

STATE ECONOMIC PLANNING:

Tragedy OR *Futility*

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DESPITE ITS PRESTIGE in some circles, there is convincing evidence to show that state economic planning regularly ends either in tragedy or in futility. Tragedy is foreshadowed when the planning is compulsive, under a system where the government concentrates all political and economic power in its own hands. Futility is the more likely outcome when the planning has no teeth in it and comes down to a mere exercise in exhortation or a statistical analysis of what would be desirable if a long string of doubtful conditions should be realized.

Among the innumerable victims of Josef Stalin's paranoid tyranny must be reckoned several million Russian peasants who perished, from maltreatment or starvation, because the Soviet dictator de-

cided to force the abandonment of small farming in favor of large so-called collective farms, under close state and Communist Party supervision. One of the first consequences of this policy, which started in 1929, was a barbarous measure euphemistically described as "the liquidation of the kulaks as a class." The kulaks, some 5 per cent of the Soviet peasantry, were a little better off than their neighbors, although they were certainly not prosperous by United States or West European standards.

As they had more to lose under the collective farm system, they were naturally out of sympathy with it. So the government decided to get rid of them by wholesale expropriation and consignment to slave labor in northern timber camps and other state enterprises where living conditions were so bad that a high death rate was unavoidable. All over the

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Soviet Union the so-called kulaks (and the term was sufficiently elastic to apply to anyone who was outspokenly critical of collective farming) were rounded up, men, women, and children, torn from the farms which they and their ancestors had cultivated for generations, and packed in crowded freight cars for deportation to forced labor.

This was bad enough; but even worse was to come. During the winter of 1932-33 reports came into Moscow from many parts of the country, including the normally most fertile regions, the Ukraine and the North Caucasus, of hunger deteriorating into outright famine. Life was hard enough in Moscow, still harder in provincial towns; but there at least the people got a regular bread ration. The Soviet authorities displayed extreme reluctance to permit foreign journalists to go into the country districts and see conditions for themselves. But in the autumn of 1933, after the victims of the famine had been buried and a new favorable harvest improved the atmosphere, permits were granted.

Three Communities Sampled

Traveling with my wife, whose Russian is more fluent and idiomatic than mine, I picked at random three districts, separated by

hundreds of miles from each other, and came on grisly evidence of one of the biggest mass murders in history. The first district was in the normally fertile and productive Kuban Valley, near the town of Kropotkin. One of the first noticeable things was the complete absence of the dogs, formerly numerous and loud barkers, in the homesteads. "All died or were killed and eaten during the famine," was the explanation. In the first house which we entered seven members of the family had died of hunger. Three had survived.

The president of the local Soviet in Kazanskaya, one of the largest villages we visited, told us that 850 people had died out of a population of 8,000. He also showed us a set of local mortality statistics indicating how the curve of death had mounted steeply as the last reserves of grain were consumed toward spring and the supply of dogs, cats, and weeds that were eaten as food substitutes began to run short. So there had been 21 deaths in January, 34 in February, 79 in March, and 155 in April.

From the Kuban we went to Poltava, a town in the Ukraine which had acquired a very bad reputation in Moscow; there were stories of carts that moved through the streets in the early

morning to pick up the dead bodies. The authorities were nervous and defensive and gave us as much official chaperonage as possible. But as soon as we went from the town into the surrounding villages the peasants told us precisely the same stories as in the North Caucasus. Indeed, the possibility of lying about the tragic famine diminished steadily as one got away from Moscow and into the regions where the starvation had occurred. Here again there was a 10 per cent mortality figure, as against a normal rate of 2.5 per cent.

And I still remember the testimony of a fourteen-year-old girl, huddled on the bench which ran around the wall of the house. Had she a father? Yes, he was at work in the fields. A mother? No, her mother and four brothers and sisters had died of hunger. And her father was still hanging on to his own little plot of land, unwilling to accept the new servitude of the collective farm, even after most of his family had perished of starvation.

Still more terrible was the impression from the village of Cherkass, in the Belaya Tserkov district, farther to the West in the Ukraine. Here, with grim unconscious irony, one could see a blank space where a zealous communist had removed the ikon of Christ,

but left the crown of thorns. And the president of the local Soviet, a young communist named Fishenko, told us that over 600 of the village's 2,000 inhabitants had perished. Of six children born during that grim year, one survived.

The Concealed Horror of Wholesale Starvation

In contrast to the situation in the earlier big Soviet famine of 1921-22, there was no doubt in 1932-33 about the responsibility of the Soviet government for the wholesale starvation, with its grisly accompaniment of bloated stomachs, cracking bones, and other aspects of death from hunger. The famine of 1921-22 was the result of a severe drought and of years of civil war. And the Soviet authorities admitted the need and invited foreign aid; Herbert Hoover's American Relief Administration undoubtedly saved millions of lives and various religious and humanitarian organizations, with their smaller resources, also made a contribution to relieving the disaster.

In 1932-33, on the other hand, the Soviet government did everything in its power to conceal that there was any starvation at all. With amazing mendacity its officials assured foreign visitors to Moscow that there was no famine.

No outside relief effort was permitted. Yet the 10 per cent minimum death rate which I found in the villages which I visited (30 per cent in Cherkass), if carried over to a famine-stricken area inhabited by some 50 million people, warrants the conclusion that at least four million people, over and above the number who would have died from natural causes, perished in the concealed famine of 1932-33. To this must be added the number of "kulaks" who did not survive their "liquidation" earlier. Indeed, Stalin himself, in a moment of truth, gave a still higher figure of casualties in conversation with Winston Churchill in 1942. Here is the relevant excerpt from the fourth volume of Winston Churchill's work, *The Second World War*, pp. 498, 499:

"'Tell me,' I asked, 'have the stresses of this war been as bad to you personally as carrying through the policy of the collective farms?'"

"'This subject immediately aroused the Marshal.

"'Oh, no,' he said, 'the collective farm policy was a terrible struggle.'"

"'I thought you would have found it bad,' said I, 'because you were not dealing with a few score thousands of aristocrats or big landowners, but with millions of small men.'"

"'Ten millions,' he said, holding up his hands. 'It was fearful. Four years it lasted.' . . .

"I record as they come back to me these memories, and the strong impression I sustained at the moment of millions of men and women being blotted out or displaced forever."

So there is the testimony of Stalin himself for the proposition that the war which he waged against a considerable section of his own people to enforce collective farming was more bitter and terrible than the struggle with Hitler's Germany in the second World War. Stalin's excuse for his cruelty, that collective farming was a higher form of agriculture, is completely phony. Today, almost fifty years after the establishment of the Soviet regime, the Soviet Union is only saved from hunger, if not outright starvation, by repeated big purchases of grain from the individualist farmers of the United States, Canada, and Australia.

Similar Results from Red China's Agrarian Reform Measures

There have been equally appalling results, in terms of human death and sufferings, from the attempts of the communist rulers of China to impose extreme forms of communism on the peasants of that much suffering land. Again,

even greater suffering has only been averted because the Chinese Reds have diverted a considerable portion of their scarce foreign currency to purchases of wheat from capitalist countries.

State economic planning has its farcical as well as its tragic sides. For a long time the merit of a Soviet plant was evaluated by its quantity output, with no regard for quality or salability. Khrushchev himself, before his downfall, reported one result of this method. Plants manufacturing chandeliers made them so heavy that they broke down the ceilings to which they were attached.

This is why one of the most important news stories coming out of the Soviet Union and its satellite communist-ruled countries is the fumbling, bumbling effort to achieve, within a general communist framework of political dictatorship and economic collectivism, some of the benefits of a market pricing system. These experiments are certain to fall short of their goals. For the dynamo of the free economy is the element of private ownership and the chain reaction of motivations and incentives which it releases. No such chain reaction can take place under a system where ultimate authority rests in the hands of anonymous groups of faceless bureaucrats.

Government Planning in Britain

What of the possibilities of state economic planning in countries where the peoples enjoy political and civil liberties, where most of the economy is in private hands? In such cases the objection is not that planning may lead to the ghastly horrors of the Soviet Union and Red China. It is that the whole attempt to plan an economy that is not completely under government control is certain to turn out as a pretty futile experiment in patchy guesswork. Take the recently published British National Plan, a document of 492 pages with impressive tables and charts.

This document assumes that, by 1970, British output will grow by 25 per cent, the take-off point being the beginning of 1965, and the average projected rate of growth per annum 3.8 per cent. Exports are supposed to rise by $5\frac{1}{4}$ per cent and imports by 4 per cent, the former rising and the latter falling from previous levels so as to take care of the embarrassing deficit in the balance of international payments which has been a root cause of the periodic spasms of international distrust in the stability of the pound sterling in foreign exchange. There are similar assumptions about wages, incomes and productivity, and supply of labor.

Unpredictable Possibilities

What planners overlook is that economic trends are determined by a multitude of factors which the most technically competent forecaster cannot reasonably hope to anticipate. A "breakthrough" new invention, for instance, may divert investment and labor into some entirely new direction. The course of production and international trade is dependent on the feelings and reactions of enormous numbers of individuals, which defy any attempt to plot accurately on a neat diagram.

Who knows, for instance, how the bankers of Zürich ("gnomes" in the derogatory language of a British Labor Minister) and of other international financial centers may react to some British financial or legislative measure, with the result that the pound may be subjected to new pressure? Who can be sure that the habitually independent British trade unions will abide by government pleas to keep wage increases within a range of 3 to 4 per cent or that, even if the unions are compliant, they will not be bypassed by wild-cat "unofficial" strikes? Should developments in this field turn out unfavorably, all the calculations of the Plan would be out of the window.

And where is the proof that imports, which have been rising

at the rate of 5 per cent for the last ten years, will shrink to 4 per cent while exports, which have been going up 3 per cent a year during the previous decade, will go up by $5\frac{1}{4}$ per cent? The trends in foreign trade depend on factors outside the control of the planners: whether British goods will meet the competitive requirements of foreign customers, for instance. In the same way, the rising volume of imports is partly accounted for by the failure of British manufacturers, in some cases, to produce goods of the quality and desirability of those manufactured abroad. Can the planners guarantee that this situation will change? Of course, imports can be throttled by quotas and other forms of direct controls. But such procedure is apt to be a boomerang, inviting reprisals and leading to a decrease in the volume of foreign trade.

Maldistribution of Capital

Another serious defect of state planning, if it is taken seriously, is its tendency to divert long-term capital investment to the wrong places.

During the last decade, for instance, the figure of 200 million tons of output annually proved too high for coal. On the other hand, there was a big unforeseen demand for more gas. Had a "Na-

tional Plan" been in effect, the result would most probably have been overinvestment in coal, underinvestment in gas. Writing in the weekly, *The Spectator*, a British commentator, Mr. John Brunner, asks some pointed questions and cuts the significance of the National Plan, hailed by some socialist enthusiasts as a panacea for all Britain's ills, down to size as follows:

"Is all this figuring supposed to enumerate what we *can* achieve by 1970, or what we *will* achieve, or what we *should* achieve? At different moments the Plan appears to be subscribing to all three interpretations, but the three are really quite incompatible... The National Plan is therefore in essence neither a serious measure of potential nor a genuine forecast of future developments but a political manifesto, a blueprint of what the government feels ought to be done. . . .

"Have we really reached such a pass that we are no longer capable of taking any action in this country without reference to a more or less illusory picture of the future? The craving for certainty is no doubt something deeply human . . . and the popular papers have long ago learned to exploit it with their horoscopes. Is it really necessary for the government to indulge us further and

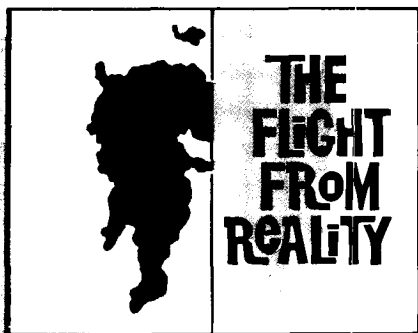
do so moreover in a thoroughly ambiguous manner?"

The Ironical Twist

It is indeed ironical that, just when the communist governments of the Soviet Union and the East European states are groping around, so far without much success, in an effort to correct the errors and inadequacies of their planned economies by injecting some artificial imitations of the free market and pricing system (but without the vital dynamo of private ownership) Western democratic countries such as Great Britain and France are succumbing to the delusive opiate of planning. It would be good if more attention were paid to this grave admonition of Adam Smith:

The statesman who should attempt to direct private people in what manner they ought to employ their capitals would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted to no council and senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

Compulsive planning, as Russia and China show, leads to tragedy; permissive central planning, to futility. ♦



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From Ideology to Mythology I

CLARENCE B. CARSON

THE STUDY of the history of ideas has produced some interesting results. Among these is the conclusion that at any given time in a society there is apt to be a prevailing set of ideas. These are not, of course, readily apparent to the superficial observer, not even to the superficial historian. Superficially, it is the disagreements among men, their debates, the points over which they contend that catch the attention. But beneath these there are often broad and fundamental areas of agreement in terms of which discourse takes place and disputed questions are settled, or compromises are worked out.

These broad areas of agreement

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which constitute the prevailing ideas have been called by a variety of names: *weltanschauung* (world outlook), frame of reference, basic premises, ethos, underlying philosophy, and so on. Historians can often discern that this ethos (or whatever name it should be called) is reflected and articulated in the arts, literature, politics, religion, morals, and institutions of a people. Periods in history have now quite often been given names which are meant to signify the prevailing ethos at that time: the Age of the Renaissance, the Age of the Baroque, the Age of the Enlightenment, and so on.

Such classifications should be accepted, however, with some reservations. The extent of agreement, even upon fundamental premises, can be easily exaggerated. Neat