

23rd June, 1942.

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I thought it might be useful to put down, for your private information, the first thoughts that occurred to me on reading certain I.E.P. papers.

1. Capital levy. In view of the disturbing effects likely to be caused by prolonged indecision and controversy about this, and particularly upon the balance of payments, even if there is official control of capital movements, since this may be imperfectly effective, and it would be involved in most vexatious complications if it had to fight really desperate attempts to evade it, I suggest the following four points.

(i) It would be most valuable to get a political decision as early as possible, and quite essential to get it before the end of the war;

(ii) There should be an announcement of this decision at or before the end of the war;

(iii) If there is to be one, the basis of assessment should be capital values at the end of the war, or an average of these and the values at certain previous dates only downward adjustments by reference to what happens after the war being permitted;

(iv) The payments to be spread over a term of years at rates which could be accelerated or retarded according as whether the situation was developing towards inflation or deflation.

2. Priority for exports. This seems a vital point; I have not yet acquired R.P.(42) 2, so I defer comment.

3. Stabilization policy. It seems essential that this should be continued even if at some cost to the exchequer.

4. Control of consumption. Has anyone considered

whether it would be possible to devise methods for checking the rate of business re-stocking. This is no doubt desirable in itself, but as in other cases of capital formation, it would be expedient to spread it over some years. For instance, would it be possible to say that for income tax purposes no addition to the value of stock in hand would be allowed as an expense, or no addition in excess of x% of turnover, this amount being gradually raised year by year? Might there be a similar provision regarding expenditure on repairs?

5. Building. Great stress should surely be laid on the need to spread building, especially since in view of the population position this industry may go into deep depression at the end of a decade.

I do not know how far the Ministry of Works and Buildings has gone in its post-war planning or how closely associated the Economic Section is with its work. If town and country planning are to be taken seriously, and there is much support in public opinion for them, the work will have to proceed slowly. We cannot re-build Birmingham without years of preliminary planning, yet even before the blitz this city was considered ripe for radical reconstruction. The right thing would then seem to be to devote building resources in the immediate post-war period to first-aid work and quasi-temporary schemes of accommodation together with industrial work, and to hold in reserve great schemes for the building of new cities to be executed gradually.

Is it not desirable that economists and town and country planners should get into closer touch?

6. Employment. Here I feel we need something rather radical. If we could devise something really good here, Labour might be content with a moderate wage policy for the time being, which we know to be so important, and to waive highly contentious proposals likely to cause social strife.

We hope to reduce cyclical unemployment, but we must not place our hopes too high. Furthermore the evil of unemployment is not only the burden of it when it occurs, but the well-grounded fear that it may occur at any time.

Why should not the employer be induced to give a long-term contract as he has to for his land?

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Let us state a bold scheme. Every employer, employing more than x (2,500) men has either to give a contract of 5 years or pay the government a tax of 100% on wages paid otherwise than in virtue of such a contract. It shall, however, be open to an employer to transfer his contract to any other employer in the same locality. Dismissal for inefficient work would be allowed but subject to appeal to a works council.

Not less than one year before termination of the five years either party may give notice. The employee shall then notify the Labour Exchange. If he has been given notice, it shall be incumbent upon the government to find him another job, or to pay him full wages pending doing so, but it may require the man to change his place of residence giving him, say, six months' notice, and/or his occupation, paying him the expenses of transfer and/or, respectively, if a skilled man, the cost of acquiring a new skill by training.

Measures to reduce the causes of unemployment would still be essential. The assumption by the government of the new liability here proposed would be a stimulus to it to push on with such measures.

The Unemployment Insurance scheme could probably go, or perhaps should be retained for workers in small establishments. Would these be unduly penalised? I have it in mind that they would have rather greater independence and that some would prefer to keep this at the cost of insecurity. Unemployment Assistance would still be required for the unworkable and inefficient.

No doubt there are innumerable objections! But I feel that if anything like this could be brought forward, it might save us, anyhow for a time, from more contentious issues. I am sure that it would go further than anything to remove genuine discontent, and I think it is really only fair in itself.