industries and places.

CONCLUSION ✓

We may summarise as follows:

(1) The smoothness with which the market economy functions depends on the extent to which resources are mobile; it is immobility that necessitates planning by direction.

(2) *Laisser-faire* leads to incorrect location; location must be planned in the social interest, and, in particular, in such a way as to facilitate easy mobility between trades.

(3) The acquisition of new skills must be made as easy as is possible.

(4) The wage structure needs to be planned in order that essential trades in which there is a shortage of labour should be made more attractive than other trades.

(5) Monetary equilibrium is also essential to mobility, so that the supply of labour may be responsive to marginal changes in the demands of different industries and places. The distribution of resources is governed principally by the distribution of the flow of money, which is disturbed equally by inflation and by deflation.

(6) The achievement of a high level of mobility is a long job; meanwhile our immediate problems must be solved by selective immigration.