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THE IMPACT OF FULL EMPLOYMENT ON AGRICULTURE AND INDUSTRY

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THE doctrine that full employment is a proper object of political economy has a long history, going back beyond Adam Smith, but it is only in recent years that it has been taken over by the orthodox from the heretics. Now it has been embodied in the United Nations Charter, and 'all members pledge themselves to take joint and separate action in co-operation with the Organization for (its) achievement'. It is one of the objects set out in Article 55 'which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples', and that includes higher standards of living, and conditions of economic and social progress and development, and universal respect for, and observance of, human rights and fundamental freedoms for all. Read in that context it implies full employment in what we regard as free nations and rules out the use of authoritarian methods of achieving the end desired. This is important for the discussion of the subject assigned to me, because we have no experience of full employment under peaceful and friendly relations among nations, who respect and observe human rights and fundamental freedom. Only when we have been preparing for war, engaging in war, supplying belligerents, or mopping up the destruction due to war, have we experienced full employment, and the conditions then obtaining are not such as to enable us to judge what the impact of full employment may be on agriculture and industry, when we are endeavouring to pursue that policy without the intensity of purpose and the compulsions induced by war. Our approach is, therefore, entirely speculative.

The significant fact is that the United Nations pledge themselves to take joint and separate action to promote full employment. They are not prepared to leave their economies to the self-regulating forces which they were assumed to possess. Nor are they content to promote measures for mitigating the consequences of periods of general unemployment when they occur, and after the experiences in the years between the wars, in all the industrial countries, and in the primary producing countries largely dependent on export trade, that decision is not surprising. The Member States pledge themselves 'to

take action, as the need arises, designed to promote and maintain full and productive employment, through measures appropriate to their political, economic and social institutions', to quote Resolution 308 (IV) of the General Assembly of the United Nations, November 25, 1949. It implies the formal abandonment of the policy of *laissez-faire* although the funeral has not yet been arranged, and the acceptance of a managed economy. The degree of management will vary according to what is considered 'appropriate to their political, economic and social institutions' but if full employment is to be promoted and maintained by the State, there must at least be a policy which will involve direction, within which private enterprise, whether in agriculture or industry, will have to conduct its affairs, or it may extend to State planning into which private enterprise will have to fit. There is nothing new in this. In varying degrees in every country the freedom of the firm to make its own decisions in its own way has been decreasing over many decades, partly by government action and much more by the actions of those engaged in agriculture and industry. What is new is that Governments have pledged themselves to take action for a purpose which has only now been accepted as an object of political economy, and the pursuit of which cannot fail to have important repercussions on all producers. In Beveridge's words it is a change in the economic climate, and we may as well be getting out our umbrellas.

We may all agree that full employment is highly desirable, but we are less likely to agree on the measures to be promoted to secure the desired end, and the impact on agriculture and industry will depend on the nature of these measures, and the extent to which they succeed in their objectives. Now, as a basis, I am going to quote some authorities. My friends must not put that down to humility on my part; it is just that I want to have an accepted ground from which we are going to consider the impact of the measures. And what I am taking as authoritative is the report presented to the United Nations by a group of four economists who were invited to advise as to the national and international measures for full employment. The four economists were John Maurice Clark of Columbia University, Nicholas Kaldor of King's College, Cambridge, Pierre Uri of the *Commissariat général du Plan*, Paris, and E. Ronald Walker, the economic adviser to the Australian Department of External Affairs. With those four we have respectable authority. Now there is a fair measure of agreement as to the main causes of general unemployment arising out of the trade cycle, and as to the measures to offset or damp down these causes. The Report by the group of experts appointed by the

United Nations, *National and International Measures for Full Employment*, December 1949, summarizes that consensus of opinion:

'Unemployment' [it says] 'is of three main kinds. The first results from a lack of complementary resources necessary to keep wage-earners at work; the second arises from certain structural factors in the economy; and the third is engendered by the insufficiency and instability of effective demand.'

The Report recommends that each Government should take early action along certain lines and I quote those which may have the most direct impact on agriculture or industry:

'It should announce a comprehensive programme for directing its fiscal and monetary policies, its investment and production planning, and its wage and price policies (including anti-monopoly policies) to the continuous achievement of its full-employment objective.'

'It should adopt and announce an appropriate system of compensatory measures designed to expand effective demand which would be prepared in advance for automatic application in case its general programme for maintaining full employment fails to prevent unemployment from exceeding the limit prescribed by the full employment target.'

'It should announce the nature of the policies it will adopt in order to maintain the stability of the price level and to combat inflationary tendencies in a manner consistent with the maintenance of its full-employment target'.

And then this—more applicable to agriculture:

'In addition to measures for maintaining employment in industry, most countries recognize the need for supplementary measures for maintaining incomes in agriculture where fluctuations in effective demand tend to affect the level of prices rather than levels of production and employment. This is particularly important for under-developed countries in which the greater part of the population obtains its livelihood from agriculture.'

This is a fair summary of the views of those who have been advocating full employment. It may be more convenient to speculate as to the impact of the adoption of these measures on agriculture in particular, and then consider them as they may affect industry in general. It is significant that in the whole of recent literature on full employment, agriculture always comes in as an afterthought, and all that has been written could be compressed into a few pages. Once upon a time it was regarded as the main spring of the trade cycle, but now it is laid aside, with the sunspots. The reason for this is that the accepted view today is that the root cause of the rhythmic succession of boom and slump is the insufficiency and instability of effective demand, and that this works out differently

in agriculture and in industry. A failure in demand results in a fall in prices rather than a fall in agricultural production, and over the greater part of agriculture may even lead to an increase of output to make up for the fall in prices. General unemployment, then, is not widespread in agriculture; there may be seasonal or frictional unemployment in some countries, but the serious problem in agriculture is under-employment. It is a much older problem than general unemployment arising from the trade cycle, although it has been influenced by the trade cycle. It is to be found in highly industrialized countries, but it is most serious in the less developed countries, where it will require quite different treatment from that proposed for industrial unemployment. The problem of the less developed countries has been covered by other speakers at this conference and so I do not propose to pursue it here. I confine myself to the industrial countries, where the trade cycle generally operates.

The special measures generally proposed for stabilizing the incomes of primary producers are national and international commodity stabilization schemes, long-term contracts, and guaranteed prices. These are not new, and we have had sufficient experience of them to know their advantages and disadvantages, and the difficulties encountered in their operation. But under full employment the framework within which these have to be fitted will be different.

Here we need not discuss these proposals, except in so far as they may be affected by full employment in the industrial field. I agree with Schultz that 'if the total non-agricultural production were to become as full and as regular as the overall agricultural production has been, most of the instability in farm income associated with business fluctuations would be eliminated'.¹ If that view is well founded then there will not be the same demand for measures designed to deal with market surpluses of certain commodities, and widely swinging prices. If surpluses do arise it will be because of supply outrunning demand, and the measures necessary to deal with these will not be those we experimented with in the very different conditions during the inter-war years. It would appear as if we are in for a period in which supply is not likely to run ahead of demand, but will fall short of the effective demand for some commodities, with prices tending to rise, and the terms of exchange with manufactured products likely to turn more in favour of agriculture. If that should prove to be the course events will take, instead of devising ways to maintain incomes in agriculture we may have to

¹ T. W. Schultz, *Agriculture in an Unstable Economy*, New York, McGraw-Hill, p. 219.

reconsider some of the expedients adopted for that purpose in the decade before the last war, and since the end of that war.

A successful full employment policy in an advanced industrial country implies rising standards of living and an expanding economy. Initially that points to a rising demand for foodstuffs, but there are definite limits to the expansion. There is the well-known inelasticity of demand for foodstuffs, and the fact that in these countries the rate of population growth is slowing down and in some countries even falling. It is in these countries, also, that the rate of technological advance in agriculture is most marked. I suggest that the impact of a successful full employment policy is not likely to lead to any great expansion of agriculture in these countries, but rather to a shift of production away from the older standard foods to what have been regarded as the luxury foods, which are usually the higher cost products.

In many of the more highly industrialized countries, there is considerable under-employment of agricultural workers and a comprehensive full employment policy which aims at 'higher standards of living and conditions of economic and social progress and development' ought to include measures to secure a fuller use of the resources of land, labour, and capital. It is this under-employment which accounts for the lower living standards of those engaged in agriculture. Even in the United States, according to Schultz,¹ 'the income level of fully one-half of our farm people is too low to permit them to have housing, medical services, education and even diets that do not fall far below standards considered a minimum by most American people'. This paper was written before I came here and before I heard the discussion between Schultz and some of his critics this morning, and it may be that a revised statement by Schultz would not be quite so definite as this one. None of the full employment proposals I have seen proposes to make any direct approach to this problem. We have, therefore, to consider what the effect of full employment on the industrial sector may have on under-employment in agriculture. All experience goes to show that workers move out of agriculture only when there are jobs available in industry, so we may expect that full employment in the industrial sector will accelerate the migration of workers out of agriculture, but experience also shows that relatively more people are drawn out of the less under-employed farming areas than out of the more under-employed. Indeed it is not unknown to have an actual shortage of farm workers in the areas nearest to the industrial centres of employment while the more remote areas continue to retain their excess of workers.

¹ *Op. cit.* p. 210.

It is just in these more remote areas that the under-employment is most serious. If we are to rely, then, upon the attractive force of full employment in the industrial sector it is likely to be a slow adjustment extending over a long period in time, in those countries in which there is serious under-employment in agriculture, and that will slow up the structural changes which are necessary in these countries to enable a fuller use to be made of the available resources. On the other hand, in those countries such as Great Britain, and to pretty much the same extent in Sweden and Denmark, where the proportion of the workers engaged in agriculture has fallen so low that it is difficult to maintain enough workers to carry on the desired agricultural production, it may be necessary to raise the living standards of the workers in agriculture and to offer other inducements, as has been done in Great Britain and, I think, in Sweden too, to retain the necessary labour force. The moral, if one may mention morals in economics, is that in each country, in promoting full employment, a balance must be struck between the needs of industry and agriculture, and a policy pursued which will give the fullest employment of all available resources.

I have dealt with what appears to me to be the special impact of a full employment policy on agriculture. There are many other effects on which one might speculate, such as the impact on land tenure, land values and the provision of credit, but there is such a variation in conditions in these matters between the different countries that I leave them to those who are more knowledgeable than I am—or more reckless. There is, however, the general impact of a policy of full employment which affects agriculture as well as industry.

If we look again at the recommendations of the group of experts which I have quoted above, the measures which are likely to have most effect on the firm are investment and production planning, wage and price policy, and the stability of the price level. The other measures, such as fiscal and monetary policies, compensatory measures designed to expand effective demand, and policies to combat inflationary tendencies, will all affect the firm, as they will affect everyone else in the country, but they will not bear so directly on the firm, and will not have the same restrictive effect.

The recommendation is that each Government shall announce a programme for directing its investment and production planning. Methods have been proposed for giving effect to this policy, varying from indirect control through the banking system, by varying interest rates and other conditions of credit, to the regulation of private business investment through a National Investment Board. The

methods adopted will vary according to the circumstances in each country, but some control of private business investment will have to be exercised since the Government has to shoulder the burden of compensatory measures where there is a failure of demand. To put it very mildly there is less confidence now in the ability of the rate of interest to regulate automatically the process of saving and investment. Since the Government must have an investment and production plan if it is to maintain full employment, it must be fully informed as to the investment and production plans of industry as a whole, so that it can fill in what may be lacking, and it must have power in the last resort to regulate private business investment and production plans. It may seldom require to use that power, and all that the firm, or more likely the larger firms, may be required to do will be to keep the Government informed of their plans. There is an interesting example in Sweden of the way in which the firms may be got to co-operate in the Government's plans in the agreement come to between the authorities and the employers' organizations. The employers have agreed to notify the labour exchanges of likely temporary discharges or dismissals. The firms have to submit particulars of the actual time when the dismissals, or temporary discharges are to take place, the number of employees affected, the supposed duration of the production cuts, and the causes of the curtailment of activities. When more than ten workers are affected by a stoppage of production—i.e. a total suspension of activities for more than a fortnight—that has to be notified at least two months in advance. That may work in Sweden but I see a lot of difficulties in working it in some areas which—well, I had better not specify. Other methods of enabling the Government to be kept informed of changes in employment, and for improving the mobility of labour, are discussed in Beveridge's *Full Employment in a Free Society*. It may be necessary to restrict recruitment for certain occupations, especially of young persons, in declining industries or where there is a contraction of demand. We have already experimented with this in Great Britain. It should be possible to work out voluntary arrangements between firms and the Government so as to enable production planning to work efficiently. In Great Britain the Government has statutory powers to plan the location of industry, but in practice it works out by discussion and agreement when new industries or new developments of existing industries are being planned. Whatever methods may be adopted it means that the firm must recognize that its freedom of action must be exercised within the framework of the policy of full employment.

The need for measures to ensure the stability of the price level is because experience shows that under the conditions of a free market a level of effective demand sufficient to employ 95 per cent. of the available labour force tends to become inflationary. Any policy of full employment must provide for counter measures, because a run-away inflation would endanger the whole policy. The measures which are likely to have the most direct impact on industry and agriculture are those directed against increases in prices and wages which are likely to lead to inflation. Increases in prices may arise from temporary scarcities, or, to quote the U.N. Report, 'if organized groups within the community, such as trade unions, farm organizations, trade associations, producers, cartels or industrial monopolies, take advantage of the high and stable level of demand that tends to go with full employment and press for increased earnings in such ways as to give rise to a continuing upward movement of prices'. I do not suppose the group of experts arranged the order in which they have named the likely delinquents either in an ascending or descending order of demerit but the proximity of the trade unions and farm organizations is interesting. The measures generally proposed for dealing with price increases arising from these causes are 'qualitative or quantitative control (introduced in particular threatened sectors of the economy), direct controls over inventories, and selective controls over prices'.¹ Here again this implies co-operation between the producers' associations and the Government if a stable price level is to be maintained and restrictive controls are to be avoided, but the power to control must be there and must be exercised if necessary.

So far, it has been possible to indicate the measures generally accepted for giving effect to a full employment policy. They may vary according to circumstances in the different countries, and from time to time, but from among the proposals it is possible to work out a policy for the maintenance of demand by fiscal and monetary means, for investment and production planning, for compensatory measures to expand effective demand, for maintaining the stability of the price level and for the control of prices, but so far no one has found a wage policy. In the U.N. Report we have this paragraph :

'If there is evidence of a continuous upward pressure of money wages exceeding substantially the rate of increase of productivity and leading to offsetting price increases, the situation requires such action by the government, jointly with organized labour and employers' associations, as would ensure that any wage increases that may be granted will not result in a

¹ *Op. cit.*, p. 85.

general price inflation. The character of the action to be taken would naturally depend on the conditions ruling in each country.'

A typical platitude, giving no indication of what action the Government could take, whether jointly with the organizations named, or on its own responsibility. Beveridge devotes several pages of his book (op. cit., pp. 198-201) to discussing the effect of sectional wage bargaining and suggests that the national trade union centres should devote their attention to the problem of achieving a unified policy which would ensure that the demands of individual unions would be judged with reference to the economic situation as a whole. How that is to be achieved he does not say, and he finally concludes with an appeal to organized labour to show responsibility and reason. Other writers advise the trade unions to abandon unco-ordinated wage movements and work out a wage policy for the trade union movement as a whole, but no one yet has given any indication of what such a policy may be. For a fuller discussion of the whole problem and some of the policies proposed, I would refer those interested to *Wages Policy under Full Employment* by four Swedish economists, Lundberg, Meidner, Rehn, and Wickman, English edition, Hodge & Co., London. It would not be unfair to say that the result of reading their discussion is to realize how difficult it is to arrive at any definite policy.

Two quotations from this book may help to put the dilemma in perspective. 'The existence of this problem', says Meidner, 'has not been overlooked by economists, although what they have put forward gives us precious little to act on'; and Wickman says, 'One reason why it is difficult to recommend any specific wage policy with confidence is that we know little about the significance of wage movements in the inflationary process and about the factors which at present determine wages.' To that I would add an extract from the statement by J. M. Clark included in the U.N. Report of the group of experts, and accepted in principle by them: 'They have succeeded well enough to be able to afford to recognize one important area where it is not possible to make a finding at once positive and simple, where competent study is in its infancy—especially organized study—and where further study is the first need. I refer to the area of problems which includes the effect of the wage-price structure and behaviour on effective demand and employment.' In face of these statements of the economists I suggest that it is rather too much to ask that the trade unions should provide us with a wage policy. In saying that I do not mean to minimize in any degree the urgency of the problem; the maintenance of a full employment

policy may depend upon its solution, but it is going to take time. There is no satisfactory solution within sight and it is unreasonable to expect the trade unions to be able to find a solution at once.

Now, I am talking to a body of economists and not to trade unionists. But as an old trade-union official myself, I would just like to put this point to you. The trade unions are asked to do very many things, but they are not corporations controlled by directors; responsible officers of trade unions have no power to determine policies for their members; they can only guide and advise them. The great majority of the officers have shown, in the inflationary period during and since the end of the war, that they recognize their responsibilities in a period of full employment, and have done what they could to advise their members to exercise restraint, with a measure of success. But the drive for increased wages comes from the members, and it is more difficult for them to realize what the inflationary effect may be of wages rising faster than gains in productivity. When the economists feel the need of further study before coming to findings at once positive and simple, the untutored wage-earner is hardly to be blamed. After 150 years of an economy which was based on a market in which prices rose in response to an increase in demand, it is rather too much to expect the seller of labour to forgo his opportunity in a sellers' market, after one decade of full employment. Like other sellers the wage-earners will have to learn that they are living in a new economic climate and one that calls for the acceptance of social responsibilities, although these may run counter to immediate and short run personal advantages.

The economic climate will not be the only climate to be changed by a successful full employment policy; the social climate will also be radically changed. Capitalist industry and the division of labour have immense gains to their credit in the field of production, but it has been at the cost of a disrupted society. Labour has been treated as a commodity to be hired and fired, according to the exigencies of the market. Over the greater part of industry the worker has been disciplined by insecurity, with the fear of unemployment hanging over him. 'If you won't do as you are told, there are plenty of others who will take the job.' It has been a discipline of fear. But it has not been so over the whole field of employment; there have been sections in which the social relations have been much more human and the workers have carried on without the discipline of fear. That has been more the rule in agriculture and small scale occupations. Where the old hire-and-fire mentality has remained, a change in industrial

management will be required. The test of good management will be the ability to call forth the willing service of those employed, and to create a feeling of co-operative effort. There will have to be more consultation with the workers, or their representatives, and more willingness to give information about the plans and results of the business, so that the workers may feel they are responsible partners. Probably in that respect a full employment policy will make a bigger change than any other impact it may have on industry. The change can be made; it has been made with striking success in many firms, but it means a new technique and there will be many ingrained suspicions to overcome on both sides, the side of the employed and the side of the employer. It will take time, but it will be worth doing, and will have an important bearing on the thorny wage problem.

I have been speculating on the impact of a successful full employment policy in a free enterprise economy, or in a mixed economy where there is a mixture of government control and private enterprise. The policies proposed do not call for any basic change in the economies of these countries. It is an open question whether it will be possible to maintain full employment under these conditions. It is, as Beveridge says, a great adventure, and we are taking considerable risks, but it is an adventure worth making and we have to make it, because anyone who has lived through the last thirty years will realize that it will not be possible to face up again to the kind of things we had to endure during the twenties in Europe and the thirties in America. 'At the same time', to quote again from the U.N. Report, 'it is clear that a full employment policy could not be pursued if the principles of any particular system were to be construed so rigidly as to rule out any and every kind of government action that might be required to achieve the desired goal.'

T. K. COWDEN, *Michigan State College, U.S.A.*

Dr. Duncan's topic was 'the impact of full employment on agriculture and industry'. It seems to me that it might well have been entitled 'the impact of the philosophy of full employment upon economic thinking'. It is the impacts of this philosophy that I wish to discuss. Dr. Duncan's paper illustrates the dangers of such slogans as 'full employment', 'parity', 'equality', and a host of others when they become governmental decrees rather than goals.

In a meeting such as this it is highly important that we recognize that we, the participants, have widely varying backgrounds, and that what applies to one country may not necessarily apply to the eco-

nomies of another. There is little doubt, I think, in any of our minds that in the event of severe unemployment most governments will take definite and positive action to alleviate its effects. Some of it will be very good, some may not be too good—such as increased trade restrictions, and the like. I want to stress again Dr. Duncan's point that what we are after is full use of resources, rather than full employment. It is possible that we could have everyone working and still not obtain high standards of living. A changing, dynamic society might make necessary some unemployment.

I experienced a little difficulty when reviewing the paper in knowing just when Dr. Duncan was quoting, when he was interpreting what others had said, and when he was stating his own ideas; so if I wrongly attribute something to him, I beg his and your forgiveness. He made this statement—and I quote: 'The economic climate will not be the only climate to be changed by a successful full employment policy; the social climate will also be radically changed.' Now I want to take four statements out of his paper to indicate the type of change implied:

1. 'It (meaning the Government) must have power in the last resort to regulate private business investment and production plans.'
2. 'It may be necessary to restrict recruitment for certain occupations, especially of young persons, in declining industries or where there is a contraction of demand.'
3. 'In Great Britain the Government has statutory powers to plan the location of industry', then later it says, 'in practice it is worked out through discussion and agreement.'
4. 'The measures which are likely to have the most direct impact on industry and agriculture are those directed against increases in prices and wages which are likely to lead to inflation.' The statement is made later that the measures generally proposed are direct controls over inventory and selective controls over prices. The above is particularly significant in view of the fact that the statement is made that ninety-five per cent. of the employment of available labour force becomes inflationary. Then, if I interpret it correctly, he says: 'so far it has been possible to indicate the measures accepted for giving effect to a full employment policy.'

Here I would like to raise two points. First, that these measures have not been accepted by large segments of people in the United States and, secondly, that it is my personal belief that if they were

accepted it would not lead to the long-time betterment of the American people.

Dr. Duncan also states that the unsolved problem is a wage policy for labour under the full employment philosophy. He also infers that it is too much to expect the trade unions to provide us with a wage policy. This is not surprising, because it is here that we find the mass of the people, and it is difficult to bring large segments into line especially when they have votes. It does not take too much of a stretch of our imagination to add to some of these quotations that farm organizations and labour unions will also have to be brought under control if the philosophy of full employment is the overriding goal of society.

Dr. Duncan goes on to say that agriculture has been pretty much ignored in discussions on full employment. I do not share this feeling as far as the United States is concerned. There are some who feel that it has received an undue emphasis in the form of high support prices at fixed levels and government subsidies.

Turning now to another subject, the high level of productive employment accompanied by strong consumer purchasing power is essential to farm prosperity. Dr. Duncan, however, very rightly points out that full employment will not solve all the problems of agriculture. With this I certainly agree. There are some indications that even with full employment we could have some price problems in agriculture. Analysis by E. J. Working indicated that in 1950, when we had a high level of employment, if food exports plus military and other government purchases had been 2.3 per cent. instead of 9.9 per cent. of the 1935-9 average food production, the retail price of food might have been expected to decrease by as much as 30 per cent.¹ There is still much to be desired in our demand analysis work, but studies such as this do cause some sober thinking.

Dr. Duncan has done an excellent job in discussing the impacts of the philosophy of full employment. He closes by quoting from the United Nations Report and I repeat his quotation: 'It is clear that a full employment policy could not be pursued if the principles of any particular system were to be construed so rigidly as to rule out any and every kind of governmental action that might be required to achieve the desired goal.' I, for one, believe that some kinds of governmental action should be ruled out in pursuing this goal. We must not worship at the shrine of 'full employment' to the extent that we impair those basic virtues of individuals to seek and pursue

¹ E. J. Working, 'Appraising the demand for American agricultural output during rearmament', *Journal of Farm Economics*, vol. xxxiv, May 1952, pp. 206-24.

opportunities for their own self-betterment which, in the long run, means improved conditions for the entire society. Yet governments do have responsibilities to provide environments conducive to a full use of our productive resources. These, I believe, lie in such fields as broad monetary and fiscal policies, international trade policies, and the encouragement of productive enterprises, rather than in detailed governmental regulation of the individual.

There is a tendency to label those who oppose controls as old-fashioned, or as those who want to return to some past period. I submit that the real liberals of today are those who have the courage to move forward with programmes in which we use the facilities of governments without detailed controls of the people. The easy way is to turn the job of decision-making over to government; the more promising way is to have the people make their own decisions.

Dr. Duncan's paper has been thought-provoking and stimulating, and the points I have raised are for the purpose of stimulating discussion rather than detracting in any way from its excellence.

G. V. HAYTHORNE, *Economics and Research Branch, Canadian Department of Labour, Ottawa, Canada*

Agriculture, Dr. Duncan stated, almost with a touch of regret, has not received much attention in discussions of full employment. As an important contributor to consumption, agriculture, it is true, provides a general stabilizing influence in the economy, but investment, which has resulted in higher employment, has increased during recent years much less rapidly in agriculture than in several other industries. Besides, the impetus to full employment, at least in most Western countries, during the past decade and a half did not come through agriculture. The stepped-up demands for war products were felt first in other sectors of the economy. In Canada these defence needs and the development of new resources have both served as greater stimuli to full employment than has agricultural expansion. There will, however, still be times and places when an important impetus to full employment may come through agriculture. Dr. Schultz, for example, earlier in the Conference, referred to the possibility that increased food production in under-developed countries would result in an increased demand for the products of other industries, either in these countries or elsewhere. In future the impetus will come from one side or the other, or perhaps more often from both; but in Western countries at least, most of the impetus to bringing about or maintaining full employment is likely to come increasingly from the non-agricultural industries.

Dr. Duncan has expressed the view that the economic scales are likely to be tipped more in favour of agriculture in the years ahead. I agree with this and also that there are apt to be further transfers from standard to luxury foods. We must also remember, as he suggested, that the demand for food is generally speaking inelastic, but I am not so sure about his conclusions regarding the future growth of farm production in the Western countries. The continuing scarcity of food throughout the world on the one hand and new production techniques, increased mechanization, and improved utilization of land and labour on the other are likely to lead to higher output in the years ahead. Unit costs due to these and other factors are likely to be reduced. These considerations, as long as scarcities of food exist, seem to me to spell higher agricultural production.

There is clear support in some sections of Canada and the United States for Dr. Duncan's statement that under-employment in agriculture can exist at the same time as high levels of employment in other industries. A solution to this problem of under-employment is to be found, I would suggest, in developing what Professor Black, in another earlier context, called 'special arrangements' to suit each such area. These areas of under-employment are sores on the body economic which need individual diagnosis and treatment.

There has been much valuable discussion and work in the United Nations on full employment, or on developing higher levels of employment throughout all countries, as Dr. Duncan has indicated. Some problems have arisen, however, in connexion with specific measures proposed for maintaining full employment. One of them, suggested originally by a special committee named by the United Nations on full employment and subsequently approved by the United Nations, is that a programme should be developed by each country and announced in advance for maintaining employment at or above a predetermined target. Such a measure is difficult for a country like Canada to adopt when many of our industries, including agriculture, are subject to sharp seasonal swings in production and when our economy is dependent to a substantial extent on external trade. At the same time much useful full employment planning is being carried on in individual countries and valuable information is being exchanged today between countries through the aegis of the United Nations.

I was pleased to see in Dr. Duncan's discussion of wages a broad conception of the role of trade unions today. He was also modest in reference to proposing an answer to the problem he posed of developing a wage policy. I am not going to attempt to suggest a solution

either, but there are three brief observations I would like to make. First, it seems to me, there is need for more attention to the measurement and analysis of productivity changes in all industries, including agriculture. The exact contribution of labour in complex production processes can rarely, if ever, be determined, but such analyses should help to throw light on year-to-year increases of productivity and the extent, at least in a general way, that it may be reasonable for labour, along with management and the public generally, to share in these gains. Second, as union members identify themselves more completely with the interests of their firm or industry and vice versa, while each continues to play its distinctive role in collective bargaining, there may be less desire in the future to make excessive demands. What I have in mind here is the possible extension of guaranteed wages, profit-sharing plans, and labour-management production committees. And third, the non-cash income benefits of workers today are becoming increasingly significant. Not only is this true in the case of benefits received from firms and industries, but also in the case of those received from the community, whether the community is on a local, national, or world basis.

Finally, I would like to make a comment regarding Dr. Duncan's reference to changes in the social climate. When he said that 'labour has been treated as a commodity to be hired and fired according to the exigencies of the market', many of us perhaps would have in mind workers in other industries. But this statement applies to some groups of farm workers too. Furthermore, in most parts of this continent farm workers do not enjoy the benefits of social security now enjoyed by farm workers in many European and other countries. As farmers and employers generally become more aware of the fact that labour, just like land and capital, is an expendable resource deserving and requiring the most careful consideration, the implications of high levels of employment, socially, economically, and politically, are bound to extend in ever-widening circles.

J. J. MACGREGOR, *Department of Forestry, University of Oxford, England*

In view of Dr. Duncan's remarks it might be safe to infer that employment policy is not so much a problem of agriculture as of non-agricultural industries as these have greater scope for changing employment. I agree very much with him that our approach to the problems of full employment must be entirely speculative within the context of peace conditions as envisaged in the United Nations Charter. One might be critical of him, however, because he does not

appear to be sufficiently critical of the recommendations of the group of economic experts. Perhaps he is merely referring to their work as an example of what is being promoted today. We have had some experiences now of policies for, or experiments in, full employment which can act as pointers. The report of the economists seems to evade some of the chain of events which are likely to be associated with deliberate policies of full employment: inflation, wage restraint, and price control leading to central planning—some even think to the totalitarian way of life. Jewkes¹ and others have criticized the writers of the report on several grounds. They regard inflation as a remote possibility which could in any case be dealt with at some conference. They also appear to skip lightly over the problems of bottlenecks to which suppressed inflation can be expected to give rise. Reference to the British experience under conditions of war are surely irrelevant. These experts can also be taken to task when faced with the problem of structural unemployment in the export industries. They talk in generalities about the situations which involve a government in recognizing when a long-term downward trend has started. How can such a trend be identified? How can governments also secure advanced information about the investment plans of individual firms? They must be about the most elusive figures to obtain.

Clearly enough in a free economy the measurements and predictions upon which a full employment policy is based will be extremely crude, and controls will be uncertain in their operation. Inflation is particularly difficult to cure because individuals would be deprived of legitimate expectations. Think also of the immense difficulties implied in the achievement of a 'national wages policy'.

Even if the Keynesian diagnosis and prescription, as a technique, were logical it would be wrong to imagine that the appropriate institutions would exist. Can a public antipathy to inflation be fostered? We have had some experience of such a fostering in Britain when Sir Stafford Cripps was our Chancellor of the Exchequer. For example, the policy of wage restraint was very faithfully observed and in the two and a half years to September 1950 increases were only about five per cent. This gives a grain of hope that a public may be conscious of its own self-interest in these matters.

I cannot here develop the two main constructive points which I had hoped to make, but they were intended first of all to relate these considerations to some of the other discussions concerned with

¹ Introduction to *This Unsuccessful Age or the Pains of Economic Progress*, by W. Eucken, William Hodge & Co. Ltd., Edinburgh, 1951.

under-development and the need to associate financial assistance with some form of land reform which would provide confidence. Secondly and lastly, I had hoped to urge the need for the full employment of the positive trade balances which are earned by certain countries, particularly the United States, so that international trade could be stimulated and expanded on the lines agreed on in the United Nations Charter.

L. J. NORTON, *University of Illinois, U.S.A.*

Clearly no idea has taken more hold of the minds of large numbers of people in recent years than the concept of full employment. It is not the United Nations Organization constitutional provisions that are important. Rather it is the fact that full employment is a part of the belief and aspirations of large masses of people. No politician can now ignore this trend. And economists must fully consider and discuss the economic consequences. The response in the United States was the Employment Act of 1946. That this implies a managed economy, as Dr. Duncan stated in his paper, and as I understand the term, I would deny; but this may be only a difference in definition. To me, reasonably full employment means that the Government is responsible for certain key decisions which affect the general economic climate, rather than for the detailed controls which a managed economy implies. It is clear that agriculture will tend to gain from a full use of resources. It does so simply because it improves markets.

Now we have had seven years of experience with full employment on a fairly wide basis on both sides of the Atlantic. Under the particular conditions of this period, which I do not need to detail, it has been quite successful, possibly too successful. But it has been accompanied by inflation. This has been an almost universal accompaniment of a full employment policy. Inflation is the Achilles heel of the full employment policy as it has been implemented in these seven years. This fact should engage the full interest of all those who wish to see the idea successfully carried out. Direct controls which the committee report recommends (and I take it this is the committee report and not Dr. Duncan) in order to control inflation have been found to be unsuccessful in recent years and have generally been abandoned in favour of the monetary and credit approach. This has been true in the United States, in the United Kingdom, and particularly in Canada where the idea of direct controls was discarded in favour of the monetary and credit approach and where, it should be noted, there has been about the greatest success in the matter of controlling inflation during the last eighteen months.

Now Dr. Duncan said, or he quoted the committee report as saying, that interest rate would not be effective. I think this judgement is based on a theory of interest rate which is now being seriously challenged by a group of economists associated with the Federal Reserve Bank of New York under the leadership of Professor John Williams of Harvard University. We should never get the notion that the development of economic theory in any of its aspects was completed with the last book of the late Lord Keynes.

J. F. DUNCAN (*in reply*)

The assignment I was given was 'The Impact of Full Employment on Agriculture and Industry'. That assumes full employment. I was not asked to discuss whether full employment was a desirable thing or whether it was a possible thing; I was simply asked to consider the impact of full employment on agriculture and industry. What I tried to do was to bring together what are the generally accepted methods which may be followed by countries to secure a full employment policy. If I had had another assignment, I could have been quite as critical, even more critical than my friend, Professor Norton, was on some of the proposals. I stated in my paper, as nearly as I could, the proposals of those who are the advocates of full employment. I do accept fully the last quotation I took from these four economists, that if we accept full employment as an object of our political economy, then we must be prepared to follow that through and not be deterred by what Professor Cowden described as the basic virtues. We have to be prepared to challenge these basic virtues too; otherwise, we have got to give up full employment policies. I did indicate a doubt at the end when I said that it was an open question whether it was possible to maintain full employment under these conditions. I think we are committed to full employment and we have got to try to work it out. Full employment is not going to be a solvent for our problems; we shall still have farm problems; we shall still have price problems; we shall still have problems of shortages and surpluses under full employment, and until we know more about it, we shall certainly be in danger of inflation. We must not be frightened by inflation but we must keep it from running away. A moderate amount of inflation is good for keeping us on our toes, and as long as we keep it within bounds there is no great danger from it. Full employment is an adventure, an adventure which is bound to have pretty serious repercussions on the whole of our economy and our society, but we are committed to it, and the best the economist can do is to remember that it is not the business of the economist to

direct the political affairs of the community. It is his business to bring economic knowledge to the aid of those who are conducting the political affairs of the country. And if we do that we may be able to keep the politicians right—but if we do, it will be the first time that anybody ever did.