Capitalist Planning

FORMALIZED MEDIUM OR long-term economic planning has by now been attempted by nearly all the principal industrialized capitalist countries, including the United States—which with the sweeping wage and price controls introduced by Nixon in late 1971 has belatedly joined the ranks of the other capitalist powers in this respect. In view of the undoubted, albeit not uniformly successful, accomplishments of other types of economic management by capitalist states it is necessary to treat this development seriously, i.e. not simply as a propaganda device, to analyse its origins, effects and political implications. footnote[1] The origins of capitalist economic planning contrast somewhat with the origins of capitalist employment policy in that while the latter was in the main *directly* brought about by political considerations, the former was primarily inspired by directly economic considerations. High employment policy (with its reverse, complementary side of deflationary policy) was a product of the fear of the *political* repercussions of a repetition of the mass unemployment of the 1930s. Capitalist planning was, on the contrary, designed to deal with the economic, as much as political, consequences of high employment policies after the Second World War.

These economic consequences were focused principally around problems of competitiveness in foreign trade.

Trade liberalization, (relatively) fixed exchange rates, international payments deficit financing and high demand levels corresponding to high employment brought about an even more rapid expansion of trade flows than of domestic products after 1945. They thereby caused the principal economic contradictions between capitalist countries to take the form of balance of payments crises and increasingly divergent shifts in the pattern of economic power associated with trade performance. These inter-state contradictions of imperialism have been firmly linked to the basic internal economic contradictions of the capitalist economies by the dependence, given growth in productivity, of trade competitiveness upon relative rates of rise of money wages. In turn, the same high employment which tended to focus inter-capitalist contradictions around trade problems strengthened the power of the trade unions to raise money wages. footnote[2]

Trade and payments problems naturally tended to be met by measures to restrict wage increases. The price paid for this in productivity was either ignored or the deflationary methods used to halt wage advances were actually rationalized as measures for productivity improvement. The means used to halt wages were semi-traditional at first, direct employer resistance often stiffened by government action of an *ad hoc* nature and then by deflation to create a measure of mild unemployment. It

soon became apparent that both were ineffective ways of halting wage increases and the latter method had a positively harmful impact on productivity growth. It thus became clear towards the end of the 1950s that more direct means would have to be used to restrain wage increases, both because of the intrinsic advantage of this course and to avoid the disadvantages of deflationary tactics.