

CHAPTER III

RATIONING OF CONSUMERS¹

DURING the course of the war the supply of many articles in common use and in inelastic demand became very short. If nothing had been done by the Government, demand would have been adjusted to the short supply through a great rise in prices. This would have meant that better-to-do people would have substantially maintained their previous consumption, while poor people were unable to satisfy elementary needs. State action to limit prices unaccompanied by anything else would have broken the equilibrium between demand and supply, but it would not have secured fairness in distribution. At the restricted prices more would have been asked for than was available, with the result that the sharing-out would have been determined by favouritism, pull, accident or capacity to stand for long periods, without fainting, in queues. That would have been an intolerable arrangement. Consequently the State restricted by law the amount of the most important commodities in short supply that any individual was allowed to purchase. The idea was in this way to reduce the total quantity demanded, account being taken of the fact that some people would buy less than their permitted ration, so that it equalled the amount which, at the regulated price, was being supplied.

In order for this to be achieved the permitted rations had to be *small enough*. If they were not, some people would find that they could not get the ration, or such part of it as they wanted to get; and distribution would still

¹ For a discussion of rationing in general cf. my *Political Economy of War*, 1940 edition, chap. xi.

be governed in part by luck and pull. Obviously the scale of ration that *is* small enough depends, given the scheme of various people's demands and the supply conditions, upon the size of the maximum price that is established. The higher this price is, the larger the ration that people can be allowed ; till, in the limit, when the maximum price reaches the price that would be charged if there were no price regulation and no rations, the ration allowed may be infinite, *i.e.* no rationing is needed.

Given that the ration scale established is small enough in relation to the controlled maximum price, the market will be exactly cleared, and there will be no question of queues or anything of that kind. Thus the establishment of an effective maximum price below the price which would rule in the absence of State interference, accompanied by an "appropriate" system of rationing, will enable anybody who does not want to buy more than his ration to buy what he does want ; while people who, at the established price, want to buy more than their ration will be prevented from doing this and will be tied exactly to their ration. As compared with what would have happened if the maximum price had been established unaccompanied by rationing we have thus orderly arrangement instead of chaos in distribution. As compared with what would have happened if there had been neither price limitation nor rationing, poorer people, encouraged by the lower price, buy more of the rationed goods than they could have done otherwise, while better-to-do people, restrained by the rationing, buy less. In the conditions of war-time it is unlikely that output will differ appreciably when price is controlled to stop exploitation from what it would have been otherwise. Therefore the whole effect, apart from stopping exploitation, of establishing price control plus an appropriate ration scale is to secure that poorer people obtain at the expense of richer people a

larger share of the commodities in short supply than they would do otherwise. Moreover — a very important matter — this circumstance frees the Government from the need of securing an enlarged production or importation of a number of important commodities in short supply. It could not, for political reasons, avoid doing this if the alternative were to deprive poor people of those commodities almost entirely ; and that would be the alternative if prices were not controlled and rationing not imposed.

It is not difficult to see that in a *perfect market* a level of ration for any article could be chosen which would so reduce demand that, in the only sort of supply conditions which are of interest to us here, price would fall of its own motion, without any control, to any desired level within reason. Thus, if the Government wished the price to stand at such-and-such a level, it could bring this about by establishing an appropriate scale of ration without also controlling price : and, if it acted in this way, no question of queues and so on could possibly arise. *Prima facie*, therefore, it seems that, once a policy of rationing had been decided on, there was no point in maintaining a policy of price control also. Rationing having made price control unnecessary, price control is a fifth wheel in the coach. The answer to this is, of course, that in actual life — particularly the actual life of war-time — we have not to do with perfect markets, and that, therefore, if there were no price control, exploitation by particular fortunately-situated sellers might still take place. Hence price control is not in fact superfluous. None the less, rationing is more essential and of deeper significance.

During the war rationing to consumers — as distinguished from priorities to firms — was mainly concerned with staple articles of food, though from 1917 it also affected coal. Experience of it abundantly proved that in an atmosphere of good-will the many and various technical

difficulties involved could be successfully overcome. The detailed history of the complex and highly successful administrative work accomplished in this matter by the Ministry of Food has been fully set out by Sir William Beveridge in his book *British Food Control*.

During the first few months of peace the rationing of tea, jam and margarine was abolished, and in May 1919 the issue of ration books was discontinued, such rationing as remained after that time being operated without coupons. The de-rationing of meat, which had been planned for June 1919, had to be postponed on account of shortage in supplies; and, as a general safeguard, during August and September "the whole population of Britain was once again recorded and required to register with the appropriate retailers for butcher's meat, butter and sugar".¹ Meat rationing was soon found to be unnecessary, since people did not purchase up to their ration limits, and was abolished in December 1919. Butter rationing ended in May 1920, and sugar rationing, the last to go, in the following November. Throughout the immediate post-war period State policy had been directed to getting rid of all kinds of rationing at the earliest practicable moment.

¹ *British Food Control*, p. 297.