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PROBLEMS OF SOCIALIST ENGLAND

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PROBLEMS OF SOCIALIST ENGLAND

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FOREWORD

BY GEOFFREY CROWTHER

Editor of *The Economist*

FEW things are harder than to preserve, in a time of practically chronic crisis, a sense of perspective. Passengers travelling at full speed on a highly unsafe switchback are not likely to carry the principles of engineering firmly in their minds, nor are the headlong development of political and economic events and their interaction likely to appear in their true proportions and relationships to those whom they most closely affect. On the other hand, the outsider who proverbially sees most of the game is apt to ignore just those things which seem most important to the players ; he may have an Olympian, long-run rightness, but so far as present feeling-tones and immediate stresses are concerned, he is quite likely to be maddeningly wrong—and consequently unconvincing. To achieve at once the objectivity of a historian and the sense of actuality of a participant is a very rare feat indeed.

M. de Jouvenel unmistakably accomplishes it. His study of post-war England, its ideals, its economic and intellectual bases and problems, its personalities, its atmosphere and colour, recognizably shows what Englishmen have themselves seen and experienced. He does a reporter's job, an interpreter's job, extremely well. But M. de Jouvenel is not only a reporter and interpreter ; he is also a distinguished political theorist and student of history, and so his descriptions and his analyses are lit and deepened by a more than contemporary significance. In narrating and clarifying the particular problems of Socialist England, he casts a light on the crisis of Western democracy, on the problem of power as its effective exercise passes from the hands of an oligarchy, subject only to periodical electoral checks, to those of an as yet imperfectly educated, and inconsistently motivated, popular majority. For this majority he has nothing but sympathy and good will, and a guess at his politics would put them well to the left of centre. But the slogans of the Left have for him only a symptomatic interest. He has no axe to grind. One can think of many members of the Government to whom reading this book would do a power of good, but it would be no less admirable

on an Opposition reading list. If the spirit which informs *Problems of Socialist England* were to become general, the problems would indeed remain, but the prospects for their solution would be most notably improved.

London
January, 1949

GEOFFREY CROWTHER

INTRODUCTION

THERE descended from the sky, in 1943, on a clearing of the Corrèze, a young man of the name of Blaise. It was not, for once in a way, a case of spying out the land in a hurry ; the purpose of his journey was to instruct the maquis troops of the canton of La Roche-Canilhac in the handling of new weapons and in the technique of guerilla warfare. So we were able, Antoine and I, to ply him at our leisure with questions about England.

It was unreasonable of us to expect answers to all our questions from a man fresh from his billet in Scotland, but the scale of our disappointment enlightened us as to the state of our feelings. Only then did we realise the extent of our craving : our affections cried out for all those intimate details which feed the imagination and allow it to live again the daily routine of a house which was once familiar but is now out of reach.

This emotional hunger was what we needed to have satisfied first. Much as English thought was missed, it was England's actual presence for which, before all else, our hearts cried out : our interchange of views could wait a while—that interchange which has, for centuries now, corrected the judgments of the one country by those of the other. Exchange of thought needs to be preceded by a feeling of bodily intimacy, as is well appreciated in England where real conversation does not begin until dinner is over and pipes have been lighted.[1]

And now, as countries and as peoples, we have come together again, to find that we are only the more necessary to each other, the English to the French and the French to the English, since we only are left of the great nations that have fought each other throughout history, and Europe, east of the Rhine has become a place of desolation and mystery.

The variety of our experiences is, it is true, a cause of division : for to suffer a grievous accident is a very different thing from putting forth a tremendous muscular effort. The years of emotion have been

[1] Cf. Browning, *Bishop Blougram's Apology:*

> ' ——truth that peeps
> Over the glasses' edge when dinner's done,
> And body gets its sop and holds its noise
> And leaves soul free a little.'

for us years charged with different emotions. But we are reunited by our essential solidarity in face of the problems with which the present state of the world confronts us. We have perforce to look in common for their solution.

I should like, if I knew how, to carry my readers with me to the little street in Westminster in which, behind a deceptively upright exterior, I found the corpse of the house which I had known so well. Though I already knew the worst, it was with a shock of surprise that I no longer heard there the sound of the bell which had, in former days, summoned its master to the House of Commons. It sounded now in the house next door which was my destination—the house of friends of the friends who had vanished. It was as though the street, powerless to keep back a life that had flown away for good, was emulating English gardens which prolong their bloom and colour with a succession of flowers.

My wish would be to convey my impressions so closely as to make the reader share in my rediscovery of a country, and in the sensations of sameness and change which crowded upon me in turn. At one moment, affection was satisfied by resemblance to the remembered past, at another, interest was stirred by novelty ; at one, prevision of probable change was justified, at another, belied. But I claim no faculty for making a picture of my own subjective reactions. I will confine myself to stating my conclusion. It is that there is nothing here to surprise, nothing to trouble or disturb, in the changes wrought by time and events. The only real alteration, all that there is to cause a sense of strangeness, arises from the departure of old faces and the appearance of new. Given the same men, changes in situations and ideas affect the observer but little : only what is done by strangers seems queer, disquieting and incomprehensible.

It has been a Proustian experience, to renew, after a long interval of time, contact with a group of friends whom I had last seen in 1939 : a man once familiar by his Christian name I now thought of by his public name—read in the papers, heard on the radio, linked with the administration of the Empire in its time of greatest peril. What marks would these men bear of their hardly imaginable responsibilities ? I was glad that an official reception gave me my first chance of meeting with them again, of viewing them from without, of finding whether they seemed different to the eye. But all at once a hand laid on an arm, a murmured Christian name, an exchange of smiles, abolished the years between. The work of Time is not, as is often said, by imperceptible degrees : it is brutal. His scythe kills, but wounds not.

In 1934 I drove down the Great North Road with a young journalist for companion. He is now a junior Minister and a member of the Socialist Party. The statistical records of politics and professions will show one journalist the fewer and one socialist the more : it is as if one man had gone and another appeared. But statistics will miss the essential fact, that I am meeting again the same man.

I have been to see again, in his peaceful suburban house, a certain economist, now grown to be one of the masters of the new generation. New ideas, I am told, have swept out the old. But minds are more important to me than ideas ; here his is, honest and scrupulous as ever, allured by planning but loving liberty. He is as he was. And he, this master of to-day, the austere man who little by little is bringing his geometrical patterns of life to fruition—how should his laws surprise me, to whom he has, on our walks of long ago, expounded the bases of his thought ?

If I fail to make it clear in what respect England is reassuring, it will be for lack of means of expression. Only an ignorant, unreflecting, frivolous man could call her, as some do, conservative and reactionary. Perhaps this school of critics would resent the crushing imperatives of her socialist regimentation. But I am well aware what it is that repels them and satisfies me. It is that, even in the midst of profound change, England permits no rude breach with the past, through which hazard and caprice may gain entrance.

The ideas which make headway may be good or bad, but at least they do not grow from a pollen brought by the wind : their growth has been witnessed, the ideological stock from which they are descended is known. The measures taken are the result of programmes the birth and development of which were for all to see. The ruling group came to great place little by little : its advance in strength and credit was for all to see. In short, the new is not *parvenu*. The century brought it to birth in conditions which lacked all mystery and surprise, just as the queens of old bore their children without privacy and in the view of the people.

To regret that the regime is what it is may be allowed, but to be surprised is inadmissible. It is the result of deep and gradual changes which events have hastened, for these have brought to maturity the situations, the men and the ideas which were in combination bound to produce a political movement of a certain kind. What is done accords with what the England of to-day is : *Operari sequitur esse*. In other countries, the impression is often given that the movement of to-day may suddenly end and the nation receive an entirely different aspect from a new set of men ; with England it is not like

that. Even in these days of novelties, the evolution of England maintains an organic character: if you consider it a disease, it is an organic disease and not just an infected wound; if you consider it as progress, it is a rising sap and not a burst of lava through a fault in the ground. Most striking of all to the continental observer is the fact that the body social has received no internal injury. The outer integuments of England, material and human, have endured cruel blows. They have left her essentially whole. The fact of capital importance is that the country was never occupied. But it is not enough to say it. I should like the power to prove it as I saw it.

The scars on London are plain to see. There is no need to look for them. You may come across them in ample quantity.

On my left, a plaque commemorates the foundation of a Dominican priory in 1278; on my right, the lane twists and turns, old-world, intimate and comatose. That is my way to *The Times* office, which I am visiting. On my right is a broken pane: I make a long neck through the window, when I find two things, and only two things, to see—a door and a beam. The door, which is still intact and has a lock with a key in it, opens on a yawning void; a black cat is asleep on the horizontal beam. Behind the cat there is no wall to be seen; the view is bounded by a chaos of holes and foundations exposed to the sky. This might be Mycenae. A dead city in the heart of a living one. A policeman has come up and I ask him what there used to be here: 'Houses and shops,' he answers, and adds with a smile: 'Along with the bar where I used to go for a drink.'

A few steps more and I emerge from a narrow passage into the little enclosed square where is the small but venerable office of *The Times*. It is a low house with a perron of several steps in front of it, such as the cab of a Balzacian dandy, coming to pay his respects to the Countess de Beauséant, might stop at. In it there is neither noise nor bustle; the vile, mechanical tasks are all performed in the buildings which have risen round and about it. These have been saved by their protecting walls. The bar destroyed, *The Times* intact—there is a piece of slick symbolism. But not an inaccurate one for all that.

In all this country nothing of the essential has perished. Vast as the devastation is, it has not altered in the least the general appearance of London. The pensive traveller, from his perch on top of one of the traditional red buses, may pass down whole streets without noticing the gaps in them: here and there houses, to the number of four or five, have been completely rooted out, like extracted teeth. So, too, he may enter the same social circle as formerly without missing the absentees; only if he asks will he be answered in a respectful whisper, 'El Alamein' or 'Arnhem': and that is all.

Buildings have been holed and so have personal relationships. But the ranks have merely closed and nothing has changed. The material and moral ordering has been maintained or re-established. True it is that the Commons chamber has been impiously blotted out by bombs. A forgettable, and a forgotten, incident, for the Commons now meet in the not dissimilar premises of the House of Lords, and the House of Lords is not dissimilar premises close by. The body social still resembles its old self—is animated by a deep and durable will to continue being its old self.

This persistence has, no doubt, been much helped by the fact (of capital importance) that England has not undergone enemy occupation. What luck for her never to have been invaded! A Frenchman must needs feel, so soon as he sets foot on her soil, that nothing can be worse than to have had the enemy within the gate and nothing better than, whether by accident or design, to have kept him outside!

The English are strangers to that disintegration of the national fabric which sundered all the separate cells of the body of France, delivered each one over to its own particular sorrow, drove all in anxious search for the path of duty, dissipated energies along different courses and set consciences at variance not only with one another but often, from one year to the next, with themselves.

The spirit of loyalty, the spirit of service, the spirit of adventure have not, in England, set men on different courses ; all, rather, were differently employed in an undertaking which made room for each.

In a country in which the spine of the national life has not been broken, the conformist's conformity, the improviser's improvisation, the daredevil's audacity are all equally respectable. The path of duty admits of no doubt, and the energies of every man have converged on it. Effort, talent, desert, great or small, moved in their different degrees in the same direction, never in the opposite. The common end of all conduct removes it from debate : patriotism is neither an object for display nor a subject for justification. The Englishman asks no question either about his own attitude—which was never a matter of choice for him—or about that of his neighbour. So it comes that he has not the unquiet temper of Frenchmen, which he cannot even understand.

Yet he is aware for all that that his peace of mind and his good conscience are, in the distracted Europe of to-day, a privilege. He gives the credit for it to Churchill, who never let hesitation enter the nation's soul. All Englishmen, whatever their views may be of his politics in the concrete, are united in seeing in him the saviour of the psychological health of the nation. By proclaiming the direction

of duty he has saved the people from the temptation of making choices which divide. All goes back to that. To it is due the personal cordiality which still persists between men of the most opposite opinions. Those who were thrown into opposition have remained good friends. And the successful defence of the nation has legitimated all the different ' spiritual families.'

Because England has been spared the neuroses which come from occupation ; because there are no political trials going on in any forum, either of the Court or of public opinion or of conscience ; because men's minds are not given over to informing against others or defending themselves, are not embittered by either impunity or injustice ; because of this inestimable advantage, the attention and intelligence of Britain are alike available for considering the problems of the future and broaching the questions which confront not only herself, but the whole of Europe.

For this reason England is to-day a sort of look-out man for the rest of Europe, and it is in this aspect that I have considered her. Why should I aim at showing the country's inner ligatures, when M. André Siegfried has done it once and for all ? Or at describing its psychological characteristics when M. André Maurois has been there before me ? Only quite recently M. Jacques Chastenet drew a remarkable picture of its parliamentary institutions. Any Frenchman seeking to understand the country's specific nature has an embarrassing wealth of excellent authorities on whom to draw.

The questions I asked of England are of the type of those asked of her in the eighteenth century. Not ' What are you ? ', but rather ' What are you thinking ? ' and ' What answers have you to the cares which trouble both of us ? '

An exaggerated comparison, such as I have used, may raise exaggerated expectations : what I have come forth to find is no moral and metaphysical system—my discoveries include no Locke—but thought nearer to earth—thought which ranges over the concrete problems of our time in the sphere of economic and social organisation, thought which sticks so closely to the facts that it can be expounded only in conjunction with them. With the result that the facts take up more room in my survey that I could have wished. They are, all the same, only the underprops. The essential purpose of these notes—for this book is only a notebook—is to spread understanding—superficial understanding at any rate—of the English attitude of mind towards the major interrogation marks of our epoch. I am well aware that there is no such thing as the ' English spirit,' that abstractions of that kind are quite untrustworthy. Let

me put it more precisely and say that in intellectual circles there are certain widely-held opinions. It is just these that I want to describe. And let me add for the sake of accuracy that they are opinions about subjects which have, I should judge, aroused a particularly lively interest.

In a people whose culture is as rich as England's there are naturally men apart, whose thought is personal to themselves. I would gladly have lingered to listen to them, were it not for my more limited concern with ideas which are already enjoying currency and influence.

To put it at its simplest, there are hardly more than two themes which will keep on recurring in different forms throughout this book.

There is the geographical theme : how is England to adjust herself to the profound changes on the face of the globe, to the relative enfeeblement of Western Europe, to the displacement of the centres of power or wealth, to the diffusion of technical and political energies, to the crumbling of the old Empires of the West before the nationalist uprising of the coloured masses, to the rise of new Empires which overhang the hitherto dominant zone, to the loss, in short, of the aristocratic privileges enjoyed by Western Europe since the eighteenth century ?

There is the sociological theme : the installation in England of an apparatus by means of which public authority may direct private activities to planned ends ; the absorption of the private will by the public will in new spheres. For the individual, the extension of the forbidden and the contraction of the permitted ; the conflict of the organisational thrust with the tradition of individual rights, resulting sometimes in open warfare for the delimitation of the frontier, sometimes in search for a compromise.

Of these two phenomena the first is undoubtedly the more important. It may even be asked whether it does not to some extent influence the second, whether the recoil and impoverishment of the West have not helped to cause a certain fossilisation of the life of society. However that may be, the first theme is the less debated, perhaps because what is involved in it is a process of evolution deemed irresistible. It is endured and the adaptation to it is natural ; for some, like Mr. Churchill, it is a living agony, for others, merely an accepted fatality.

In the second domain, on the other hand, the will is thought to be free ; it is regarded as a matter of voluntary choice whether the apparatus of regimentation should be made to advance or recede. All its advances are considered a product of received assents, which may wax or wane. For that reason minds are at work to find

and impose the best frontier possible between bureaucracy and individualism.

So the controversy rages. It has already given rise to contributions to thought which make our continental discussions on the same theme look childish. As in the days of the battles-royal between Free Traders and Protectionists, England is here the mistress of us all—in the construction of arguments for and against.

I should, however, be guilty of flattery if I pretended that this grand debate always kept clear of confusion. A battle is a great raiser of dust. Some of the partisans of individual liberty sometimes lose sight of the fact that it is practicable only within a solid framework, only in so far as laws and morals prohibit and discourage noxious conduct and act as a stimulus to beneficent uses of liberty ;[1] that this framework has not been laid down once and for all, but is subject to periodical revisions, according as new possibilities open and, also, as the decay of morals calls for the reinforcement of the laws. Or, again, they overlook that everything which may be permitted safely to real persons cannot be permitted safely to legal persons, who have received a most imprudent share of rights which are proper only to the individual. On the whole, however, the camp of liberty, because it is on the defensive, makes fewest intellectual blunders. Error is the victor's privilege.

Too often some miraculous property is ascribed to State ownership. It is assumed that plant and labour will necessarily derive an increased efficiency from passing into public hands. Or else, after hurling long reproaches at some private industry for not having renewed its equipment, then, at the very moment of allocating to it the necessary materials, the Socialist bethinks him, like any banker, that those materials could be better used elsewhere. Or again, a quite imaginary virtue is ascribed to mere compulsion. For, in the last analysis, the individual's liberty cannot be forgotten : he is the more or less eager, more or less reluctant, executive power, and nothing can be done without him.

The theme of this book is the movement of ideas and opinions attending on a transformation now in progress. These ideas and opinions are as closely linked to the chain of events, which issues from them and from which they issue, as is the rain to the earth on which it descends and from which it ascends.

[1] See on this point : F. A. Hayek, *Individualism, true and false*, Oxford, 1946 ; Jacques Rueff, *L'Ordre Social*, Paris, 1944 ; B. de Jouvenel, *L'Economie dirigée*, Paris, 1928.

As what is being studied is a phenomenon still in progress, it is possible only to follow its course and not to grasp it in its totality. My book follows it in every sense of the word. A book, even such a hurried and cursory one as this, is not written in a day. While it was a-writing, the English experiment quickened its pace, gave birth to new situations and encountered new difficulties. That experiment has given rise to a wide variety of reflections, to the extent that the English intelligence, which had been mobilised for war, has had time to finish its spiritual reconversion. Every month sees an increase in the expression of views which must be reckoned with, as affecting the general climate of enlightened opinion. The reader must not, therefore, be surprised to find a sort of accelerated rhythm in the book's averments : it is only the reflection of the accelerated rhythm of the thing being studied.

The first part is, so to speak, a snapshot of the English scene in September-October, 1946. In it appear the Labour government and party still flushed with victory after rather more than a year of power, while the Conservative opposition is still stunned by its fall. The internal and external situations are described in their historical setting, and the ideas moulding opinion are indicated. Written as it is on the spur of the moment, it reproduces the atmosphere.

The second part enters in some detail into the problems confronting the government, which are in essence those of the balance of payments, production, the rising tide of incomes and the allocation of raw materials. The third part draws attention to certain moral aspects of *dirigisme*[1] in action. It traces the development of the main problems up to the spring of 1947. As it falls out, the course of the paragraphs is in step with the course of events. The latter lack the element of surprise : events resulted so inexorably from situations, that the addition of a few lines has often sufficed to mark the happening of the anticipated event.

The book was in proof in its French edition when the August, 1947, crisis broke. The crisis is briefly analysed in a fourth part which is related to what had been expounded in the others.

[1] This convenient and expressive word may be translated ' The political government of an economy.'

PART ONE

THE ENGLISH POLITICAL SCENE

AUTUMN 1946

*

CHAPTER 1

THE SOCIALISTS IN POWER

The Socialists were ready — *A difficult situation*
Realisation of the Party Programme — *General assent to Planning*

IN all European countries shaken by the War, former political personages have been swept away; not only the men at the top, but those also who were more or less on the promotion list of public life. New teams have emerged, the names of most of whom were quite unknown, even as ' outsiders.' Now and again some ghost from the past, old or young, is to be seen winning his way back amid general reluctance.

In England, too, it is said, the wave has broken—but with a difference. For there the men carried to power are no strangers : the entire Socialist team has come to power, the more experienced of them filling the major offices and the younger of them the minor. Like a fleet of sailing ships, trained in sea manoeuvres, coming at length to port in a predictable order. The sails filled by the wind of our time were not spread in haste but had been long made ready.

There is nothing to surprise us about a Socialist government in England. The phenomenon has been seen twice already, after the General Elections of 1923 and 1929, respectively. I well remember the enthusiasm in the streets on the night in 1929 when the results were shown on a screen. I was with H. G. Wells at the time, both of us leaning over the balustrade of a roof garden at Selfridge's. transformed for the occasion into a glorified drawing room. Of the men who then came to power, Macdonald, Henderson, Snowden, Lansbury, have passed away. But their successors of to-day, Attlee, Bevin, Cripps, Dalton, Baker, were even then their associates.

Nobody supposed that the successive socialist disasters of 1931

and 1935 had banished Labour from power for good and all. The point of significance was that it had outstripped and virtually eliminated the Liberal party. That achieved, it mattered but little to it that in 1931 it won a mere forty-six seats and in 1935, 154 : in the House of Commons its leaders sat on the front Opposition bench face to face with Ministers, the table and the mace between them. They were the only alternative to the Conservative government. Now, political government in England is, fortunately for her, based on alternation in power of two teams ; the Labour team might now, therefore, feel assured that its hour would strike. And the Liberal debacle assured it against any repetition of the uncomfortable position of 1923 and 1929, when it had no clear majority without the Liberals.

It is a very salutary sensation to feel sure of coming to power at some future date. It is nearly twenty years ago that a young member got me a seat in the Strangers' gallery to listen to his speech, which was a criticism of a government bill : I much admired its relevance and its freedom from the oratorical effects which the subject invited. When I congratulated him on it, he said : ' I may for all anyone knows find myself one day occupying the place of the Minister I was criticising, and having to amend this law.' As chance would have it, he is at this moment occupying just that place. But is it chance ? Not entirely. The leader of a party acts as the father of a family who gradually trains his children for the great positions which they will one day occupy. In opposition, he gets them to take part in one debate or another ; in power, he puts them as aides and underlings to some senior Minister, in the capacity of Parliamentary Under-Secretaries. By successive tests and promotions, young politicians qualify by degrees for the positions of great place.

No Englishman supposes that it is unnecessary to worry as long as men with a certain set of opinions hold power. They have still to prevent bad administration from discrediting their opinions. For that reason care is taken over their training. And the Socialist leaders, at the prompting of Arthur Henderson, have, ever since the debacle of 1931, taken particular pains in this respect. It was not good enough merely to nurse a constituency in which the broad lines of the party's programme could be expounded ; they had also to master the contents of bills and deploy their knowledge of particular subjects in the Parliamentary debates.

So it came about that, when its participation was asked, Labour was able to supply the wartime government with administrators of admitted worth. And now that it mans all the departments, there are not more than two or three Ministers whose capacity comes in

for criticism, Shinwell, the Minister of Fuel and Power, Bevan, the Minister of Health, and Hynd, the Minister in charge of German affairs.[1] It is, moreover, generally recognised that these departments have tasks of immense difficulty.

The government are, however, having to face a particularly uncomfortable situation. Great Britain covered herself with glory but, now that she is victorious, she has to live.

Ever since the end of the eighteenth century her population has gone on crowding into towns and entering industrial employment. This phenomenon, notwithstanding the cries of alarm uttered by Malthus, did not in the least discompose her rulers in the nineteenth century. Strong in her coal, her spirit of invention and her machines, she sold her industrial products throughout the world, and bought food abroad more cheaply than she could grow it at home. In this way, and of set purpose, her very life was made dependant on imported food. Later, as diversification set in among industrial products, these too became dependant on raw materials from overseas. No more than the nineteenth did the twentieth century disquiet itself when the level of exports was seen falling further and further below that of imports. For there were available, to make up the difference, the sums received by British shipowners, the carriers on all the seaways of the world ; those derived from all the many services of insurance and brokerage, rendered in all the market places of the world ; and, lastly and above all, the income from foreign investments made in the century of the country's greatest advance in wealth.

Because she was free from concern for her daily bread and because she staked her existence on the functioning of the world markets, England played a vastly salutary role for three-quarters of a century. Before 1914 she was the pivot of the world order. This order needed peace, and England needed peace ; and now, of the thirty-one years between 1914 and 1945, she has lived at war for ten, with the result that she can no longer buy freely abroad the foods and the raw materials of her industries of which she is short. She lacks the means to do so. During the war years so many of her foreign investments had to be sold, and so many debts incurred, as to make of no account a foreign income which in 1938 paid, by itself alone, for twenty-three per cent. of her imports. Nearly one third of her merchant fleet was lost. Much more reliance must, in short,

[1] Since the book was written, Mr. Shinwell has been succeeded by Mr. Gaitskell and Mr. Hynd by Lord Pakenham, one of the party's ' white hopes ' and a disciple of Lord Beveridge. (Since this note was written, Lord Pakenham has moved on again, with none replacing him.)

be placed on visible exports than in the pre-war years. For these to cover purchases equivalent to those of 1938, their volume must exceed the 1938 volume by more than three-quarters, as Sir Stafford Cripps is never tired of recalling. A vast effort is needed to increase them to that point. In the meantime, imports have been cut down, so far as they can be, a course involving restrictions on a scale unknown even during the war years.

The coal crisis cuts clean across this effort. In former days there was coal enough left to sell abroad in exchange for imports of corn, after the home factories had had what they needed. To-day, at a time when England must not only keep her machines moving at their fastest but must export at all costs, coal is in short supply not only for export but even to meet internal requirements. There is a danger of lack of coal leading to stoppages of production this winter (i.e. 1946-47). Both the responsible Minister and the Secretary of the Mineworkers' Union have given warning of it to Parliament and to the public.

In order that the country may pay for its imports, the ordinary English family must go short of food ; it must do without a variety of necessities, because it is better business to sell them abroad and obtain exchange in return. People will have to go cold that the wheels of industry may continue turning. All that is a condition of recovery, a recovery which will have happened on the day that enough is produced for export—always provided that the present world hunger for goods has not by then abated and that the British exporter does not encounter either impenetrable customs barriers or rivals selling more cheaply.

While the government tackles vigorously the vital problem of production and exports, they are compelled to keep careful watch on the outside world—a watch which is not in their line. They are the men who have always been critical of British Imperialism. And yet to these anti-militarists it has fallen—one of them, Herbert Morrison, an ex-conscientious objector—to impose on their country compulsory military service in time of peace.

How now! Conscription ? Are the debates of all the disarmament commissions and conferences between the two wars quite forgotten ? Where are they, the Englishmen who made her system of compulsory military service a reproach to France ? It is, we used to be told, a school of militarism! It made for trained reserves, with the result that the number of real effectives was no longer calculable and a general reduction in the size of armies, with each country allotted a stated quota, no longer practicable. It was, above all, an inadmissible

claim upon the life of the citizen. These centuries-old objections and aversions have all collapsed before the need to maintain the armed forces at a high level. And at what moment is this new departure made? Just after England has won her biggest war!

Is the international situation, then, as alarming as all that? Everyone thinks so. It was always a Socialist objective to quit India and Egypt, and leave countries to govern themselves. They cannot, therefore, be accused of some unnatural passion for 'bases,' '*points d'appui*' and 'strategic positions.' They have, notwithstanding, shown some reluctance to dismantle the 'frontier' on which their forces lie—the frontier which runs from Cairo to the Punjab, with advanced posts at Trieste and in Greece. Unless, however, something unexpected happens, this great retreat will be beaten. For it accords with Socialist doctrine even while they fear its consequences. Will the Russians retreat simultaneously or make a surreptitious advance?

While keeping an eye on the balance of payments and the balance of power, the Socialist government sets about the realisation of its programme. For all its promises of a higher standard of life, it must now impose privations; for all its being a party of the workers, it must call for bigger output; they, the anti-militarists, are forced to bring in conscription: anti-imperialists, to prolong the occupations which they deplore. But the country can still be socialised. Vainly the Conservatives object that socialisation is an unseasonable luxury, vainly they instance the obstacles to building created by the partiality of the minister concerned for public enterprise, vainly they plead the need for production as a reason for freeing the producer from the countless regulations which beset him.

The government answers that, the more difficult the situation is, the greater is the need for socialist discipline; that the sheer inability of the mines to satisfy requirements made it high time to nationalise them; that Sir Stafford Cripps was right to compel the cotton industry to accept reorganisation, seeing that this great export industry of former days has steadily lost ground and, in 1938, could only sell abroad one-quarter of what it sold in 1912.

English production grew in haphazard fashion from individual initiatives, the vigour of which, while it lasted, offset sufficiently their untidiness: but ever since 1896, the rate of growth of industrial production has fallen steadily year by year to the point of virtual stagnation. For that reason socialist economists are always accusing capitalism of conservatism and lack of flexibility. So far as the old and stationary industries are concerned, there is force in the criticism;

but there is visible a vigorous sprouting of new branches, of splendid modern factories all along the roads out of London, which are in marked contrast to the admitted obsolescence of the railways and the spinning mills. The Socialists stress, therefore, that the sectors which they are taking over are only those in which private initiative has lost all its spring ; and that they have no intention of nationalising industries which have put in hand an adequate programme of expansion. Contrary to what might have been expected, nationalisation has in fact evoked less opposition than has the network of regulations in which the economy is caught up. On this the Socialists say that it is no doing of theirs but of the National government, which would itself have been hard put to it to get rid of them. To which it is replied that they, as Socialists, have no wish to get rid of them.

In England under its present administration it is, in truth, difficult to draw the line between what is the result of circumstances and what of opinions ; between what, in the sphere of circumstances, is due to the general course of events and what to the immediate effects of the war, between what, in the sphere of opinions, springs from socialist conviction and what from the general climate of opinion.

It is clear enough that the Socialists in power are doing no more than hasten the pace of a movement which they did not begin, and are the beneficiaries of a climate of opinion of which they are not the main begetters. It was a National Government, with the Conservatives in the leading role, which, in 1931, pronounced sentence of death on the world market and broke with the doctrine of Free Trade which had been carried to victory by a Conservative statesman, Peel. The same government united under one public authority the London Transport system and committed the wireless services into the hands of another. A Conservative Minister, Walter Elliot, subjected the agricultural industry to corporative regulation. A succession of Conservative Chancellors systematically used direct taxation and the social services to effect a redistribution of incomes. The government of Mr. Churchill made its own both the Beveridge doctrine of social security and the Keynesian doctrine of full employment. Finally, ever since 1931, the spirit of planning developed in a milieu which was by no means socialist. I have in mind the organisation known as P.E.P., in which civil servants, economists and industrialists tried to gain a general view of Society, and bring order into life's untidiness.

What the British Socialist government has done in office is not in the least a rupture, made in the name of an abstract system, with the course of events and ideas in England. If it is wrong, others were

wrong before it ; if it is going astray, it has plenty of company. Perhaps the most striking feature of the English political scene is the fact that both the government and the opposition acknowledge the same prophets : it is not a case of Marx versus Adam Smith, but of Keynes and Beveridge on both sides of the net.

It follows that the opposition in Parliament is an opposition as to pace rather than direction, and that is the Socialist government's main source of strength. It is the expression of the general tendency of the nation, against which so far only a few isolated voices are audible. For the same reason the opposition is weak. If the general direction is a good one, why not gallop away with the Socialists rather than go at a jog trot with the Conservatives ? But if there are grave dangers in it, as Hayek warns,[1] their whiff will turn the opposition's ship about, and fill its sails.

[1] F. A. Hayek, *The Road to Serfdom.*

CHAPTER 2

THE LABOUR PARTY

Origins of the Labour Party *Its Characteristics* *Drama in* 1931
The Road to Power *Rift in the Lute*

THERE they sit to the number of about four hundred. The ministerialist benches to the right of the Speaker cannot hold them, and they overflow on to the benches on the other side, which the opposition cannot fill. This overflow is the visible sign of their strength. On the two previous occasions on which Labour was in office, the support of the Liberals was indispensable. To-day the Socialists have no need of auxiliaries and are as all-powerful in the House of Commons as the latter is all-powerful in the country ; for it is now thirty-five years since the Lords gave in to it,[1] and the King would not think of opposing it.

The Socialist majority is, then, master of England. It is at once a boast, a responsibility and an ambition. A boast, for we, they say, alone of all the European Socialist parties, are strong enough to form a homogeneous Socialist government based on a homogeneous Socialist majority. A responsibility for the fate of England, along with the prestige of socialism, is now in our hands. It is our task to rescue the country from its difficulties, and to rescue it by means of socialist remedies. An ambition, for we, if we succeed, will, by our example, reverse the movement of retreat which seems, everywhere else, to be overtaking social democracy.

Such are the innermost feelings of the four hundred. They are the standard-bearers of democratic socialism, which, triumphant in England, is everywhere else falling behind in the race. Seemingly destined after the first world war to an irresistible political ascent—(when socialism ate up the Liberals), the Radicals, the Democrats, or whatever name they went by, became the outstanding party of the Left and came to power along with Ebert, Renner, Branting, Vandervelde, MacDonald and Muller—it is to be seen in 1946 almost everywhere in difficulties between Christian Socialism and Communism, and in a state of moral dissolution between them. The contagion of our success, think the English socialists, will give it back its life and vigour.

[1] The Parliament Act was passed in 1911 and this chapter relates to the autumn of 1946.

What are the origins of the Labour Party which is now ruling England? It was born in 1900, as is usual, of two parents. One of them was the Trade Unions, already a power in the land. The other was the Independent Labour Party, which made up in ardour what it lacked in size.

Socialism in England had been for many years a moral or intellectual attitude of mind, but it had seemed impossible for it ever to become a parliamentary force. The first obstacle in its way was the English electoral system. Voting there is by single-member constituencies[1] with no second ballot. The result is that every new party, though it can in its early days expect to receive only quite a few votes, comes in time, if it is a party of the Left, to injure the chances of the party of the Left which is there before it. To put forward socialist candidates in the 'eighties was to damage the Liberals who were in those days the focus for left wing votes. So the electors themselves thought, and two of the three socialist candidates put forward in 1885 by the Social-Democratic Federation obtained a mere twenty-seven and thirty-two votes, respectively. This obstacle in form was matched by an obstacle in substance. The small English township has something of a dualist regime. The 'big families' are, generally speaking, centred round 'the Church,' meaning the Established Church, whereas the 'people' are, generally speaking, centred round the 'Chapel,' meaning the Presbyterian seat of worship or that of some other unestablished body, according to the locality. 'The Chapel' has been throughout its history a very lively focal point and if, as was generally the case, its leading personalities were in the Liberal fold, the establishment of a body of militant socialists was bound to prove difficult.

The Trade Unions were content with this state of things. They had in those days no salaried officials but only a band of militants, whose time was divided between their activities as wage earners and their activities as trade unionists. They lacked both leisure and means for political campaigning. As the Liberals were friendly to them, they voted for the Liberals.

As for the intellectuals, they learnt the lesson which the situation required. The need was, not so much for a socialist political movement, as for the diffusion of socialist ideas. In this they judged correctly. The steady conquest of Nonconformist social foci was the work of the Fabian Society, founded in 1884 and named after the Roman Cunctator. Men destined to future fame, such as Sidney Webb, Bernard Shaw and H. G. Wells, were members of it.

[1] There are a few two-member constituencies but they are the exceptions.

Almost single-handed, Keir Hardie persisted in trying to found a socialist party. In 1893, after federating some rather anæmic bodies, he founded the Independent Labour Party, to which the Fabian Society handed over its adherents. In the course of catechising the trade unionists, he expounded to them the need to win political power, and, finding them sceptical, fell back on the argument that it would be useful to them to have their own spokesmen in the House. A certain number of unions were in the end convinced, and in 1900 the Council for the Parliamentary Representation of Labour was founded. It put forward only fifteen candidates at the elections of that year, of whom two were successful.

The following year Keir Hardie had a stroke of fortune. A decision of the House of Lords, the so-called Osborne judgment, had made a railwaymen's union liable in tort for losses incurred by a railway company as the result of a strike called by the union. For the union it spelt ruin, and the effect of the decision was paralysing to all trade union action. Therefore, the law had to be changed, and how could that be done if the unions had no legislators? The unions now gave heed to Hardie and in the 1906 elections put forward fifty candidates: of these twenty-nine entered Parliament on the wave which carried the Liberals to power.

Such were the beginnings. The Labour Party was at its birth a joint committee of action of Trade Unions and political groups. Its earliest adherents belonged either to a union or to an affiliated group. Let us, however, pause to note that the union leaders did not receive the unanimous support of their flocks, but only of those members who agreed to pay the political levy for the party's benefit; the number of these was in 1900 already 353,000, as against the rather fewer than 23,000 who belonged to the socialist organisations. The numbers in 1906 were 975,000 as against 21,000, and in 1914 two millions as against 33,000. That is to say that the trade union leaders paid the piper almost entirely and had an overwhelming majority at the party congress. The party was much more a Labour Party, concerned with trade union interests, than a socialist party, concerned with socialist ideas.

As, however, the number of constituencies in which the party put up candidates grew, along with the number of successful candidates, the policy developed of forming constituency cells which drew their strength from individual members. This development closely followed the conclusion of the first world war. Before 1914 only a few candidates had ever been put up, fifteen in 1900, fifty in 1906, seventy-eight in January, 1910, and fifty-six in December, 1910. In 1918 the

number put up was 361, followed by 414 in 1922, 427 in 1923, 514 in 1924 and 569 in 1929.

These constituency cells numbered 200,000 members in 1928 and nearly 500,000 in 1945. Through them a third element entered the party. Sandwiched between the intellectual, who belonged to a political group, and the trade unionist, who belonged to a workers' organisation, there now appeared in the party congress the secretary of the cell, usually a member of the middle class and as a general rule more ' advanced ' politically and more accessible to doctrinaire considerations than the trade unionist. For many years the inner life of the party consisted to all intents and purposes of the attempts of the intellectuals to bring the trade unionists into line. The traditional antagonism between these two wings enlivened every party congress. But the dramatic episode of 1931 changed all that.

A hundred years ago Royer-Collard complained that respect was now a dead thing, and Auguste Comte that feelings of veneration were no more. The truth is that what was left of these emotions had, in the early years of the twentieth century, taken sanctuary in the various socialist parties, the leaders of which became the objects of a veritable cult. But, no matter how respectful an affection enveloped Ramsey Macdonald, neither the trade unionists nor the intellectuals could, in 1931, stomach the action of their leader, at that time Prime Minister, in committing himself, along with that other great Socialist personage, Snowden, to a policy of economy and cuts in wages. MacDonald and Snowden considered that policy necessary, and a sense of their responsibilities held them to their course. In that way a gulf opened between them and their faithful few on the one hand, and the bulk of the party on the other. The King invited MacDonald to become the head of a National Government, in which the leaders of the Conservative and Liberal parties would serve under him. MacDonald then dissolved Parliament and routed his own party at the elections, which returned only forty-six members as against 287 before. It was a victory which gave the old Scots militant but little satisfaction.

Enfeebled and beheaded the party licked its wounds and pondered its downfall. Why had it happened ? The answer found was that, for all its hostility to capitalism, it had always banked on capitalism's success. A trade union party, it had relied on capitalists making profits so as to extract from them a larger share in the shape of higher wages, shorter hours of work and a variety of social services. A socialist party, it had reckoned on having a prosperous capitalist economy from which a well-geared and efficient economic machine

could in time be taken over. It had discovered, while in power, no remedy of its own for a periodical crisis in capitalism, and those it had applied had merely been taken from the deflationist pharmacopœia of the most orthodox kind. This analysis, which was made by G. D. H. Cole, conveyed the lesson that the Socialist Party must study to build a new economy instead of merely taking over the old one.

There followed eight years in the wilderness, during which time the English socialists had leisure to work out a programme at once satisfactory to their trade union clientele, agreeable to their principles and conformable to practical necessities. Perhaps the envy which their confreres in other countries feel for them to-day arises from the fact that they have not made the same effort themselves.

Their research committees, and especially the still flourishing Fabian Society, were astute enough to learn from every foreign experiment as it was made and from every new idea as it was thrown up. Lessons were drawn from the Soviet Five-Year Plans, from Roosevelt's New Deal and from the Belgian Labour Plan ; nor did they scorn to learn from the collectivist enterprises conducted by the National Government which they were opposing. The form of organisation given by the latter to broadcasting is the very same as that which the socialists have just applied to the nationalised coal industry.

They were also greatly helped from without. In a brochure published in 1933[1] and a volume published in 1935, Keynes, then at the height of his fame, laid it down that the line taken by MacDonald in 1931 had been misconceived. In brilliant phrases he condemned the spirit of economy and rehabilitated the spirit of expenditure, a theme which could not but please a party of the Left and also, by a surfeit of good fortune, received Conservative support until it became official doctrine.

In the sphere of economics, then, all intellectual roads were leading to the socialist theses. Hardly more seemed needed to be done than classify the assets brought in by their political opponents. The party was now drawing on the respectable in increasing numbers. And at the end of the war it went so far as to gather in a host of people who, from entirely patriotic motives, were attracted to the party which, because it was popular, was the more sympathetic, and, because it was rich in intellectuals, was the more interesting—in which, moreover, because it was obviously the party in the ascendant, they could deploy their talents the more effectively. Talent seems to be well

[1] *The Means to Prosperity.* The 1935 volume was *The General Theory of Employment.*

diffused among the two hundred and fifty new Labour members who entered Parliament in 1945.

Their feeling on arrival at Westminster was one of pride in forming a Parliament which was different from its predecessors, in which the cultured accents of men educated at Oxford and Cambridge did not predominate and where the mark of the working class was an asset ; of pride in including in their membership so few members of West End clubs that the dining rooms at the House had to be expanded for their benefit ; of pride in putting in a minority the products of exclusive schools, Eton and the rest, from which in the past so much of the personnel of Parliament had been recruited that the ' honourable member ' of debate would be habitually called by his school nickname in the lobbies. And the proudest of this transformation scene were the young Socialists who had themselves come from these schools and these universities, and were members of these clubs.

It was about to be seen what a new set of men could do. One thing, however, it would not do—destroy Parliamentary institutions—institutions based, as Mr. Morrison said, on a majority which forms the government and a minority which assures the accomplishment of the essential tasks of criticism and opposition.[1]

What matter that the shorthand writers wrung their hands over the incoherence of some of the speeches and secretly inserted the connecting links required to make grammar and sense of them ? What mattered was the continuance of patient courtesy in debate, such as no foreign Parliament has ever been able to carry to the same pitch, and of the respect for the opposition's rights, which constitute the essential characteristics of British democracy. It was this respect for form and precedent which enabled the Socialist party, during its first year of office, to improve still further on the popularity which it enjoyed at the time of the election.

But soon a shadow was thrown across the picture : the threat of an internal division not unlike that of 1931. The Socialist ministers of 1931 got into conflict with the party because they considered that certain measures to which their followers objected were in the national interest. Then, it was over a question of finance. To-day, the difficulties lie in another sphere, that of foreign policy.

Opposition to Mr. Bevin has developed within the bosom of the party. It is an opposition with two heads, the pacifist head of

[1] Mr. Herbert Morrison at the Labour Party Conference at Bournemouth, June, 1946.

Crossman and the Russophil head of Zilliacus. The former leads the opposition to all imperialisms, the latter is foremost in justifying that of Russia. Crossman is followed into the humanitarianism which rejects any hardening whatsoever of English policy and with him resolutely shuts its eyes ; Zilliacus is followed into the defence of any sort of brutality, provided it has an Eastern origin. England would be a different country to what it is if the first of these two tendencies was not the stronger of the two. But Mr. Bevin's policy displeases both. Displeasing as it is, neither Mr. Attlee nor Mr. Bevin can depart from it, because they consider it indispensable to the country's safety. They have left no stone unturned to prove that they are not imperialists. They leave India, they leave Egypt. They would leave Palestine tomorrow did they not fear a bloody clash between two peoples.[1] With India gone they need no longer think about communications with India. No longer needing strategic positions in the Middle East, they no longer cling to them. It is the abandonment of the Mediterranean. Nor is it true to say that their stay at Trieste and in Greece is for strategic reasons. Their concern is rather lest the Slav wave should break on Trieste and the Aegean, and cut off Turkey on two sides. It cannot be their duty, they think, to permit that. As always happens to those who give much away, what they keep becomes matter for reproach. It was the fate of France between the two wars.

What, in truth, their back-bench opponents object to is less their holding on than their relying for the purpose on non-socialist political elements, who are sometimes genuine reactionaries and sometimes merely non-socialists. None would like better than Mr. Attlee and Mr. Bevin to rely on strong socialist parties only; that is the stuff of their dreams and wherever they can, as in Germany, they raise up such parties. Is it their fault if they do not find everywhere as flourishing a socialism as there is in England ?

Whatever the rights and wrongs on one side or the other, one thing is sure, that there is here a split in the socialist majority. It will take much finesse on the part of Ministers to prevent it growing until in the end it produces serious consequences.[2]

[1] This objection has since lost its force.

[2] Since this was written the finesse seems to have been successfully exercised.

CHAPTER 3

THE ROLE OF THE OPPOSITION

ON the 5th July, 1945, twenty-five million Englishmen went to the polls ; it was known on the 26th July that fifteen million had voted against the government. The Conservatives fell from 358 seats to 198 ; Labour rose from 164 to 392. That same evening Mr. Churchill handed in his resignation to the King, and Mr. Attlee was commissioned to form a government.

On the 15th August, the new Parliament met on the tiered benches which face each other, occupied on one side by the ministerial majority and on the other by the opposition. On the two front benches on the floor level, Mr. Churchill and Mr. Attlee sat opposite each other, with nothing between them but the table on which lay the traditional mace. Everything was as before except that the two men and the two parties had changed places.

On the same day the leader of the Socialist Party spoke in terms of respectful eulogy of the King, and one of the two Communist members of the House added his own panegyric. On the following day, the 16th August, Mr. Churchill rose, to the sound of loud cheers, and dwelt at length on the situation confronting the new government, setting out the matters which gave cause for satisfaction and those which gave rise to disquiet. Mr. Attlee spoke after him, paid a resounding tribute to the Tory leader and expressed agreement with him on essential points.

Why do I dwell on this succession of events of a perfectly normal character ? Because in Europe today ' normality ' of this kind wears a truly majestic air. During the tragic years of war, what the countries of the continent underwent were not regular changes of government but violent changes of regime, changes that followed in the wake of military events, with the result that each new governing team overthrew in turn the values established before it and treated its predecessors as being more or less in the category of enemies. So terrible a phenomenon is this that it is, we should like to think, only a by-product of war which will in time die a natural death. It seems, unfortunately, to have deeper roots : it had already showed its head even before the war and gives no sign of disappearing. It is a cause of disquiet to Mr. Churchill and Mr. Attlee alike.

We are concerned here with a tragic propensity to regard sovereign power as in its own right entitled to do and take what it pleases, so long as it is in competition between political groups ; the victorious faction may then use it without limit. This is a barbarous conception. It brings security within the law neither to the political losers, who suffer today's oppression, nor to the political winners, who will suffer tomorrow's. It is a doctrine which is not less tyrannical when subject to the qualification that arbitrary power belongs only to the faction which represents the majority of the moment. Need we remind ourselves that in 1933 the Nazi party was in just that position?

It is the essence of a libertarian regime that the rulers, whoever they are and from wherever they come, acknowledge certain principles, respect certain rights and observe certain forms. Only thus is the individual guaranteed against oppression and the body social against acts of violence.

The security of the British citizen lies in a completely independent administration of justice. There are no ' people's courts ' in England. Even a man who had denigrated his own country on the German radio was tried in regular form and had the benefit of every protective device enjoyed by accused persons under the law.

The guarantee of the body social lies in the treatment which is assured by long tradition to the opposition. Like every other English institution, this one is the child of empiricism. At the time when, after half a century of revolutions, the Stuarts were driven from the throne, there were in Parliament, along with the Whigs who supported the new monarchy, a number of Tories who hankered after the old one. The feeling spread that, if the split in the country was to be narrowed and a relapse into the cycle of upheavals avoided, the opposition had to be conciliated. Hence there arose that habit of handling the minority[1] gently, which is the distinctive feature of English parliamentary institutions. Formed in a time when politics was the affair of the great only, it has taken such deep root as to have survived successive extensions of the franchise. Whether the majority and the minority go by the name of Conservatives and Liberals or Conservatives and Labour is nothing to the point ; it is always an understood thing that a temporary predominance must not be abused to the point of making the minority feel that they are being governed against.

The great Ferrero has given the theoretical justification for this empiricism. The will of the majority, he writes, is not, by itself alone, the will of the people. That finds expression only by the juxtaposed

[1] Called (in England) ' His Majesty's Opposition,' the leader of which enjoys a parliamentary Salary.

wills of a majority and a minority. The one declares itself in the form of command, the other in that of criticism : ' The opposition in a democracy is as vital an organ of popular sovereignty as the government.' The predominant faction must neither repress criticism—' to repress criticism means repressing popular sovereignty '—nor push its policies to the point at which they provoke a moral secession on the part of the minority. There are limits to consent, and to force men to follow whither they do not want to go is to enfeeble the nation's inner unity.

It follows that the opposition performs an essential function in British democracy. Let us see how it girds itself for the task.

CHAPTER 4

AT THE BLACKPOOL CONSERVATIVE PARTY CONFERENCE (1946)

A MAGNIFICENT tramway runs along the seafront ; to the right of it is an asphalted promenade, below which is the beach ; to the left is a wide boulevard with a succession of large and small hotels running all the way along it. Everything there, boulevard, promenade, houses and beach, run, as if in imitation of the tramlines, in a dead straight line : ' It goes on like that for more than four miles,' so the citizens of Blackpool tell you with pride. They take you to admire their Eiffel Tower, which they allow regretfully to be smaller than the original, and their amusements park, which would hold comfortably several Luna Parks. At this urbanised resort several hundred thousand town-dwellers amuse themselves at weekends.

The town provides them with all their customary pleasures, with, above all, a veritable citadel of delights, called the Winter Gardens. Visit one of the halls of this vast pile, and you will be struck blind by the imitation marble, the gildings and the lights. You must ask one of the liveried giants who keep watch over the place to be so good as to direct you through the forest of cinemas, dance halls, theatres, patisseries, restaurants and all the other attractions put before you. You may dance or you may jolt along in a car at a fun-fair. You may even attend a conference. This gives a sufficient idea of the size of the place, where 2,700 delegates assembled for the Conservative Party Conference : one dance hall with its anteroom absorb them without difficulty.

Mine host, a pensioner who takes in boarders, as in England so many of his kind do, is a great believer in the virtues of Blackpool : ' the air here,' he tells me, ' puts everyone on his feet again and is sure to do it for the Conservative Party.' One of the responsible leaders would put it differently but could not put it better : the business in hand is in fact that of putting the Conservative Party on its feet again after its crushing defeat in 1945. Twice before, it is true, in 1923 and 1929, the Labour Party had come to power. But on neither occasion did they have a clear majority ; on both they

had to rely on Liberal votes and did not stay in office for long. Whereas, in 1945, their majority was an overwhelming one, enabling them to carry out their programme without having to look over their shoulders. A programme, so say the Conservatives, which alters profoundly the texture of Society and is little less than a revolution. The Labour Party describe their activities in the same terms. Possibly there is some exaggeration on both sides.

Be that as it may, here are the Conservatives, their leaders and their campaigners, setting about the task of getting back to power.

This was my first Conservative Party Conference, though before the war I had been present at many Labour Party Conferences, and had found them stimulating political occasions. The society of the future, and the means of attaining it, would be discussed there ; there would be a clash of tendencies and a conflict of intellectual principles. In the end a detailed programme would be adopted. Nearly fifteen years ago, at the Conference at Leicester, I heard G. D. H. Cole and Sir Stafford Cripps expound the plans which are being put into action to-day.

There was in those days less intellectual glamour about the Conservative Party Conference and less bandying of ideas, for an obvious reason. The Conservatives depended for their support less on the idea-mongering of enthusiasts and more on propaganda whose appeal was to the senses. The social activities of great families, the genial warmth of Conservative Clubs in which billiards played a more prominent part than political discussion, the labour of an election agent *de carrière*, the frequent appearances of the candidate with an escort of brilliant personages, all tended to induce an atmosphere of confident good humour. The only *raison d'être* of the Conference was in those days to furnish the devout with a chance to see and applaud their leaders. Perhaps there is some exaggeration in all this, but it is true, broadly speaking, that the main concern was not so much to convince the reason as to engage the sentiments. The good Tory voter was one who, if he ever heard the Labour arguments, did not believe in them. Being a Conservative had about it a negative quality.

All that has now changed. It is no longer a question of keeping voters in the party fold : they must be woo'd and won. There are still a few reactionaries about who say : ' Labour will disillusion them. Then they will return to us.' But this overlooks the fact that for the mass of youthful voters it cannot be a question of returning anywhere. They have voted once and they have voted Socialist. Having no old habits, they cannot go back to them. To win their votes requires, therefore, labours of a positive kind, and they must have a hand in them. This is the way their opponents worked and

the natural thing is to copy their methods. For this reason the Conservative Party has set up an educational committee[1] which, all over the country, creates discussion groups whose purpose it is to act as centres of light. Subjects for discussion are dealt out to them, and their reactions awaited. The object is to stimulate the old party to new intellectual life. It is, therefore, natural that the first Conference of reconstruction should allot much more time than was allowed in the past to the discussion of the party programme. For propagandists to expound ideas with conviction, they must be given the feeling that the ideas have not descended on them from on high, but have been hammered out with their help. For this reason the Blackpool Conference took on an entirely new importance.

The order of debate, as the leaders sitting on the platform had conceived it, was to deal in turn with the various questions then before the public eye : building, food, nationalisation, India and so forth. But the many young men present at once made it clear that they meant to raise a debate on general policy, involving the party's attitude and doctrine. A general debate in this sense was demanded at the earliest moment—and refused by the party leadership. ' The line of policy is something which cannot be laid down but develops according to circumstances . . . The strength of Conservatism has always lain in its empiricism . . . We proceed from one concrete problem to the next . . . It is no business of ours to elaborate a blueprint and thereafter make reality conform to it.' These few characteristic formulas, caught on the wing, give the general sense of the reply made. I remembered, as I listened, a visit which I had lately made in Paris to the library of *Humanité*, in which, for the total sum of two hundred French francs, I purchased several works of Marx, Engels, Lenin, and some contemporary communists as well, all of them well produced and making between them a small collection of undeniable intellectual merit. I then made the reflection that a party which was capable of making available a general doctrine and a *Weltanschauung* for two hundred francs had a great advantage over its rivals. The Liberal Party in England had in former days the same advantage. And it is that advantage which the young Conservatives would like in their hearts to have.

It is no use telling them that the great thing is to rely on historical tradition for the wisdom and sense needed to tackle in a practical spirit each problem as it comes along. They are too conscious of the force of ideology not to feel disarmed before their adversaries when they are without one. And, notwithstanding the attitude taken up

[1] Presided over by Mr. R. A. Butler.

by their elders who dislike ideology in principle, the first day of the Conference witnessed the emergence of the outlines of a doctrine. Confronted with Socialism, which enlarges the attributes and thickens the loins of the central government, the Conservative party tends to take up the cudgels on behalf of the individual. That was the position taken up by Mr. Eden in a speech which was listened to with great attention. Whereas the position taken up by the Socialists is, according to his exposition, to promise the individual everything if he will but work his hardest for the State as the State tells him, we Conservatives say to the citizen : ' Choose your own course, develop your own talents, while accepting the obligations which are essential to life in society : we will see to it that your personal energies bring you a personal reward.'

Sometimes in the course of that day I seemed to catch echoes of Chesterton and Hayek. Of Chesterton, when Mr. Eden put forward the idea that the remedy for the concentration of property in too few hands is not its monopolisation in the hands of the State, but, on the contrary, a policy directed to its greater dispersal and diffusion. Of Hayek, in the idea generally advanced that a succession of nationalisations gradually substitutes for the variety of employers against whom trade unionism, not unsupported by the State, serves as a protection to the employee, the one employer from whose imperatives there can be no escape.

But all that is not much in focus as yet. Sir David Maxwell Fyfe, fresh from Nuremburg, attacked the Socialist ministers with a violence which surprised me : ' I have seen my country sacrificed to Socialism and crucified on a cross of dogma.' The charge would have come better from an opposition which had given fewer hostages to socialist tendencies than had the Conservatives when they were in office. The truth is that they have regarded the journey towards collectivism as a fatality and that the only difference between them and the Socialists has been in the speed of travel. The National Government's propaganda, both at home, abroad, and in the forces, was a breeding-ground of socialists. The ship of the Labour ministers, for all their ideas, rides the collectivist stream almost at the same pace as the ship of Conservative ministers rode it in their time, for all their ideas. For the transformation of the English scene in the direction of State control included among its artisans Mr. Baldwin and Mr. Churchill.

The reason for what amounted to the outlines of a revolt, however deferential and courteous in form, among the Conservative militants, was just the fact that they had been drawn by their chiefs into

defending and justifying political acts of every kind which were so tainted with empiricism as to give them an inner feeling of vertigo. As one of them put it to me : ' I ask for nothing better than to fight for the liberties of the individual against the encroachments of the State. But my duty has in fact lain in pleading the virtues of organisation to a point at which I could hardly tell the difference between myself and a socialist. And only nine little months from the time when I was denouncing Russia as an aggressive power, I have had to salute her as our great ally. Our leaders have talked like socialists throughout the war. Can you, after that, feel much surprise at the socialists winning votes when they have had us collaborating in their own propaganda ? '

CHAPTER 5

MR. CHURCHILL'S ANXIETY

THE reverberations of the Blackpool conference seemed to come as a surprise to the Conservative chieftains. These great, intelligent thoroughbreds, trained from their earliest years to prudent administration and courteous debate, were in their hearts not far from accepting as definitive their electoral defeat in 1945. I well remember how even before the war, at a time when their party had complete control of the House of Commons, they regarded as inevitable the destruction of the social continuity of which they were the incarnation.

So far from defending the social order which they represented, they strove to smooth the transition to the new order of which the socialists were the evangelists. Though the Left accused them of it, they gave no support at all to their political kindred on the Continent, who lacked in any case the same political qualities. The fall of their like in Russia, Germany and Austria-Hungary seemed to them progress. Their like in Hungary received from them, between the two wars, neither sympathy nor support. The rise to power on the Continent of common men who were dynamic and popular and able to inflame the masses, whether the name was Lenin or Mussolini, Hitler or Largo Caballero, held a sort of fascination for them. They accepted the fact that the promise of the future belonged to types of humanity who were very different from their own. They preferred, no doubt, that the transition should be in charge of people whom they found intelligible, such as Blum or Breitscheid, but they had in any case given up all for lost.

Nothing was further from their thoughts than the intrigues and counter-revolutionary plots which it suited the Left to impute to them; and when the popular vote swept them aside, they were neither astonished nor embittered. They had always expected socialism's hour to strike, and when it struck, they submitted. Dazzled by the ideological edifices of their opponents, beguiled by the principles of 'social justice,' feeling themselves outmatched in dynamism, they threw their hand in like men who had never expected anything else to happen.

These are the men, seated on the platform reserved for the leaders, whom I saw, during the three days of the Blackpool Conference,

take on gradually a new animation as the energy and the will to win of the 2,700 more or less obscure delegates in the body of the hall forced themselves on their senses.

Various circumstances, for which no doubt the government of the day cannot in the main be made answerable, have aroused a discontent which has its political uses ; it is the case that food is insufficient, that the quality of consumer goods for the domestic market is poor, that the much-needed new houses are going up with exasperating slowness, that beer is short in many places, that the price of tobacco is prohibitive and that everywhere the presence of queues is as much a proof of scarcity as of patience. The time of privation drags on with neither end nor alleviation in sight ; bread, which was unrationed throughout the war, is now rationed.[1] Most serious feature of all, it is beyond question that the crisis in coal is on the way to becoming permanent : whereas in other days the export of coal paid for some of the food imported into England, there is now no question of exports : the available supply is not enough even for the country's own needs. The Essential Works Order, pinning the miner to his mine, has to be kept in force : in the war it was tolerable but in peace has a flavour of serfdom.

Whether or not these difficulties can fairly be laid at the door of the government, which is not maybe on the right road to remedy them, it is legitimate enough to attack them on the score of restrictions to individual liberty, because restrictions formed in terms part of their programme. The tangled mass of orders and controls is a source of irritation. Disquiet is caused by the spectacle of the Union of the London Transport Workers obliging the L.P.T.B., which is a public utility concern, to compel its employees to belong henceforward to the Union, thereby forcing on non-members the choice of subscription or dismissal. That achieved, the Miners' Federation seeks to impose the same conditions on work in the now nationalised mines. The movement in industry towards the obligatory single union grows, and with it the fear that the union executives, working through the Labour Party which they control, may make themselves the masters of the State, and the masters, where they were once the protectors, of the working class.

Rightly or wrongly, the successive restrictions on individual liberty give ground for alarm. Nor is it merely a case, as those in power are apt to say, of the liberty of ' the great,' or the liberty of the ' capitalists ' : the liberty of humble folk is at stake.

[1]Bread ceased to be rationed in June, 1948.

All of which, taken together, imparted such a protesting vigour to the party militants at the Blackpool Conference as came near to surprising their leaders. They were unhesitatingly accused of weakness, wavering and uncertainty. They were told to fight harder, they were criticised for not making the country ring with denunciation of actual happenings, and they were also urged to confront socialist policy with another, which would answer the needs of the time but by other means.

The leaders were brought up a little short ; it was far from their thoughts even to conceive of something different from what was actually in train, for they had themselves started on their course a good part of the changes which were being impugned. And even in their most sanguine moments they did not get beyond hoping that the socialist measures would create such confusion that the Conservatives would be summoned one day to clear up the mess—but not to change the course. They did not strike me as having succeeded at Blackpool in indicating clearly any new courses. But in the heady and rousing atmosphere of the Conference their tone rose. And most of all Mr. Churchill, in his closing speech, sounded the call to battle for which his audience was waiting.

I find it hard to believe that, at the age of seventy-two,[1] Mr. Churchill's perspectives can be filled merely by ambition to prosper the return to power of one party in place of another : though in England the strength of party loyalty must never be underrated.

Mr. Churchill's own reputation stood to gain by his retirement from the political arena, wearing on his head the aureole of saviour of his country and slayer of the dragon, and he gains easy credence when he says that he has returned to the fight only under the driving pressure of an emotion and from a knowledge of his authority. As I listened to him from my place among the journalists and studied closely his massive face, swollen, as it were, by the great battles of his life, I tried to find in his speech the dividing line between his real preoccupations and the propaganda themes for the consumption of the party militants. I should have easily discovered, even had his intimates not told me so beforehand, that the care which absorbed him and the preoccupation which stirred him was neither the internal situation nor the change in the face of Society, but the position of England in the world.

Too many of the privations of the time have been inflicted by himself for them to arouse him, and I cannot judge whether his attachment to the spiritual value of liberty is so strong that its decay

[1] This refers to the autumn of 1946

disturbs him. But what touches him on the raw is the decay of the greatness and security of the country which he has served with all his strength. He who had indefatigably warned us of the German menace before both 1914 and 1939, who had been a key worker in the first German war and the laurelled victor of the second, now sees the power of England straitened by two costly victories, while on the horizon rises an Empire whose resources in men, materials and morale far exceed those of Hitler or the Hohenzollern. The weight of that Empire falls both on Asia and on Europe; Africa is shaken by its influence. There is now no military power between Russia and the Channel coast. If in 1939 France failed to keep back Germany, she is even less to be counted on now to keep back Russia.

But the West is not the direction in which a Russian thrust is most likely to be made. Rather is it the case that the satellite European countries act as a flank-guard for an expansion towards the East, Far, Middle and Near. The socialism built by Stalin is quite unsuited to economically advanced peoples. The system he has forged is essentially Asiatic, well suited to the oriental masses and well fitted to use them for his purpose. Quitting India is, in Mr. Churchill's view, the dedication of its four hundred millions to entering, sooner or later, the temple of the Soviet republics. This is an old idea of his; I heard him expound it more than twelve years ago at a lunch at Mr. Lloyd George's country house.

Quitting the Near and Middle East is, then, the abandonment of both to Russian influence. Already the British Chiefs of Staff, having in view the evacuation of India and Egypt and the passing of Palestine into the hands of U.N.O., are engaged in withdrawing the system of Imperial defence from the passes of the Himalaya to the ports of Kenya. There will be no longer any point in holding the positions maintained in Greece and Persia when India has ceased to furnish the two million soldiers whom she furnished in the last war. With Egypt gone the Suez Canal will not stay. The Mediterranean will be left to Russian influence. The break-up of the British Empire, however laudable as involving the self-government of peoples, looks more dangerous if an imperialism on the prowl is coming to replace an imperialism in retreat. An insatiable appetite can then glut itself without war and reduce to insignificance the little peoples of the West.

Mr. Churchill's mind is haunted by those visions. He knows what is often overlooked, that the complex web of British interests, British lines of communication and British outposts has, more than anything else, given to the world the form which we know.

That denunciations of British imperialism, even in retreat, should flow from the Kremlin is understandable, but that they issue from the United States and be heard even in England herself—that is what angers and frightens Mr. Churchill. What results may not flow from pressure of this sort, so similar to that to which France was subjected after the other war! And when this widespread opinion, felt even inside the country, of hostility to the British watch and ward is combined with the pursuit of doctrinaire plans likely to divide the country—terrible are the possible consequences!

Mr. Churchill brought cheers at mention of the name of Bevin, but not even the greatest of Foreign Ministers could find means to safeguard effectively the permanent interests of the nation if all conspire to destroy them. It may be asked whether the picture drawn by Mr. Churchill is not too black. But that he, like Clemenceau before him, was convinced that a dearly bought victory was being thrown away, was clear to see. Not all the cheers which acclaimed him could drive from his face the look of gravity and sadness which was graven on it. None of the usual quips found a place in his speech, which was delivered in the tone of a man making a survey of a serious situation, slowly, moderately, coolly, but pessimistically. He imparted a sense of danger even to a spectator like myself, and he filled all his supporters with the will to resist. If this was rhetoric, his was the perfection of rhetoric. But could rhetoric alone have brought his hearers to such a pitch of final emotion that it seemed the most natural thing to conclude with singing a hymn? I do not think so. It would be truer, I think, to say that the old statesman gave to a profound anxiety its perfect oratorical expression.

CHAPTER 6

THE GREAT RETREAT OF THE EUROPEANS

England in the Modern World *End of the European Imperium*
English Reaction

IN the course of after-dinner conversation one night in London, in which the merits and misdeeds of socialist planning were up for discussion, I happened to notice that one of the guests was silent. He was a man of dignified presence, who looked inured to carrying heavy responsibilities. Looking at him unobserved, I formed the impression that his indifference was blended with a barely perceptible irony. From my neighbour I learned that the silent guest had just retired from an important position in the Indian administration, which was manned, of course, by a Civil Service quite distinct from the British Civil Service.

I made bold to ask him point-blank what was the reason of a retirement which could not be due to age, and I got this answer:

'The reason is that political authority in India is passing from British into Indian hands. From now on the British Civil Servants in the administration, along with the British Officers in the Indian Army, will all alike become the servants of a foreign independent power, and of a power which seems in somewhat of a hurry to put its indigenous officers in our places.' He added with a faint smile: 'I am the advance guard of the retreat.'

I then appreciated how insignificant our previous discussion had seemed to a man who could not but be vividly aware of an historical phenomenon of capital importance: the ebb of Europe. I met several men who were witnesses to the same event: merchants and planters who had sold their business in the Far East, thinking it impossible to continue in any comfort under an indigenous and nationalist administration. These men do not, in general, talk, for they think that they cannot possibly interest anyone. And they have no doubt judged correctly. Western Europe achieved World Empire without paying much attention to what it was doing. It is now losing it with the same indifference.

There is a vast disproportion between the resources which we have squandered since 1500 in our parochial quarrels, and those infinitesimal ones which have given us control of the American,

Oceanic and African continents, and of the southern part of the Asiatic continent. An under-strength battalion gave Cortez the mastery of Mexico, the Indian Empire was held by fewer English soldiers than were needed for the Irish garrisons, and the toll of dead exacted by a mere one of our historic, but completely futile, battles, could, had they been employed in more distant service, have changed the course of history. It is perhaps because the world could be had so cheaply that it has always been valued so lightly. The Spanish Armada's useless escapade is better known than the unassuming voyages of Henry the Navigator's caravels, which opened up simultaneously the way to India and the way to the New World.

Four and a half centuries of bloodshed, of the imbecile drenching of the plains of Flanders, Lombardy or Saxony, have been treated by historians in the greatest detail, as if something had come of it all, whereas in sober fact there has been no great change in either the form or the boundaries of the nations which emerged at the start of the eighteenth century. What has changed is that North America and Australia have become white men's continents, that Spanish America has received its *élite* and its culture from the West, that Africa, the Near and Middle East, India and Indonesia have come under the rule of men from the West.

The globe has been surveyed for the first time, and the world become one whole through the steamer, the locomotive, the telegraph, the automobile and the aeroplane. How comes it that such massive events as these have not played a much larger role in the life of the Western peoples than have the wars, the losses or gains of cities and provinces, the revolutions, the changes of regime, which have so completely absorbed them? Is it not obvious that the moral and material worth of their lives is due to their having made themselves masters of the world? And that as they lose their position the worth is devalued? The quarrel between Caesar and Pompey has dramatic value only because Rome controlled at the time the destinies of the world. Had it happened in Bulgaria, it would have been no more than a good story. It seems not to be understood that the West is losing the buskins in which its universal role shod it. Here is perhaps an unperceived explanation of today's debased style.

For two centuries now the result of all our great wars has been not so much profit to the victor as the diminished relative importance of Western Europe. The net result of the Franco-English struggles in the eighteenth century is the independence of America ; the net result of the Napoleonic wars is the emancipation of Latin America. As to the more recent massacres of our own day, they have everywhere affected European prestige whether in Asia, where the Japanese

drove successfully against the English, or in North Africa, where on two occasions the French cut subordinate figures to other countries.

In the course of our two world wars we have propagated, first, the principle of nationality, and then, the idea of resistance to occupying powers. Could Asia and Africa have failed to hear us? It matters not that Japan has been conquered, she who claimed, with the help of a Western ideology, to liberate the people of Asia. In the name of principles to which the Western democracies are parties, the intellectuals of the Indian Ocean demand from the victorious democracies what they expected from the Empire of Nippon. And once these great masses have been shaken up, what can be done but give way to them? The Europeans could dominate them only so long as domination was accepted with an indifference which made it possible to rule them with a tiny Western cadre. They were countries which did not share the beliefs that obedience was shameful and that weight of numbers should make the laws. The West could rule where Western ideas were not regnant. Absorbed, those ideas drove it out. The break-up is simultaneous, in India, Burma, Indonesia, Indo-China, while another world, too, that of the peoples of Arab and Islamic culture, is on the move.

It is constantly being said that opinion in France is indifferent to her overseas possessions, whereas opinion in England is very jealous of hers. That is proving quite untrue. Nothing could exceed the indifference of British opinion to the great liquidation which is going on.

There is abroad a synthetic suspicion that *perfide Albion* means to cling to the countries whose evacuation she promises. 'Look at them—still there!' And true enough the reasons for staying, though differing from place to place, are still the same; what has held back agreement to quit India has long been the clamour of the Moslem minority, who were reluctant to be left to the mercies of the Hindu majority; the interruption of the negotiations with Egypt has been due to the English refusal to grant Egypt sovereignty over the Sudan against the apparent wish of the Sudanese; the occupation of Palestine has been prolonged because of the need to interpose a third force between Jew and Arab.

Are not these antagonisms encouraged by England herself, who plays on them for the maintainence of her *imperium*? That is the question asked abroad. But what is hardly known is that nowhere is this suspicion livelier than in England. It is conceivable that the administrators on the spot, and certain of the services, play up

existing feuds to prolong the British Raj. But English opinion, more than any, makes this accusation against these men, for whom it has an extraordinary antipathy.

The English sahib is especially unpopular and is usually depicted with the features of Colonel Blimp. The English Left may in general be comparatively free from the feeling of class hatred, but it comes out vigorously against the sahibs who are supposed to have contracted authoritarian manners along with idle habits. The sudden capitulation of Singapore destroyed them with public opinion. It touched in the picture of self-satisfied drinkers-of-whisky whom the course of events had taken by surprise.

Anyone who looks to the work which has been accomplished can see that this is a wholly misconceived opinion. 'Would there be limits to our admiration', asked Mr. Churchill, 'for a government of Europe which could keep the peace there with resources as small as the Government of India has needed to keep the peace there ?' Be that as it may, keeping the peace is not in our time a very highly prized value. The criteria for measuring the success of a colonial policy tend to be rather social, and above all political, progress.

Those who talk of political progress do not perhaps distinguish sufficiently between two quite different things. The development of self-government, in which British colonial administration has excelled, is one thing; it has brought into the administration the people of the land, it has summoned them increasingly to the discharge of legislative duties, it has in time entrusted to their hands more and more of the government, leaving to England only the actual sovereignty, by which its officers may intervene to arbitrate differences and keep the peace. This division of political labours between administration on the one hand and arbitration on the other, with armed force remaining in the hands of the arbitrator, combines liberty and order in a way which has immense advantages. A very different thing is national independence, which makes force itself a perquisite of those factions in the country which are the most powerful. In the internal sphere it carries the risk of oppression for the minority communities, while in the external it brings in its train the dissipation of the vast whole whose safety and freedom of intercourse were guaranteed by the presence of the British. That the freedom of intercourse and a danger to peace receives its verbal development of completely independent nations is a nuisance to confirmation in the frequent recommendation of a super-national authority: but wherever a super-national authority was already in being, in, that is to say, the great empires, it is thought

a good plan to whisk it away. This contradiction troubles nobody.[1]

[1] On the 15th August, 1947, British India received its independence and became the two Dominions of India and Pakistan. Then, in October, Burma received its independence and went right outside the British Commonwealth. Between whiles, England informed U.N.O. that she would be evacuating Palestine, being indisposed to carry the responsibility for keeping order there any longer. Palestine has now been evacuated.

CHAPTER 7

ENGLAND ON THE CHESS-BOARD

The Key to English Security is at Washington

EIGHTEEN months after the collapse of Germany, fifteen months after the collapse of Japan, England was still maintaining under arms a million and a half men: more than three times as many as she was maintaining on the eve of conflict.[1]

Her Prime Minister then informed Parliament that the Socialist Government intended to make military service a permanent obligation—conscription in short, which was opposed to every British tradition and could never be imposed in time of peace except when the threat of the second world war was imminent.[2]

The reason is that only conscription can ensure to the armed forces the number of men they need: that figure is put at a minimum of about eleven hundred thousand men, and the present figure will be brought down to it by the 31st March, 1948, according to the Statement on Defence presented in February, 1947. Conscription also provides the country with trained reserves, able in the event of war to bring an immediate augmentation to the armed forces.

There is nothing new in these arguments: they are the very ones which France, at all the Disarmament Conferences, urged against the English, who looked in those days on conscription and the building up of trained reserves as a piece of militarism. Today the English are adopting what they have always condemned, the training of the nation to arms, and who are its sponsors? The Left, which has always been especially loud in its denunciations of this particular military institution.

It is not surprising that opposition is aroused by this innovation. The moral and political reasons for opposing it join hands with the economic and financial reasons. As a succession of government declarations has made known, the English economy is, in every branch of it, short of man-power. The burden of the defence services, amounting to £900 millions a year, is a heavy one. The result is that part of the labour force is taken out of production while another

[1] The figures, given officially in Cmd. 7018, issued in January, 1947, are 480,000 men in June, 1939, and 1,510,000 in November, 1946.

[2] Mr. Attlee's speech of the 12th November, 1946.

part, along with valuable raw materials, is diverted to production for military uses. A government so little open to suspicion of imperialism and militarism as is this one must have had weighty reasons for maintaining such large forces at so heavy a cost both to its traditional convictions and to resources which are in short supply.

These forces must be necessary, but that they should be so after a completely victorious war gives pause for reflection. What a paradox! Larger forces are required when the King's enemies are prostrate than when they were strutting in the insolence of strength! A proof here, surely, that their destruction is far from having brought security. But does not the avowal that so costly a war has brought no accrual of security carry with it the avowal that it was badly managed politically? The precautions needed today attest yesterday's improvidence. The strategy of the war was such that political equilibrium is now completely lacking to Europe. The Continent contains no power or conceivable combination of powers able to balance Russia or even stand in its way. The whole of Europe today is merely a tangle of ' Balkan States,' no more capable of stopping Russia than was the Balkanised Central Europe of pre-war days of stopping Germany.

It has been said of the two Pitts that the secret of their art lay in always finding soldiers for England on the Continent. The error which sullies Mr. Churchill's vast services is that of having pursued a political strategy which leaves England with no conceivable soldier on the Continent and compels her to be her own soldier.[1] And that at a moment when the country's impoverishment makes the effort needed less than ever tolerable, with the result that, to play this role, she has to be kept going financially from abroad; and this is what is in fact happening, seeing that a part of the American credits are expended in maintaining the sentries which England has posted abroad. To any candid observer it must appear that, for the first time in her history, England now finds herself in the part of a subsidised power—the part which in former times she has had played for her, now by Prussia and now by Austria. This is the inverse situation to that which prudent British statesmanship was able to maintain for centuries.

England is accused of having always encouraged the division of Europe. She should rather be allowed the merit of having always collected against the imperialist power of the day, whether Spain or France or Germany, coalitions which were able to halt the march

[1] On the evidence now available it is clear that the late President Roosevelt, and not Mr. Churchill, was to blame. ' Unconditional surrender ' was a Rooseveltian formula, and the decisions taken at Teheran, Yalta and Potsdam did not, in vital respects, accord with Mr. Churchill's views.

of domination, without war if it was possible, but, if only war could do it, then with war. Her greatest triumph was to achieve this object without war. The next best thing, for England at any rate, was to have constructed against the imperialist power a continental balance strong enough to make it unnecessary for her to throw into battle more than a minimum of armed force herself. The tangible proof of a decline in British diplomacy is that twice she has been unable to stop Germany except by throwing into the breach the whole of the British armed forces, thereby bringing on herself the blood-letting which she had till then managed to avoid. Today she is exposed to the consequences of the blood-letting.

Even in 1914 the coalition of powers then formed was too weak to permit the witholding of her armed forces. The coalition of 1939 was weaker still, and furnished her with an occasion for heroism which was apter to advance her glory than her prosperity. English diplomacy has touched bottom when, confronted with the growing power of Russia, she has at her disposal not the remotest chance of a continental counterweight.

The old Ottoman Empire folded up long ago: the new Turkey is a small country. The Austro-Hungarian Empire was destroyed in 1918. Busy hands are now at work destroying Germany, and France, after two scaldings, is for the future concerned only to maintain herself against a non-existent Germany. England is, therefore, in the front line.

Many there are whose counsel in this situation it is to ' let be '. The enemies of ' let be ' in the economic sphere are today particularly disposed to it in the sphere of foreign policy. The strategy of equilibrium, to which England owes her proud position of independence, seems to them out of date. What is the use, they say, of checking an expansion which brings with it, along with much that is detestable, much that is precious? We Frenchmen have reason to feel sorry that Louis XIV, who brought with him the whole art of gardening, or Napoleon, who brought with him the *Code Civil*, were not given the benefit of reasoning of this kind. And if no harm comes of allowing the political expansion of a persecuting religion, why should Philip II have been checked in his course? There were certainly more and better arguments for the re-catholicisation of Europe than for its ' stalinisation '.

Just as Byzantium temporised with the Turks, so, granted, it is possible now for England to temporise. But, if she is to escape a conclusion which will one day be fatal to her, she must look to her bastions on the Continent.

The Russians, whose foreign policy has no tinge of sentimentality about it, accuse London of re-making Germany as a power, to use her as an important element in a policy of barring the way. They are wrong as to the fact. The reason why they imagine it is because it is the policy dictated by the logic of facts and the one which, in the same situation, they would adopt themselves. England has not adopted it yet, but sooner or later the case for her security will drive her to it naturally. Meanwhile she struggles against it and seeks still to ensue the enfeeblement of Germany, for reasons which, if Russia did not exist, would be altogether good. Sooner or later, however, she will reverse this policy and will aim at reconstituting a strong Germany. The chess-board of European politics holds for her no other piece. And it may be that, if M. Molotov takes the initiative and gets in first with a recommendation for German reconstruction, England's future action will be gravely handicapped.[1]

Exhausted by her war effort, yoked to a double task of reconstruction and structural reform, England, while unable to rest indifferent to the formidable Muscovite expansion, can find neither in herself nor on the Continent the necessary strength to contain this fresh imperialism. That is her tragedy. It is also the explanation both of her recourse to the United States and of the anguish of mind which that recourse causes her. No matter how potent may be the promised succour, the front line is not a health resort, as France learned in 1940. That is why there are those who think wishfully that ' the problem does not present itself in these terms.' That is why any and every hopeful sign is clutched at : ' Russia does not want war ' ; true enough, but no more did Napoleon. ' Stalin offers us his friendship ' ; agreed, but Hitler offered his. ' The Russians are a most likeable people and their regime is a progressive one.' I like to think that the French were no less likeable and the Rights of Man a more valuable contribution than the Ogpu. Or again, ' the internal collapse ' of the Soviet regime is counted on ; there are some who have not forgotten the frequent prognostications of ' the internal collapse ' of the Hitlerian regime.

There is a certain lack of realism about the English debates on foreign policy—a lack of realism which is the natural companion of situations terrible to contemplate.

[1] British awareness of the situation has of course much increased since this was written.

CHAPTER 8

THE INTELLECTUAL INFLUENCE OF THE GREAT DEPRESSION

The ruling Ideology of industrial export production *Conflict between Socialist aims and the need for production* *Reconciliation of the Paradox*

THE expression 'ideological climate' is self-explanatory. It indicates the ideas in currency which influence the course of events; as distinct from the ideas which, whatever their intrinsic merits, have a restricted circulation and are not current coin.

It is remarkable how little the present ideological climate of England owes to that formidable event, the Second World War. Everything that happens suggests that the British intelligence has not yet digested the phenomenon. The body sustained the shock courageously and its reactions to its consequences are still marked by favourable symptoms. But intellectual understanding of the earthquake is merely conventional; its lessons have not yet been learnt, or, if there are brains here and there which they have penetrated, have not passed into the currency of ideas.

The ideas in general circulation were minted in the wake of an earlier event, an event which has been pondered, analysed and digested by the nation's cerebral organs. I mean the Great Depression.

During the 'thirties the conscience of the West was deeply shocked. Even before then, no doubt, shame and pride kept house together in the Western mind. Pride in the almost miraculous control won over nature, but shame for the distress which subsisted in Society. Why was it that this control did not cure these distresses? Explanation was to hand. The energies of men, for all their conquest of nature, had springs of action which were personal; these steered them in the more profitable directions, not the more fraternal. To try to divert them would be to enfeeble them. Besides, even if all did not gain from them directly, at least they conferred on all certain indirect advantages.

These were powerful arguments and kept in check the socialist purpose by demonstrating its incompatibility with the productivist purpose—always the major passion of Western man. 'Are you

seeking to remould Society in accordance with your humanitarian impulses? You will achieve it only at the sacrifice of controlling nature in accordance with your conquering impulses!' Such was the dilemma which, in the name of the venturesomeness pursued by the Western World to the verge of passion and with a success exceeding, from one generation to another, its wildest dreams, kept at bay the socialist ideal.

In sober truth, whenever we take as our aim a 'good society,' agreeable to our moral instincts, it is always a static society which we have in mind: its structure, being excellent, does not admit of serious improvement and must not be distorted. Whereas a society dedicated to the conquest of nature derives its form from the task itself: just as a society dedicated to military conquest develops certain characteristics which adapt it to its purpose. In a word, the institutions which seem to us the fairest are not necessarily, or even probably, those which make for speed in the exploitation of the globe. This contradiction was well understood by the philosophers who, in their several Utopias, made no account of material prosperity, general or individual. And Western opinion, consciously or sub-consciously, long realised that socialising reformers were pursuing the classical ideal rather than the modern, and were proposing, deliberately or not, to sacrifice material progress to a fraternal ordering between men.

Therein lay the root of the resistance to projects of social reform. For the specifically Western instinct is the *libido dominandi naturam.* The conquest and exploitation of material things is the true vocation of Western civilisation, which is, in so many other respects, vastly inferior to others. Whatever can be said to the discredit of our Society, it has won unparalleled victories over nature: with the result that sentimental reactions availed nothing against a mysteriously effective piece of mechanism.

When this Society failed on the ground of its own choosing, all was changed. Its mission and justification had been to procure increasing abundance, and it was with a feeling of stupor that men watched it devouring, like old Saturn, its own creation. It complained of over-production and set about destroying a so-called surplus of things produced; it complained of over-mechanisation and set about laying-up or suppressing a so-called surplus of machines. It found its armies of industrial workers an incumbrance and threw into unemployment a so-called surplus of them. Nothing was thought of but 'surplusage,' nothing was mooted but agreements in restraint of production and for destroying the stocks which lay heavy on the

market's stomach. Proposals were put forward for a truce to inventions, for returning to their homes, whether or not they had homes, female and aged workers, or again for lowering the hours of work to a point at which there would be some work for everyone.

All this seemed to presuppose—what was certainly not the case—that production had reached the point at which it had glutted human needs. The malady from which the production machine was in fact suffering was a stoppage in the channels of disposal and distribution ; this forced it to slow down. The spectacle of human beings sunk in penury, always revolting to sensibility, now became offensive to sense as well, seeing that it was by an act of volition that the great production machine, which could have healed all this misery, had been slowed down.

The absurdity of what was happening was brought home to my mind by a characteristic contrast. I had paid a visit to an admirably equipped boot and shoe factory which was working half-time ; not long afterwards, in Wales, I saw an association of unemployed men which had been established by the devotion of a Quaker organisation. The unemployed miners in it were producing for exchange between themselves goods which their unemployment benefit did not enable them to buy. Slowly and clumsily, much more slowly and clumsily than medieval shoemakers, they were engaged in making shoes : making with the greatest difficulty what the shoe factory could have manufactured so easily! The analogy that rushed to the mind was of a circulatory trouble in economic society ; or, better still, of a nervous affliction in the social organism, rendering it unable to transmit energy to its muscles and movement to its organs.

Instinctively we ascribe the diseases of inequality to the vicious propensities which we find in it. For this reason it became immediately apparent that at the roots of the crisis were egoism and inequality. The reason for the slump from which producers were suffering was that they had been underpaying their workers : and what had seemed over-production was in reality under-consumption. Or, as was argued, the development of production was a chance affair, inspired by the profit motive which had now proved itself a blind guide.

The conclusion was reached, thanks to the mistaking of moral judgment for medical diagnosis, that the machine was held fast in the grip of its sins, and that the remedy was, therefore, its ethical betterment. The antinomy between socialist egalitarianism and productivist imperialism disappeared, and the vision formed in men's minds of a new society whose material progress would be the more

rapid and regular from its internal ordering being more conformable without moral cravings. It would be a sort of expansionist Paradise.

It was quite untrue, it was said, that the form of society which had earned respect for its efficiency was really the aptest to advance material progress : so much was proved by the fact that, even at the zenith of American prosperity, a fraction of her productive capacity stayed unused. Another proof was that Russia was developing her production at a quite different rhythm and without sudden shocks. Nor was it any truer to say that the reabsorption of a million and a half unemployed presented any real difficulty, seeing that the Hitler regime had just put back to work four times as many in a mere eighteen months.

It was, then, untrue that there was the least need to treat with respect the delicate mechanisms of liberal economies. Had not the augurs told us that we had fallen victims to superstitious terrors ? The long and short of it was that there was nothing in the ordering of human affairs which could not be improved by intelligent government; this could secure simultaneously the greatest measure of efficiency and the greatest measure of justice.

Thus the Great Crisis opened the way to a reconciliation between the productivist purpose and the socialist purpose. Before it, it was sought to *correct* the evils which went along with our economic system by, for instance, the redistribution of incomes, effected by applying the growing yield of progressive income taxation to growing social expenditures. But it was not sought to *direct* productive activities. And it was generally agreed that there were limits beyond which correction itself would have destructive results. With the Great Crisis the conviction grew that direction was necessary, that considerations of a social character should be imported into economic direction, and, further, that this was the way to drive production to its highest possible capacity.

The experience of the Second World War came to reinforce these opinions. More had been then produced, under public direction, than ever before, and never had distribution been on a more equalitarian footing. It was true, no doubt, that the whole world had much less : but it might be expected that that was due to production having been concentrated on the war.

Item, throughout the war every distress had received succour. And would it not be paradox indeed were the nation to do less in peace than in war for its distressed nationals ? *Item*, throughout the war unemployment disappeared. And would it not be scandalous, after all these strong right arms had been needed to save the country, if after that they were rejected as useless, with none answerable for

their idleness ? *Item*, the forces of production were used to the full for the tasks of destruction. Would it be tolerable that they should fall into disuse for the tasks of peace ?

During the last years of the struggle, British thought was obsessed with the problem of how to avoid a repetition of the phenomena which had marked the immediate aftermath of the earlier war. Particularly hateful were the depression which had rudely intervened towards the end of 1920, and the unemployment which quickly assumed a chronic character in the industries whose position in the world market had been changed by the war, such as coal, cotton and ship-building. But more than anything else the 1929 crisis was the bugbear. Therein lies the explanation of the almost imperious sway of Beveridgism and Keynesism over English opinion.

The message of Beveridge, the student of distress and the specialist in unemployment, is that no self-respecting society can tolerate either. Naturally he falls in with the economic doctrines which make the successful functioning of an economy depend on the stimulation of purchasing power among the more distressed classes. In addition, and of more importance still, he falls in with Keynes's new doctrine that the alternating slumps and booms by which economic progress has hitherto been marked are quite avoidable : that the need is for a policy which will ensure at all times the full employment of labour ; that it is possible to keep permanently in being the conditions of extreme activity which have hitherto always been followed by depressions.

The two doctrines join hands, then, as the social aspect and the economic aspect, respectively, of one and the same problem. They receive almost unanimous support. Opinions start to differ only at the point at which this common ground is left behind: according as it is sought to give to the State all powers needed to implement the Keynes-Beveridge policy, and to stop there : or according as it is sought explicitly to entrust to it economic activity in general, which is the view advanced by G. D. H. Cole and Sir Stafford Cripps. But perhaps this difference is in the domain of theory rather than of practice. For Beveridgism and Keynesism go of themselves a long way in that direction.

The paradox of the situation is that not unemployment but shortage of manpower, not the danger of slump but of under-production, are the characteristics of England in the after-war period. With the result that the approach to today's problems is by way of a doctrine which was forged to meet an entirely different situation. Events have outstripped minds.

CHAPTER 9

BEVERIDGISM

Humanity in a competitive Society

IN the decisive hours of the war, when the eyes of the world were on her, England had one face, which was Churchill's, turned to the enemy and another, which was Beveridge's, turned to the future.

Beveridge's name summed up for European opinion the after-war programme which England designed for herself and offered as an example to others. Its ends were two : Social Security and Full Employment. Two plans, issued over the name of Sir William Beveridge, indicated the steps necessary to realise these objectives. It is no exaggeration to say that they were made the subject-matter of a veritable popular plebiscite. The first plan, an official publication of sober mien and character, had an unprecedented circulation : in the three hours immediately following its publication 70,000 copies were sold. Beveridgism met with general assent and formed the intellectual climate in which the General Election of 1945 was held.

Two dogmas became articles of social faith : the first, that the State owes support to those who are menaced by distress ; the second, that the State owes employment to anyone who wants to work. Or, to put it more precisely, the complex of social institutions must be such that each member of society is assured of a minimum income, whenever he finds himself unable to provide for his own needs, whether temporarily or for good and all : in the event, that is to say, of unemployment, sickness or old age. And the functioning of economic activity must be such that there must always be more jobs available than workers to fill them. From this it follows logically that every regime which involves distressed and unemployed persons must be a bad one. These principles, though the Conservatives adopted them, could not but be a condemnation of their pre-war administration, and could not but incline men's minds to socialism, with which they seemed more in accord.

Yet the man responsible for planting these principles in the public mind was not a socialist. His intellectual position is a warning to the continental observer to distrust rigorous classifications. There is in Lord Beveridge, as he now is, a mixture of socialism, Gladstonian

liberalism and traditionalism. As to traditionalism. I met Lord Beveridge in the impressive setting of the House of Lords, into which he has carried his natural vivacity, his quick step, his keen, mobile face and his simple tweed suit : he is entirely himself there and completely at home. Devoted though he is to the better arrangement of modern society, he feels no antagonism to the ancient institution of which he has become a member. On the contrary he loves it, and in between the debates, which he attends most assiduously, he may be found in its old library into which only peers, and their guests, are admitted. It was there that he expounded to me the genesis of his plan of Social Security. It was born from an emotion of youth. When in 1890 Charles Booth published his survey of London, the extent of the distress then suddenly revealed gave a shock to many minds and aroused their generous ardour. There followed the discussions raised by the setting up, in 1906, of the Royal Commission on the Poor Law, as it had been traditionally administered.

The impression then received determined the vocation of the young Beveridge, which was to remedy the condition of the distressed classes. But not by inciting them to agitation. He is strong on this point, that distress left the ruling classes indifferent only to the extent that they did not at first know of it. To instruct them and show them the practical remedies, that was to be his life's work. That work he has carried out with studious persistency. He has been a member of each of those public enquiries which, in England, prepare the way for important pieces of legislation ; in the end he came to preside over the Commission, set up by Mr. Churchill's government, with which his name is associated. The time was then ripe to co-ordinate all the separate institutions operating in their distinct spheres into one solid network of Social Security, which would provide against all life's hazards.

Few men have had such a harmonious destiny. It has been given to few to accomplish, at a ripe age, the dream of their youth. It has required moderation no less than perseverance, and in a word that ' gradualism ' which is a specifically British characteristic. Beveridge has never been heard to say that no bread was better than half a loaf : he has always regarded a short step as being a step for all that. He has never let rebuffs irritate him, and he has never attacked opponents but only opposing arguments. It has always been his conviction that patient exposition of the facts was all that was needed for final acceptance of the remedies. And he insists that it was not fear of revolution which won support for them but simply the discovery of distresses which were till then unknown.

The second Beveridge plan is less the author's own work. What is

his own is the hatred of unemployment. Society can supply but scantily the unemployed man with his material needs, but, even when that is done, it does not in this way repair the moral injury done to him of feeling that he is useless and unwanted. Nothing touches a man more cruelly than to be made aware of his own superfluousness, to become, even worse, a burden on his contemporaries : it is a school of humiliation and bitterness. The evil is one for which Society has no other remedy than that of opening to a man avenues of activity and opportunites to justify his existence.

Imbued with this feeling, Beveridge welcomed with enthusiasm the Keynesian theories on full employment, according to which unemployment could, by means of a certain policy in regard to expenditure, be for all practical purposes abolished—reduced that is to say to the purely transitory status of a small percentage of the population on the wing from jobs which they were leaving to jobs which they were taking up.

To many men of parts, Beveridgism appears as the Trojan Horse which will one day be the ruin of the individualist society into which it has been introduced. And that it may have this effect is sufficiently proved by the use which some people make of it. But nothing, it is certain, is further from the desire of Beveridge. In his view, on the contrary, Beveridgism brings to an individualist society the adjustments which make it viable and defensible.

He is a warm adherent of a society in which a man may hew his own destiny in a competitive climate. He believes that progress occurs only to the extent that the career is open to the talents, and that the talents can freely put forth their natural inequalities and be rewarded accordingly. But he holds that a society of this character can justify itself only to the extent that it gives every man his chance—a result which is not achieved when the various avenues of activity are not wide open. It must, in addition, be a humane society, caring for those who fall by the way. Therefore, an individualist society calls for a policy of full employment and social security.

Into his advocacy of the cause of individualism he carries the gay enthusiasm which characterises him :—' I am,' said he, ' a man of the middle classes, of the classes which, while having to work for a living, take their orders from none. As the champion of these middle classes, I am the adversary of the Socialism which is throttling them and, in throttling them, is throttling all that is most vigorous and most progressive in Society.'

He likes recounting the tale of his forbears, all of them sprigs of the middle class and all concerned to raise themselves : one was a

master baker, who at the age of 26 was at the top of his profession ; another was a customs officer, the pride of whose whole life was a little property which assured him an independence ; yet another ran livery stables, and was, said Lord Beveridge jokingly, a revolutionary because he introduced his town to the use of the hearse! Only one came from a rich family, but he was a violent Jacobin, quarelled with his family and had to take to manual labour. His son rose again by his own efforts. Though there is nothing shameful in remaining below, neither is there any merit in it, whatever a certain type of political æsthete cares to pretend.

In talking of these small provincial bourgeois and their unending struggles to raise or maintain themselves, he warms to enthusiasm. ' It is they who give a country wealth, stability and dash ; they have done this not only in England but throughout the Empire over which they have swarmed. For myself I love them, and I could wish to see enlarged this enterprising class which the socialists tend to destroy.'

This descendant and champion of the small bourgeois fiercely attached to his independence, this peer and companion of the great lords of the realm, this provider of principles and catchwords to the Socialist Party which he opposes, makes the continental observer once more conscious of the eclectic quality of the British intellect. The best definition I can give of its peculiar characteristic is that it has a sense of detachment from the concatenation of ideas—a detachment which makes it possible, when once an idea has been adopted, not to follow it perforce wherever it leads, but to give it the slip at will and adopt another one. I had already remarked this detachment even in Locke. It does no injury to unity of thought, as happens when a Frenchman—as he often does nowadays—welcomes to his bosom unrelated ideas, with results which never fail to be ridiculous. Unlike the French, the English, so far as ideas are concerned, practise a felicitous polygamy.

One evening at the Reform Club, where so many of London's most interesting minds congregate, and where in other days I was the guest of Wells, Lord Beveridge found me dining with Hayek, the famous economist —' Don't be convinced by him,' he said playfully to me. ' Hayek has a continental mind : he is much too logical for us.'

CHAPTER 10

THE KEYNESIAN REVOLUTION

Character of Keynesian thought "Spend your way out"
Savings and Investment Undeclared Marxism? Absence of opposition

THE English pretend to a distrust of general ideas. The truth is that their demand for general ideas is equal to, and their production in excess of, any one else's. Locke's thought, like Adam Smith's and Bentham's, has had a determining influence on the national destiny. There was a time when this great nation seemed to have but one object—to illustrate the propositions of Smith as elaborated by Ricardo.

Today Keynes enjoys a similar eminence. Everywhere I asked what was the principal dominating influence. The answer I got from everyone, Members of Parliament, university teachers, trade unionists and journalists, was without exception the same: 'the influence of Keynes.' 'The greatest star in the firmament—the master of us all—the man who has given us understanding of the economic course of societies—the mind who shows us the paths of an unrevolutionary progress—the Adam Smith of the twentieth century . . .', these are some of the formulas written down in my notebook in the course of conversations had in the most various circles. The young Labour economists told me that their aim was an extension of Keynes and the young Conservative doctrinaires told me that theirs was the interpretation of him. It is his principles which inform the financial policy of the Socialist Government, but even before that the Chancellor of the Exchequer in the National Government had prayed him in aid. England today, its elders persuaded and its juniors enthused, seems dedicated to implementing Keynesism.

Keynes was an extraordinarily brilliant and likeable man, to whom all work came sufficiently easily for him to be at one and the same time a government expert, an omnivorous reader, a director of a weekly review, a learned author and as the old phrase went, 'an ornament of society.' He has left behind him devoted friends, fervent disciples and a veritable halo of sympathy and esteem; and his numerous successes do not seem to have made him a single personal enemy. Backed by a vast erudition, as his library attested, he united

with a mathematical intelligence, to which his work of analysis bears witness, a most rare subtlety which gave him awareness both of the psychological motive forces of his time and of its climate of opinion. His heresies never ran counter to the intellectual tide—they were only in advance of it. It was a mark of his profound accord with the spirit of the time that his paradoxes became truisms. So it was with his treatise on Reparations—a scandal for a while, but soon generally accepted.

When opinion was stirred by the Great Crisis and the orthodox doctors were put on the defensive by the public outcry, when quacks too abounded, Keynes brought to bear a diagnosis which, while not invalidating the classical propositions, justified the instincts of his own day. A marvellously ingenious synthesis it was, reconciling heresies and orthodoxy, reassuring to the pundits and giving warrant to the exigencies of public opinion. Taking his place in the line of the great English optimists, Keynes did not give vent to a censorious severity, did not prescribe a laborious penance, but on the contrary told the invalid to indulge his fancies. Everything that was in popular favour at the time—the general raising of wages, the increase of State expenditure and of the national debt, the increase of taxation of the rich, and the discouragement of saving—all of it was rationalised in a ' General Theory ' constructed in an irreproachable style.

Whatever may be the causes of a depression, the thing that distresses everyone, while it lasts, is a deficiency in other people's expenditure. The merchant, for instance, cannot dispose of his merchandise because consumers are spending less. And, at the other end of the economic structure, the maker of plant is idle because industry has brought its overhead expenditure almost to a full stop.

Yes, the diminution of other people's expenditure is the reason for the universal complaint of diminishing turnover : then, to restore the balance of his private budget, everyone cuts down his personal expenditure, thereby curtailing other people's receipts.

The entrepreneur, seeing his receipts falling, cuts his outgoings, calls a halt to the expansion or modernisation of his plant, reduces his purchases of raw materials, discharges his work-people. The American automobile industry, for instance, reduced the number of its employees from 447,000 to 243,000 between 1929 and 1933, and the gross wages paid from 733 millions to 252 millions. The consequent restriction in its purchases must, clearly, have created a collapse of the suppliers' takings, enforcing upon them, too, a compression of expenditure achieved in the same ways and with the same results, one of them being the discharge of employees ; this increased the

mass of unemployed and aggravated in sympathy the depression from which trade was suffering.

The State, finding, like everyone else, its receipts reduced by the slowing down of business, endeavours, again like everyone else, to restore the balance of its budget by postponing such expenditure as can be postponed : in that way it swells the diminution of activity.

The individual too, losing his employment or being fearful of losing it, or being frightened by the fall in his monetary income, compresses his expenditure.

As each diminution of expenditure implies someone else's diminution of receipts, which drives him in turn to a diminution of his expenditure, there seems to be a sort of ' vicious spiral ' tending to drag expenditure, income and activity alike down to zero. This is clearly a wrong forecast for several reasons, one of which is the existence of fixed incomes whose purchasing power is increased by a fall in prices, just as is the purchasing power of those incomes which do not fall as quickly as prices. No doubt recovery will come. But how soon and after what distresses ? Why wait for it ? Why not meet half-way the diminution of expenditure which diminishes income and therefore expenditure and so on ? Why not create an increase of expenditure which will increase income and therefore expenditure and so on ? That is the simple principle of every plausible remedial policy, for the rationing of production and the fixation of prices tend to make the crises endemic.

' Spend your way out ' may take two forms. One is to increase the expenditure of consumers by raising their incomes, no matter how and for what reason. Their expenditure will benefit the producers who work directly for the consumer. The hope, usually a vain one, is that these producers will be sufficiently stimulated to put new life into those others who work for them, the industries, that is to say, in the upper reaches of the economy which turn out production goods. Better results are obtained by a direct approach to those industries which, in the depression, are the most depressed. These are stimulated by capital outlays, and the purchasing power which they put in circulation spreads over the body economic.

Of these two forms of outlay of purchasing power, it is the second, the outlay at the top, which proves the more effective : purchasing power goes down better than it goes up. But the first is the popular one. It is an empirical treatment, which is credited with rationality because it accords with a popularly held view of the actual cause of the crisis. It is vulgarly asserted that the slump is the natural fruit of capitalist institutions. The truth is, it is said, that the workers

who form the great mass of consumers, receive only a fraction of the value of what they produce. With the result that they cannot buy the whole of it ; a slump is for that reason a fatality and there is your explanation of the crisis ! It is, unfortunately, an explanation which proves too much ! For it would necessarily imply that it had never been possible to sell more than a fraction of what is produced : which is untrue.

Even where the body of consumers consisted exclusively of employees, it could still not happen that they would absorb the totality of the national product, which is made up only in part of goods and services intended for consumption, and includes as well the renewal and expansion of the national plant, no matter in whose hands, those of the State or private individuals, of public enterprises or private. Not only is the maintenance of plant indispensable to the life of Society, not only is its expansion the condition of the progress of the whole, but it is also the case that the labour involved in it occupies a vital sector of the national economy, the sector, moreover, which is the most affected in an economic crises : such a crisis comes, therefore, less from a deficiency in the outlays of consumers than from a deficiency in investment from outlays. For that reason, while both need expanding, it is more effective to act upon consumption through investment than on investment through consumption.

When investment outlays are studied, and the range and sharpness of their fluctuations noted, it is apparent that these fluctuations far exceed those of the private savings of individuals. And this fact casts doubt on the proposition, for so long regarded as self-evident, that all income which is withdrawn from consumption by saving and, being saved, does not help to quicken the pace of retail trade, is *ipso facto* invested, thereby helping to quicken the pace of capital production.

It is at this point that Keynes breaks new ground. Economists have in the past always looked on saving with a friendly eye. The man who abstains from consuming a part of his income makes possible the progress of Society. I may save, for instance, the sum with which I might have bought a ton of coal for my domestic stove. This coal is thus still available, as is the money which I might have spent on it. This sum I can now put into a business, buying this same ton of coal to manufacture a ton of paper wherewith to publish an encyclopædia. Or someone else, perhaps, is now able to embark on some business or other, either from my lending him, whether directly or indirectly, this money, or from a credit of an equivalent amount being opened in his favour. In that way the commodity which I have

abstained from consuming will serve to expand the fixed capital of Society, and that is a good thing. Up, therefore, the savers!

But at this point Keynes calls attention to the fact that the diversion of the coal to another use does not flow directly and inevitably from my act of saving. I have done no more than not consume it. Whether it ever gets used on an encyclopædia is another matter. Either myself or someone else must decide to invest as much as I have decided to save. Unless that happens, then the ton of coal, which I have not consumed in warming myself, does not get used on an encyclopædia either. It stays unwanted or unproduced. In the end, Society, whom my saving might have enriched by means of a better use of this coal, finds itself the poorer by a ton of coal which stays underground.

If, in a given society, many decide to save large sums in all out of income, but comparatively few decisions are taken to invest, the result will be that the total difference between the amount saved and the amount invested will correspond to goods for which there will be no demand either for consumption (to the extent that there has been saving) or for new capital creation (to the extent that there has not been investment). The goods not demanded and in consequence, at long last at any rate, not produced, represent a withholding of concrete wealth and correspond to the non-employment of human and material resources. Saving which is not invested does not enrich Society : it impoverishes it.

No doubt the individual who sees himself with something saved up feels the richer for it. And even if the accompanying deficiency in consumption and investment causes prices to fall, there he is still with his saving appreciated in value. But what is true of the individual is not true of Society as a whole, the proof of which appears were all the savers simultaneously to seek to realise their savings : the deficiency in concrete goods being chased by the savings would then show itself in a sharp rise in prices.

Now is it really possible for a profound disharmony to arise between saving and investment? Nothing easier, says Keynes. The reason is that, in a society like ours, the decisions to save and the decisions to invest are not taken either by the same persons or from the same motives. The individual who saves is ruled by habits, the business man who invests is guided by calculations : he asks himself whether the investment will be profitable, and the profit which he reckons to make over and above the interest which he has to pay on the money employed, is a matter of guess-work and opinion—and opinion is, in the case of business men, a silly thing, liable to sudden reversals. On this theme Keynes waxes particularly brilliant.

It is now established that disharmony can arise between the com-

paratively regular curve of saving and the more capricious curve of investment. But Keynes goes further.

He supposes a society in which the progressive accumulation of capital has made labour very productive and raised a large part of the inhabitants above the level of mere subsistence. Individual incomes go on growing, and so does consumption, but at a slower rate than the incomes ; it is notorious that the richer a man is, the more he saves. Thus it happens, in this society, that national saving grows more rapidly than does national income : a state of things which would not matter if investment grew at the same rate as saving. But that does not happen : the investment already achieved is on such a scale that in the minds of business men there are not enough subjects for investment, with sufficiently favourable prospects, for investment to happen on the same scale as saving, especially if the rate of interest is too high.

That, in Keynes's opinion, is the normal state of economically advanced societies. ' The richer a community is, the wider is the gap between its actual and its potential production, and the more glaring and scandalous are the defects of the economic system.'

Though he hardly ever cites Marx, Keynes has obviously borrowed from him the idea that capitalism gets more and more embarrassed by a growing accumulation of capital. He postulates a growing incapacity to employ fully Society's resources and in particular all the available labour, by reason of a growing insufficiency of investment—an insufficiency explained by rates of probable profit which are insufficiently attractive and tend to sink to zero ; but he gives no other explanation of why the rate of profit should tend to zero than that of the volume of capital already accumulated. That is cutting it very short, and we must suppose that he had in mind the Marxist theory according to which the rate of profit falls proportionately the larger the role played in production by already established capital.

His practical recommendations, moreover, are such as a ' gradualist ' Marxist could accept. They are directed in the first instance, in the best Marxist manner, against the small *bourgeoisie* ; he envisages ' the euthanasia of the rentier ' by the progressive lowering of the rate of interest to round about zero ; large productive investments are held back by the price paid to the savers by way of interest : this price must go. Next in order of enemies, his recommendations are directed against ' the rich ' ; they are given over to excessive saving, and the ' abstinence ' for which they were formerly praised obstructs general prosperity instead of, as was thought in the past, contributing to it : therefore progressive taxation should be used to

transfer their incomes into the hands of employees who will use them for consumer expenditure. Only one form of saving is spared : that effected by the great corporations who reinvest in themselves. A Marxist would not object to the prosperity of these great bodies : they are easy to nationalise. Further, Keynes admits that, even when saving has been lopped by taxation for the benefit of consumers and investments facilitated by the destruction of the rate of interest, investments may still prove insufficient to bring about full employment. In that case, the State intervenes with its own investments, which should be on such a scale as to fill the ' deflationist breach ' opened by the insufficiency of private investments.

That Keynes's thought has been adopted with enthusiasm by British Socialists is not surprising, but its friendly reception in Conservative quarters is more difficult to explain. Capitalists properly so called see in it inflationism, a thing always dear to their hearts : in more than one place Keynes asserts that ' a boom ' is not a feverish condition but the normal state of a healthy economy, which should not be discouraged by high rates of interest but encouraged by the progressive annulment of all interest. But it is rather the middle classes than the capitalists for whom the Conservative Party stands in principle. Now taking the reward out of saving is equivalent to closing to the small *bourgeois* the avenue of social ascent which was his in the nineteenth century. Let him use foresight and economy as he will, he will no longer improve his condition by way of compound interest. True, but he has now the entrée to new and speedier ways. A university education or a general handiness eases the ascent of the ladder to situations which no longer bring independence but provide good salaries.

The very fact that Keynes's conclusions arouse hardly any opposition marks the extent to which English society is now content to drift obediently into a frame of things in which all ownership will vest in collectivist hands, and the amelioration of the individual's condition will take but the one form—a progress from one salaried position to another.

PART TWO

THE GREAT MATERIAL PROBLEMS

FILLING THE GAP IN THE BALANCE OF PAYMENTS

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CHAPTER 11

INTENTIONS AND PROBLEMS

IN our modern political systems, elections are adjudications of Power, and political parties are the competitors presenting themselves for adjudication. The victors at an election are, in consequence, two things at once : a general staff of the victorious party in the way to accomplish that organisation's special ends and the government of the country committed to safeguarding the national interests.

The ministerial team is, therefore, bound by two loyalties, one to the party programme and the other to the needs of the State. It protests always that there is no conflict between these two loyalties, as the party programme has been constructed for no other purpose than that of meeting the country's needs. But conflict is at once apparent when it comes to a question of the government defending against its own partisans, in the name of the interests of the State, a policy which, whether by commission or omission, diverges from the party line. According as the government respects the more its loyalty to the party or its loyalty to the country, the more sectarian or more truly national its character becomes.

It is a reproach launched by the Conservative opposition against the Labour government that it has sought primarily the realisation of its special ends, particularly in the great nationalisation measures which affected, in its first year of office, the Bank of England, coal, civil aviation and wireless telegraphy, and, in its second, electricity and transport. I will say nothing about the disputes raised by nationalisation, for the discussions which have raged on this subject have contained little nourishment and consisted mostly of a to-and-fro of thrice-chewed arguments. The measures are in fact of too

recent date for their consequences, whether favourable or the reverse, to be capable of measurement.

Of much greater interest is the attitude of the Labour government to the *national* problems presented to it, problems of an extent and gravity rare in British history and which it has had to handle in a national spirit. But also, as is natural in a government composed of certain persons addicted to certain opinions, it sees things from a certain angle and brings to political therapy the general spirit of its convictions.

The first task that confronted the Labour government, coming to power as it did just at the time of the Japanese capitulation, was that of demobilisation, affecting not only the 5,200,000 men and women in the armed forces but also the 3,800,000 working for the armed forces—9,000,000 people in all having to find new jobs, of whom many had to be brought back from the most distant theatres of war. In fifteen months this task had been discharged as regards 7,000,000 people, leaving 2,000,000 still tied to military duties, of whom three-quarters were in the armed forces, and one-quarter in the supply services needed by the armed forces—a residue required by an external situation which was more threatening than any yet seen on the morrow of so costly and victorious a war.

By way of a christening present the Labour government received the bad news that lend-lease would stop and that England could no longer dip into the wealth of America without counting the cost, as she had had to do to sustain the war. Thus there was posed at once the problem which was to dominate the political life of the country : how to secure the necessary inflow of imports and how to pay for them ? The commercial position of England became the first order of the day, comprising the question of exports in requital and the means of making international payments.

The Socialists, steeped in the influence of the great depression and remembering how the period after the First World War was marked by the speedy appearance of unemployment, came to power replete with remedies against inadequacy of employment. But the situation that was to confront them was that of inadequacy of production.

They were, as a matter of fact, aware—and Sir Stafford Cripps lost no chance of reminding them—that British exports had to be raised far above the pre-war level. Their attention was directed almost at once to the fact that they would have to maintain the armed forces at a much higher level than ever before in peace time. There, alone, were two drains, both more onerous than in 1938, on the national resources. In terms of man-power alone, defence and exports (the

political imperative and the commercial imperative) would take a toll of the nation's labour force of a million and a half to two million more people than they took before the war, reducing to that extent the factors of production available for everything else.

Now, as a popular party, Labour was concerned to extend the consumer power of the masses and increase the services proffered to them by the State, whether in the way of security or comfort. It wished at the same time to shorten the hours of work. It was, therefore, a case of doing more with fewer resources than formerly. The difficulties could not escape the attention of the more clear-sighted at any rate ; though there were many who underestimated it, trusting to the delusive figures of national income, which seemed to prove the discovery of the secret of producing more than before the war. Being more or less aware of the difficulty, the new rulers thought to parry it by increasing the efficiency of the national effort through the rational reorganisation of industries, and the rational re-allocation of resources between the various economic sectors—both of them remedies requiring State controls ; and they also aimed at a re-equipment of British economy, thereby raising the production of the worker.

One of their leading themes was that capitalism, under a succession of complacent Conservative governments, had allowed the industrial equipment of the country to run down : that was something which socialism was going to remedy. This laudable design, however, implied an increase in the fraction of the national resources devoted to the production of plant ; the drain, in other words, of re-equipment on the national resources would, like those of exports and the armed forces, be greater than before the war : all of them calling for man-power, raw materials and power. So that the capacity to satisfy immediately consumer needs was hit in three places, the supplies of men, materials and power.

The requirements in raw materials compelled their importation at a time when they were scarce and particularly expensive, and necessitated—what was bound to aggravate the trade position—an expenditure which had more often than not to be made in dollars. The requirements of power could in theory be met from the national supplies of coal : but then came the coal crisis and production of coal proved insufficient. Lastly, the realisation of full employment brought logically in its train the difficulty of moving man power to the most useful occupations, such as the pits, which were the source of industrial energy, or the textile industry, which would have to furnish a large part of the exports. The power of the Trade Unions prevented the differentiations in wage rates which would, if allowed,

cause an exodus from the less useful occupations to the more useful.

In addition, the inflationary tendency, though held, could not fail to thwart still further the government's plans.

We are now about to see how the Labour administration tackled its task and how the various problems here set out progressively grew.

CHAPTER 12

THE ENGLISH ARE A PEOPLE OF TRADERS

Book-keeping *Free Trade* *The World Market*

'A NATION of shopkeepers,' Napoleon called them—a piece of nonsense which was to cost him dear. The Englishman was no shopkeeper in the sense of being a static and dug-in tradesman, waiting for the arrival of goods and indifferent as to their place of origin, concerned only to sell them to a localised and regular clientele. He was, on the contrary, an active and dynamic trader, seeking new products from far-off lands, or inventing and manufacturing them for himself, to put them on offer to the entire world. Trade of this kind implied exploration, navigation, invention, investment, credit, enterprise, adventure and risk of the most varied kinds. It is the British people's commercial history which has formed their character, intelligence and politics.

Everyone knows why England is a great naval power : it is for the protection of the trade routes which carry her cargo steamers. She has acquired the largest of colonial empires by the gradual transformation of her trading stations into political possessions, and London is now the best informed capital just as, for the same reasons, was Amsterdam in other days. Whereas a continental capital, being more political than commercial, is disturbed only by possibly dangerous neighbours, a maritime and trading metropolis is concerned with whatever is happening anywhere. But these are but the outward and visible consequences of a calling which has profoundly influenced the national temperament and folkways. A boldness of material conception, which still showed itself in the two world wars, a power of recovery and tenacity which are legendary, self-confidence and the courageous acceptance of responsibilities, a feeling for voluntary association and the team spirit—all these specific virtues are not unconnected with a long commercial past.

The merchant adventurer needed boldness to set out for distant lands with a cargo which embodied his entire stock of wealth ; the fatigues to be fought were no small ones, and he needed firmness to chaffer in foreign bazaars ; had he not asserted his rights energetically and known how to get his way without reliance on outside help, he would have been robbed. If he lost all, he had none to reproach but

himself. If he succeeded he brought back not only a fortune, but a claim to respect. He created not only a taste for tobacco or tea or sugar or muslin, but the spirit of adventure and of individual responsibility. Many were joined in these hazards, in which, if they failed in solidarity, they would have endangered not only their fortunes but their lives. It was a rough school of association. And in confronting the perils of the sea the safety of all required the most complete obedience to the chosen captain.

The spirit of initiative, the acceptance of risk, voluntary association and submission to the chosen leader—all these are characteristics which persist in the British people, trained in the tradition of commerce. In the twentieth century the inventor receives the applause which was given at the end of the sixteenth to the great adventurer on his return to port, furling his sails over a hull laden with treasures. Morris, the motor manufacturer, was made a peer whereas his French equivalent, Citroën, was made a bankrupt. Beaverbrook, the launcher of newspapers, sits in the Lords, whereas his French equivalent was prosecuted. Mark that the merchant princes, by their munificence, still make response to the admiration which follows them : as in other days, they raise public buildings and found institutions—things which in France are left to the initiative of the State, the *Roi Soleil* of today.

The aristocratic idea that because the merchant keeps careful books his is a squalid occupation is much diffused in countries which have long been subjected to a military aristocracy. It is an utterly false conception. The comparison of outgoings with incomings, of resources employed with anticipated results, is a logical mental operation which enters into every considered action. It is a calculation in which every rational animal indulges continuously, and the more it becomes a habit with him the more rational he is. Schumpeter has gone so far as to say that book-keeping has been a determining influence in the development of Western rationalism, and Lionel Robbins avers that economic calculation is but a special case of the faculty of choice in general. In a country trained in habits of calculation, the most praiseworthy design is an offence if the resources available are not equal to it. Palmerston's great reputation collapsed after he had promised to give the Danes against Bismark an assistance to which the country's military resources were unequal. The English are not ashamed to say : ' This wants doing, but we cannot do it because we lack the resources.' They feel no repugnance to noting the margin between the desirable and the possible, and steer clear both of an outlay on which there is no return and of an

engagement which they cannot back with sufficient force. But be it noted that this book-keeping or rational spirit is today in precipitate retreat.

Book-keeping made its way even into philosophy with results which are not always of the happiest. Hobbes and Locke reduced morality to a calculation of satisfactions and penalties which smells unpleasantly of a grocer's shop. And Bentham built on this foundation his quantitative theory of satisfactions which it is impossible not to find somewhat meagre.

England was slow in finding her true vocation. The first long distance packmen, the ' pie-powder ' travellers who started European commerce, were not Englishmen ; nor were those weavers with their blue nails, who were the first workpeople, nor the merchant drapers, who were the first industrialists, nor the shipowners, who sent their ships into Eastern waters, nor the Lombards, who were the first bankers. For a long time there was nothing to be seen in English ports but the long Venetian galleys or the heavy Hamburger ships which came to load the wool of the English monasteries.

The future ' mistress of the seas ' could not in those days hinder the disembarkation on her soil of a son of Philippe-Auguste ; she could not protect Dover from the fleet of Philip the Fair, nor defend Portsmouth and Southampton at the start of the Hundred Years' War. The Florentine or Hanseatic merchants, established in London, played there the part which has since been played by the English in other new countries. And Florentine bankers were needed to finance the campaigns of Edward III in France and Flanders.

The English had no part in the first voyages of discovery. It was not they who rounded the Cape of Good Hope to reach India or crossed the Atlantic to discover America. Latecomers in the field of world trade, they found established there before them, in the far-famed trading stations of the East and West Indies, the Portuguese, the Spaniards and the Dutch.

Now it is just this late arrival which has given English trade its special characteristic of ' door-opener.' The first arrivals made their markets into close preserves. The English, wishing to go hunting there too, had to force the locks. They did not gain access to the Baltic without fighting the Hanseatic League. Later, they had to do battle with the Dutch to win the spices of the Moluccas. And to have a share in the gold of Peru, which Spain was keeping to herself, an immense contraband trade with Spanish America had to be organised, for which Cromwell by his conquest of Jamaica furnished a base. The start of British commerce was in vast piratical

enterprises. The words 'free trade,' which now denote the free exchange of goods, meant at first and for a long time to come—smuggling. The English navigators were smugglers, and their government helped them to smuggle. Their practice turned in time into a principle : English policy has been a policy of legalising illicit trade—in other words, a policy of liberty. That is not to say that the English have never displayed a monopolistic spirit themselves. But the character of their beginnings has deeply marked them : a behaviour improvised for an occasion has been rationalised, and could all the more afford to be rationalised because in the eighteenth and nineteenth centuries English manufactures were so much in advance of their rivals, both in quantity and quality, that they had nothing to fear from competition.

Hence it is that British dominion of the seas has become synonymous with freedom of the seas in time of peace, and that British diplomacy, after a period in which it strove, for commercial privileges, has been employed to further freedom of access.

It is an historical fact that, in modern times, the exchange of goods has never been so free as at the height of British power. The reason is not mere coincidence but logical causation. England's belief in the virtues of commercial freedom has carried her to the point of staking her very existence on this card. For the first time in Western history there has been seen a State which was careless of assuring its food supplies by means of its domestic agriculture and trusted to imports for the feeding of its people. The England of Peel accepted this dangerous predicament with her eyes open. From then on, her mere physical existence came to depend on the efficient functioning of the world market. In time of war an effective blockade could kill her, and in time of peace an inability to pay for her food, consequent on a decline in her exports, could bleed her white.

She gambled on peace and on a division of labour between the various nations. Twice she has nearly lost her bet in two world wars ; but for American help, she would perhaps have starved. Or again, what would have become of her if the other big exporters of grain had followed Russia in ceasing to sell ? Or again, a closure of frontiers to her industrial products, such as Napoleon attempted and such as a spread of Soviet conquests might well reproduce, is for her a threat of the gravest danger.

Not only is she concerned for her own trade but also for that of others who thereby bring her profits as carrier, broker and insurer. It follows that she has an obvious interest in freedom from war and freedom of movement. And it was Europe's good fortune in the

nineteenth century that the then predominant power had linked her fortunes to peace, to freedom of exchange and to the world market. But in the twentieth century this same power saw laid in ruins the values on which she had banked. Two great wars have brought in their train no promise of peace, and the disruption of the world market caused by the Great Crisis does not look in the least like being a fugitive phenomenon.

England herself, the hearth of the Free Trade creed, has repudiated it, in 1931 from necessity, in 1945 from doctrine. Nor is the recoil felt in the international order only ; it has left its mark also in the country itself. The mercantile spirit, with its self-seeking energy and calculating foresight, is falling into disfavour. Here are great changes, whose end is still obscure.

CHAPTER 13

MALTHUS AND THE BRITISH STANDARD OF LIFE

Malthus was wrong—and right *The Situation before* 1939

ALONE of the classical economists, Malthus made the condition of the manual workers his central preoccupation. As he expressly says, the subject of his work is not so much the wealth of nations as the well-being of the workers.

At the time that he wrote, in 1798, the cry was of the unceasing advance of commerce and industry, which promised rapidly improving prospects for a rapidly growing population. Malthus advanced the proposition that all this activity would not necessarily raise what is nowadays called the ' standard of life ' of the worker : his income is mainly used up on the means of subsistence and it is only if he can get the necessaries of life in greater abundance that he will have greater well-being. The question asked by Malthus was whether greater well-being for the worker was certain to follow from an increased commercial and industrial activity, if it was accompanied by a growth of the population.

Even discarding the hypothesis of a population growing more rapidly than its opportunities of employment, which would make the workers competitors for the places available ; admitting, on the contrary, that opportunities of employment grow more rapidly and thus bring in their train a rise in wages, would the rise in wages necessarily result in the greater well-being of the worker ? His answer was negative ; for the effective realisation of such an improvement the price of food must not rise at the same rate as wages. ' Those who aim at the effective improvement of the condition of the labouring classes must seek to raise the reward of labour relatively to the price of food, so that the worker may be put in a position to consume a larger quantity of things which are necessary to life or apt to increase his well-being.'[1]

Clearly it is a material impossibility for each of an increased number of workers to consume more food if the amount of food available does not increase at the same pace as the sum total of

[1] Malthus, *Essay on Population*, Book IV, Chapter III.

wages. If it increases only proportionally to the number of workers, their increased wages will be no use to them ; if it increases less than proportionally, then notwithstanding the increased wages, the standard of individual satisfaction will fall.

The ratio between mouths and bread cannot be altered by a rise in wages which will be cancelled out by a rise in prices. At any given moment and for a given number of workers employed, ' every rise in the general price level of labour, which is unaccompanied by a change in the quantity of food available, is clearly no better than a nominal rise, for it is sure to be followed very soon by a proportionate rise in the price of food.'[1]

Yet such a rise is none the less dangerous for being useless, for its apparent advantages draw to the cities rural workers, whose migration jeopardises the rate of food production. And it may be the case that great commercial and industrial activity does not make for working class well-being because of deficiency in the ' fund ' of food. With the result that a point is reached at which there has to be a return to the soil.

For a century now it has been a student's exercise, willingly undertaken by the stupidest, to refute Malthus. Although the population of Britain doubled between 1801 and 1851, and doubled again between 1851 and 1911,[2] although the agricultural population fell to a point at which it was no more than seven per cent. of those at work, and although the land under plough steadily contracted,[3] the English people for all that enjoyed a standard of nourishment which was surpassed by that of few peoples. Its three thousand calories per head for every day of the year were a crushing refutation of Malthus.

The reason was that the deficiency in national production was made up by imports. In the space of forty critical years the average corn harvest had fallen by a third, but the contribution from abroad had multiplied ten times over[4] and prices had fallen by five-sixths.

In 1913, that statistical fiction called the ' average Englishman ' was receiving from abroad three hundred pounds of corn. Farmers

[1] *Id.*, Book III, Chapter XIII.

[2] In 1801 : 10,501,000. In 1851 : 20,816,000. In 1911 : 40,831,000. (These are the Census figures for England, Wales and Scotland).

[3] The area covered by cereal crops, viz., wheat, barley, rye and oats, had fallen in 1913 to less than 6,500,000 acres.

[4] The consumption of corn between 1841-1850 was, on the average, 108,000,000 bushels of home-grown corn and 14,000,000 bushels of imported corn. The corresponding figures for 1881-1888 were 70,000,000 and 144,000,000. The average price had fallen from 53s. to 8s. 8d. (See Webb, *Dictionary of Statistics*).

overseas were putting on his table twenty-two pounds of beef, thirteen pounds of mutton, fourteen pounds of bacon and ham, ten pounds of butter, fifty-six eggs, twenty-three pounds of potatoes, eighty-three pounds of sugar, and so on.[1] These purchases, like those of the raw materials needed in the factories, were paid for by the penetration of commercial and industrial activity into overseas markets. How had Malthus come to overlook that?

He had not overlooked it but he had not conceived the possibility of overseas countries yielding so vast an exportable surplus. In his time it was remarked by a well-known citizen of Hamburg that, if a deficit of one-eighth had to be filled in feeding as closely populated a country as France, if, in other words, food had to be found for three million people, 'all the surpluses of grain which every arable country of Europe and Africa could spare would not suffice to satisfy this demand, and all the ships that France could fit out would be unequal to the task of transportation.' The difficulties experienced by England in 1812 show that this expert was not exaggerating as much as we might think. For arable lands to be useful suppliers of corn for export, they had, before the days of locomotives, to be near the sea, or at least accessible to it by a river. Moreover, what was in those days available were not so much true surpluses as feudal tolls levied on the population's needs—needs which could not be compressed indefinitely.

A complete change came over the scene with the exploitation of virgin lands by immigrant populations, soon in possession of the necessary plant, with steamers to ease the sea crossing and locomotives to bring within reach the lands of the interior. From 1840 to 1887, the quantity of grain which crossed the sea rose from 19 to 192 million hundredweight. The problem was now solved and the supply of food had become inexhaustible.

Being fed by the foreigner has everything to be said for it—on two conditions: that there really are large surpluses abroad (before the Second World War four countries were exporting on the average 117 million hundredweight), and, on the other hand, that goods can be sent abroad to pay for these purchases. The second condition needs some elaborating: the purchasing countries need not necessarily export direct to the supplying countries, but there must at least be smooth commercial relations between them, so that the receipts of one may provide for its expenditure in the other without difficulty. When there is a breakdown in these conditions—availability of surpluses, capacity to export, smoothness of multilateral arrangements—then the ideas of Malthus resume their relevance.

[1] *Statistical Abstract of* 1919, Table 41.

It is often so with ideas : they are valid not at all times and in all places but in certain situations and within certain limits.

There followed on the conclusion of the Second World War not so much a contraction of export surpluses in the world as a huge increase of needs. The European Continent (excluding England and Russia) which used to grow 590 million hundredweight of bread grains before the war, now found itself harvesting only 310 millions. It now needed from abroad 156 million hundredweight as against 37 millions!

The competition of the claims which had in humanity's name to be first satisfied diminished the quantities available to England. But another difficulty appeared, and one which may prove more lasting. England is short of the means of making international payments. Compelled to obtain abroad not only food but raw materials necessary for her industries and machines needed by her plant, the amount of foreign exchange which she can allocate to imports of food is strictly limited.

The result is that Malthus's idea of a limited ' fund ' of food is taking on reality. There is available for the people of England at the present time a ' fund ' composed of the food produced at home plus the amount of food abroad which can be bought with the amount of foreign exchange available for that purpose. The well-being of the people is not determined by the quantity of work which can be done in England nor by the sum which can be paid there in wages, but by this limited ' fund ' of food. It can be raised by two phenomena only : either by a steep fall in food prices abroad, or by an increase in the ration of foreign exchange available for purchases of food. Leaving aside the first phenomenon—the one which the English hope and expect but can do nothing about—the only means open to them of enlarging their ' fund ' of food is to increase their supply of foreign exchange to the point at which more of it can be allocated to food. Now this increase in the supply of foreign exchange rests in the hands of that fraction of British man power which works for the export trades. It seems, therefore, that only that fraction of labour is in a position to do anything for the general well-being, a situation which has a certain distant affinity to Malthus's predictions. The affinity is brought about by what may be called a ' polarisation ' of labour ; in the present situation, the well-being of the worker turns, not on the general volume of activity, but on the volume of certain activities—those which bring in foreign exchange.

Malthus had said that a time would come when every investment,

other than in industries which procure subsistence, would be proved incapable of increasing the worker's well-being. At the present time, the industries which bring in foreign exchange are in fact those in which investment must be made, because of their ability to improve the food situation : as with labour, so with investment, polarisation has set in. This pathological condition explains the government's obsession with increasing the labour force in the trades working for export ; the index figure of increase in this force is the determinant of the nation's real standard of life.

Before the war, 990,000 Englishmen were producing for export. At the end of the war there were many fewer ; but, in June 1946, their number was 1,310,000, and, in May 1947, 1,489,000. Their labours, varied though they are, supplement those of the home producers of corn, meat and butter, by bringing in the foreign exchange with which corn, meat and butter can be bought—and not only the food of the body, but raw materials as well, which are the food of the factories. Nor is it only the worker's food—it is also his shirt which is won for him by the labours of the export trades, for it is they who make possible the import from abroad of cotton as well as corn.

That is why post-war England does well to be obsessed by the figures of her exports. It is a success for her that the volume of exports, which in the first quarter following the end of the war (i.e. the third quarter of 1945) stood at half the pre-war volume, has progressively risen to four per cent. above the pre-war level a year later (the third quarter of 1946), and to eleven per cent. above the pre-war level in the succeeding quarter. It is a reverse for her when, as in the first quarter of 1947, the figure settles down at a lower level.

What is at stake is the food of the people and the food of the machines. To win them there must be means of making international payments : therein lies the vital problem which we will now examine more closely.

CHAPTER 14

THE BALANCE OF PAYMENTS CRISIS

Bullionist Mercantilism — *The Classical Economists*
Neo-Mercantilists and Keynesians — *British Balance of Payments*
Disquiet and Criticism — *Several Balances of Payments*

SPEAKING in the House of Commons on the 4th February 1947, Mr. Churchill pressed the government to restrict imports of tobacco with a view to forcing up imports of machinery. His observations led to references to declarations previously made by someone else to the effect that imports of butter were being deliberately sacrificed to imports of iron ore, ' for we prefer guns to butter.' Nobody can be under any illusion as to the essential difference between the two intentions. In the German case, the implication was that the power conferred by the guns would make possible the conquest of the butter ; in the English case, it is that machinery will increase the exports wherewith tobacco can be bought. The sentiments are different, the situations similar. There is in both cases a foreign exchange crisis, with governmental decision as to its use.

The dearth of foreign exchange falls particularly hard on England, where the functioning of industry and the subsistence of the people depend on foreign supplies to a much greater extent than is the case anywhere else. So wide is the variety of raw materials used in modern industry that no country has all of them on its own soil—even the United States has to import some. But Great Britain is remarkable for the disproportion between the needs of her factories and the resources of her island. Not a country of the industrial West but has recourse to purchases abroad to make up its supply of food, but not one of them relies for it on imports to the same extent as England. For instance, before the war England imported seventy-seven per cent. of the corn which she consumed, along with fifty per cent. of the meat and ninety per cent. of the butter.[1]

[1] It has been calculated that home agricultural production in England covered, before the war, only twenty-five per cent. of the nation's food requirements. For Belgium the corresponding figure was fifty-one per cent., for Germany eighty-three per cent. and for France eighty-eight per cent. The information comes from *Institüt fur Konjunkturforschung*, February 1939, quoted in the eleventh report of the Bank of International Settlements.

England was the largest buyer in the world. In 1938, two-fifths of the corn that was traded internationally came to the United Kingdom, and three-quarters of the meat. To the same destination came seventy-eight per cent. of the butter, fifty-three per cent. of the tea, thirty-six per cent. of the dried plums, twenty-eight per cent. of the sugar and twenty-eight per cent. of the tobacco, out of the totals exported by the producing countries. Besides that, England bought forty-seven per cent. of the lead, forty per cent. of the tin ore, thirty-three per cent. of the zinc, thirty-one per cent. of the petrol, twenty-nine per cent. of the wool, twenty-five per cent. of the jute, nineteen per cent. of the cotton, eighteen per cent. of the copper and sixteen per cent. of the iron, that were traded internationally.

This dependence on others was no national weakness, but rather the fruit of a development which was advantageous at one and the same time to England, to the countries whose vital or principal market she was and to international commerce as a whole, to which she acted as the principal stimulus. Even as against the United States, for all their wealth and a population which was more than three times as numerous, she was still the leading buyer in 1928, which was a time of prosperity. The general depression did not deprive her of the position—put her there, indeed, more firmly than before, for now she came to absorb by herself nearly seventeen per cent. of all sales in the international market ; the reason being that her imports, being essential to her very life, were less elastic than those of other countries.

All these purchases were carried out freely by private persons or private enterprises who, up till 1931 at any rate, operated without obstacle or difficulty. Dearth of the means of making international payments was an anxiety to which the country was unaccustomed.

Obsession with the means of making international payments is an old anxiety now revived in a new form. It possessed the minds of public men of every country in the sixteenth and seventeenth centuries. What had been the position in those days ?

The money then in circulation consisted of gold and silver pieces : these pieces, whatever the nominal value which governments might wish to assign to them, had an intrinsic value, which was based on the weight of pure metal embodied in them and made them as acceptable abroad as in their own country, all regulations to the contrary notwithstanding—just as is the case today. The result was that the possessor of national legal tender was also the possessor of international legal tender and could as easily use it in purchases abroad as in purchases at home.

Politicians were haunted by the fear that the export of specie would deplete the means of making payments inside the country and force internal commerce into a decline. And the further anxiety haunted them, that of the monarch being unable to gather the specie he required for hiring his armies at need. For that reason they actively encouraged its entry by giving inducements to the exporting industries. They also took steps to prevent its outgoing, their main weapons for the purpose being two : direct prohibition, which was difficult to enforce because gold pieces were easy to hide—they were smuggled out of Spain, for instance, in bales of wool ; secondly and more important, restrictions imposed on the entry of foreign goods. The measures which we now call ' protectionist,' because at a later date they served to protect the national industries, were at first instituted in the interests of the State with a view to preventing what we now call ' deflation.' The point of departure for the mercantilist doctrines, which in the eighteenth century reached a high pitch of intellectual perfection, was provided by anti-deflationist determination: in France, for instance, there was at that time an office for the Balance of Trade, whose chief, Arnould, had great attention paid to him both before and during the Revolution.

The influence of a new school utterly discredited these doctrines. The so-called ' classical ' economists argued that, if an excess of outgoing precious metals over incoming, due to an excess of incoming goods over outgoing, reduced the legal tender available inside the country, the only result would be a fall in prices, which would make it advantageous to the foreigner to buy in the country ; this would cause entries of precious metal which would correct the previous outgoings and tip the balance in the opposite direction. It was, therefore, useless to take trouble about a balance which adjusted itself automatically.

The essence of this argument has been changed not at all by the elaboration of the idea of ' balance of trade ' (equilibrium between purchases and sales of goods) into that of ' balance of payments ' (general equilibrium between receipts and disbursements of every kind) ; nor by the creation of the fiduciary note issue and the bill of exchange so long as they were based on gold, so long, that is to say, as the holder of a note or a bill could always convert it into gold transferable abroad (convert it, to put it more simply, into foreign notes and drafts on foreign banks). However many times the fiduciary issue and the bill of exchange exceeded in volume the gold and silver coin, it remained true that an efflux of the latter, by reducing proportionately the amount of money circulating at home,

would always produce the same deflationary effect. And the argument holds no less good if the efflux is nullified by a rise in the rate of interest which checks it and encourages an influx : for this is for practical purposes a preventive realisation of the effect (a rise in the value of money), made with a view to rendering superfluous the phenomenon (a diminution in the volume of money) which would cause the rise in value.

English opinion was the more disposed towards the classical economists because, in the nineteenth century, the prodigious development of English industry—the first in the field in both time and importance—the predominant position of British shipping, and the universal recourse to English bankers, brokers and insurers, brought foreign exchange freely into the country. The problem was not to guard against its dearth, but to ensure its intelligent use abroad : therein lay the immense service rendered to the world by the interplay of private interests felicitously combined in the whole which was known as ' the City of London.' All over the world natural resources were fertilised by the efflux—a signal contribution to general economic progress—and the ' neo-classical ' economists are certainly wrong to assert as absolutely as they do that this efflux occurred automatically. We have seen how, when the United States, in their turn, became the beneficiary of the same influx the counters were stacked instead of being put back into the game.

The reserves of less prosperous countries, however, were subject at intervals to sudden hæmorrhages to meet large adverse balances ; and their sudden withdrawal was the cause of cruel deflations. This happened especially in countries which, having but one main article for export, had, in bad years, to face the sudden curtailment of the income which it brought them from abroad. And academic confidence in the curative virtues of deflation did not always stand up to public outcry.

England's deserved intellectual authority in the sphere of economics deprived of all credit the various theories, elaborated here and there under the pressure of hard times, which, whether consciously or not, belonged to the family of the old mercantilism.

But all that was changed in 1931, when England herself underwent a hæmorrhage which led her to the same remedies, namely, devaluation and restriction of imports by the protectionist measures which had always been criticised elsewhere. Concern for the balance of payments showed its head again and received its theoretical justification from Keynes, who declared in favour of the mercantilists.

His great novelty was the proposition that, inside its own territory, a government both can and should prevent periods of economic depression which had till then alternated with periods of feverish activity—that it both can and should realise the conditions of a continual boom. But to this end control was needed both of the money in circulation and of the rate of interest—the one must be kept high and the other low. It could not henceforward be tolerated that a deficiency in the balance of foreign payments should bring about, by an efflux of specie, a restriction of the money circulating inside the country, or that the classical prophylactic of a rise in the rate of interest should bring to nought the planned purpose of keeping money cheap.

He made respectable, in the name of the doctrine of full employment, the preoccupation of the mercantilists.[1] He carried it into the inter-allied discussions on post-war policy which took place during the war. As the mechanism agreed on at Bretton Woods has still to be tried out in practice, this particular result of Keynesian doctrine is much less important than the doctrine's influence over British opinion. In any case, ideas were not needed to turn England mercantilist : the facts were enough.

Consider the course of events. Before the first World War, the sales of British goods covered about seventy-five per cent. of her purchases abroad, with the result that, after allowance for the earnings of shipping, receipts for financial services, and, above all, income from foreign investments, there remained a balance of receipts which made possible large exportations of capital. Before the Second World War, on the other hand, the sales of British goods covered no more than fifty-five per cent. of her purchases abroad ; the earnings of shipping covered twelve per cent., receipts for financial services four per cent., income from foreign investments twenty-three point four per cent.[2] Various other negligible sources did not suffice to fill entirely a deficit which made it no longer possible for England to play her old part of a capitalist making world-wide investments : there was rather a tendency to liquidate British property overseas.

Then came the War, which absorbed increasingly the national man-power and resources ; and commercial exports fell. This made necessary increasing recourse to the good offices of the foreigner : so much so that exports covered at first no more than one-third of

[1] Cf. J. M. Keynes, *The General Theory of Employment* (Chapter 23 : Notes on Mercantilism).

[2] Cf. *Statistical material presented during the Washington Negotiations*, December 1945, Cmd. 6707.

imports, later, in 1943, one-fifth, and later still, in 1944, one-sixth. This was a situation which, according to orthodox ideas and practice, could not arise, for the deficit in the balance should have cleaned out the country's reserves and caused a drastic devaluation of its currency. In fact, by the end of 1940, England had lost her reserve of gold coin and bullion (along with her 'hard' securities): from a total of 605 million pounds on the 31st August, 1939, they had fallen to seventy-four millions on the 31st December, 1940.[1] But, so far from their being any proportionate reduction in the means of payment, these were inflated as was necessary if the State was to continue to buy and activity to develop. Means of payment, moreover, had now come to mean merely the means of making internal payments; they had lost all convertibility into means of making international payments. And what remained to private citizens of means of making payments abroad, such as deposits or accounts in foreign countries, or foreign bonds, were requisitioned by the State, which concentrated in its own hands all purchasing power abroad and gave in exchange purely internal purchasing power. To effect its payments, the State liquidated an important part of the investments made all over the world by private individuals for a whole century. These liquidations were estimated at one milliard 118 million pounds.[2] But they were far from being sufficient to cover the needs of England at war.

Then President Roosevelt intervened with the Lease-Lend Act which allowed England, as from the 11th March 1941, to draw without limit on American wealth. According to American calculations the British Empire received not less than thirty-one milliard dollars worth of goods and services under Lend-Lease, in return for which it provided nearly eight milliard dollars worth of goods and services to the United States. There was no question of the British Empire repaying some twenty-three milliards of dollars, least of all of Great Britain repaying her share of this total. This generosity was implicit in the agreement concluded, which aimed not only at sustaining the admirable British war effort but also at avoiding the discussions on 'inter-allied debts' which weighed so heavily on international relations after Versailles. Canada showed herself no less generous. These two great countries were not, however, the only ones with which Great Britain incurred obligations in the course of the war. Her purchases in other countries, among which India and Egypt occupied a leading place, had the effect of accumulating in favour of those countries sterling balances : it was agreed that these

[1] Cmd. 6707.
[2] Id.

should for the time being remain blocked, but with the understanding that they would one day have to be the subject of negotiations. Their total was not less than three-and-a-half milliards of pounds.[1]

Foreign aid during the war, American aid especially, not only gave England the sinews to continue the fight but also the means of keeping alive. Her civilian imports alone, leaving aside her vast imports of war-like stores, amounted in 1944 to four-and-a-half times the value of her exports : although the volume of exports did not reach one-third of their pre-war volume, it was possible to maintain civilian imports at four-fifths of their pre-war volume. As no statistics had been published, public opinion could not gauge the vast extent of the aid received, and it may be remarked in passing that it was this ignorance which engendered the fallacious idea that, once mobilised, the national economy had been able to do everything at once—a dangerous illusion which was in time to be used to justify the belief that it was possible to do everything at once in time of peace.

Aware of the true situation, however, the men in power knew quite well that, as soon as the war was over, the country would have once more to cover its purchases abroad by its own efforts. In his inaugural speech as Prime Minister on the 16th August, 1945, Mr. Attlee stressed the fact that the country was living on Lend-Lease, on the economic help exchanged between the countries of the Empire, and on sterling indebtedness. ' It is,' he said, ' a situation which cannot go on indefinitely. Sooner or later we shall have to face up to the reality that we shall be unable to go on importing more than we pay for by means of our goods and services. For that reason we shall apply ourselves resolutely to increasing our exports.'

The truth must be admitted that this point occupied only an inconspicuous place in his speech of that date, which was in the main devoted to the structural reforms now to be introduced by socialism. But in the space of a week the sudden stoppage of Lend-Lease was to make it a burning point. Eight days later Mr. Attlee came down to tell the House of Mr. Truman's decision that, with victory won, the facilities extended with a view to its winning would no longer be maintained. And at one blow England found herself up against what was to be her great post-war problem—how to ensure payment for her purchases abroad. In giving news of the stoppage of Lend-Lease, the Prime Minister showed real emotion : he painted in the darkest

[1] Estimate as at March, 1946. India alone accounted for 1,217 millions of the total, Egypt and the Sudan for 470 millions, Australia for 178 millions, Eire for 191 millions, Argentine for 130 millions, etc.

colours the immediate situation confronting England. But reassurance soon came with the prospect of American credits to parry the immediate difficulty.

The real question was, however, whether the situation was not more than a passing one. The deficiency in means of payment was not only transitory, but was a symptom of a deep disequilibrium in international payments, due to the changes wrought by the war in Britain's economic resources. The invisible resources which had formerly balanced the commercial deficit had melted away, and much more than in the past would it be necessary in the future for exports to compensate imports. The mercantilist objectives became the order of the day.

The mind of everyone—politicians, economists and even the general public—took at that point a mercantilist direction.

If pounds were allowed to be used at will in making purchases anywhere, the result would be that the enormous foreign balances, to which would now be added the vast outpourings of English buyers of foreign goods, would be without a counterweight in the shape of an equivalent demand for pounds : the pound would crash and property situated in England could then pass cheaply into foreign hands. That being inconceivable to everyone, the necessity was recognised of concentrating all means of making international payments in the hands of the State, which took over those won by the exporters, whom it deprived of their dollars and pesos and compensated in pounds : the dollars and pesos it then doled out, as seemed good to it, to importers, in exchange for their pounds.

The arrival at its logical conclusion of a process which began in 1914 was accepted with philosophy. Before the first war, a private individual had in his hands a means of making international payments, in the shape of gold pieces. He had, moreover, acquired the habit of using in preference the note : this he could always convert into gold and it was thus equivalent to a means of making international payments. In 1914 he returned his gold to store and has never seen it again. But after that war his note again became convertible. With the second World War it ceased to be so. The means of making international payments are now accorded him at the discretion of the State and this accord represents a favour. He is confined to the economic barracks of the country. And foreign goods and services find entry within these barracks only so far as the State consents to use on them the means of making international payments, of which it holds the monopoly and is also very short.

But by a crowning mercy the United States and Canada found the

necessary dollars. After long negotiations, in which Lord Keynes played a prominent part, the United States concluded with the United Kingdom a financial agreement published on the 6th December 1945. The essential point of the agreement was the opening by the United States of a credit of 3,750 million dollars. At the same time the Lease-Lend debt was, as had been expected, wiped out, and only supplies furnished subsequently to the end of hostilities, along with abandoned stocks and installations, were charged up to England : even for them no immediate payment was required but a supplementary credit, representing their value, was opened. The total of England's future indebtedness now amounted to 4,400 million dollars, but payments of interest would not fall due before 1951. She obtained at once 3,750 million dollars wherewith to secure her imports either from the United States or from other countries which required payment in dollars.

The Canadian credit, which was extraordinarily large for a country of Canada's small population, added to the American dollars a net sum of 1,100 million Canadian dollars (or £273 millions).

In this way England was accorded a respite, a time in which to bring her balance of payments back into equilibrium, and it was at that time estimated by Mr. Dalton, the Chancellor of the Exchequer, that the credit would cover British dollar requirements up to 1950.

The financial terms attaching to the American credit were generous, but the agreement contained also conditions relating to economic and financial policy. One of them was England's adherence to the Bretton Woods agreement, which meant that she would be unable to modify the sterling rate of exchange without prior consultation with and the consent of an international organisation. Another was the England must make no *discrimination* in her trading operations, which meant that, if she should impose a restriction on the importation of a particular product, she must make the restriction apply to all imports of it without regard to their country of origin, and must not apply it to those from one country or from one group of countries, leaving those from another country or from another group of countries untouched. Yet a third was that, as from the 15th July, 1947, the pound was to be *convertible*, that is to say that England must thereafter offer in payment to her creditors pounds or dollars indifferently. These measures would, in the American view, assure the return to *multilateral trading*, and prevent the United Kingdom from practising the restrictive policy embodied in the formula ' I buy from who buys from me,' and from organising the countries of the sterling group in a half-closed *bloc*. Without convertibility, every development by the countries of the Empire of their sales to England

would, by bringing them in pounds, be bound to develop the scale of their purchases there. With convertibility, they would be able to demand dollars and buy in the United States.

These conditions, which were conceived with the laudable intention of freeing the channels of international trade at the earliest possible moment, encountered Conservative criticism in the House : it was said that they threw overboard the possibility of organising all the parts of the British Commonwealth in an economic whole, the different elements of which would exchange preferences on a reciprocal basis. They prepared the way for the destruction of the sterling bloc—that vast area throughout which the English pound was the international currency. Opposition showed itself in the Labour ranks as well, where the doctrine of full employment had implanted a dislike of free international trading.

These fears, however, were all for the future. What mattered in December 1945, was to use to good purpose the time accorded by the credits obtained for bringing the British balance of trade back into equilibrium.

Since 1945, the proclaimed object of Labour's commercial policy has been to secure equilibrium in the balance of payments and restore the trading balance. And its harbinger has been Sir Stafford Cripps, who has indefatigably expounded this vital need. What results have been obtained ?

Naturally, all imports of munitions, the need for which ended with the war, were left out of the reckoning. Though in 1944 they had by themselves exceeded in value the total imports of pre-war days, they had practically fallen to zero by the end of 1945, so that only civilian imports needed now to be considered. In 1944, these last exceeded in value by as much as forty per cent. the imports of pre-war days. That is not to say, however, that they were greater in volume, which would have made the task of their restriction easier. In volume they were less by one-fifth than in 1938—it is the rise in prices that accounts for the difference.

The reduction of civilian imports had begun even before the end of the war, under Mr. Churchill's government. From seventy-nine per cent. of their pre-war volume in the last quarter of 1944 they had fallen to sixty-one per cent. in the third quarter of 1945, the quarter in which both the change of government and the transition from war to peace occurred. In the last quarter of 1945 they fell to fifty-one per cent.—a level which was too low for the life of the nation—as the result of the difficulty of finding goods to buy and of the dearth of purchasing power in the interval between the stoppage

of Lend-Lease and the start of the American credits. In 1946 the level rose progressively from quarter to quarter, from sixty-three per cent. to sixty-eight per cent., seventy per cent. to seventy-two per cent. of the pre-war volume. The average figure for the whole of 1946 was sixty-nine per cent. of the pre-war volume.

So much for imports, which are, clearly, not as susceptible of restriction as are exports of expansion. In the third quarter of 1944 exports had fallen to as low as a quarter of their pre-war volume. From then on they started to recover, and in the quarter which saw the change of government and the transition from war to peace, the third quarter of 1945, they rose to forty-six point four per cent. of their pre-war volume. Since then they recovered steadily and in the third quarter of 1946 exceeded the pre-war volume ; the excess, which was one of four per cent., went further in the last quarter of 1946, when it became one of eleven per cent. Exports for the whole year came to within one per cent. of equalling their pre-war volume, and covered eighty per cent. of the cost of imports. This result, excellent in itself, seemed to foreshadow better results still, for the tendency of exports is to continuous growth. For that reason it did not seem presumptuous to set as a target for 1947 an excess of forty per cent. over the 1938 level. Good progress was being made towards the final target (set by Sir Stafford Cripps) which was a level of exports seventy-five per cent. in excess of that of pre-war.

As to the other elements in the balance of payment, that of shipping receipts (at 150 millions) had now to have set against them expenses of a like nature which were nearly equal in amount (at 140 millions). It appeared, however, that there had been some exaggeration of the extent to which British overseas wealth had been liquidated. Liquidating investments is one thing, and that course had been followed to a smaller extent than had been supposed ; borrowing, without disposing of investments, is another—when that is done, it is possible thanks to the difference between rates of profit and rates of interest, to pocket more than is spent, even though capital liabilities look larger than capital assets. That is what had happened, and England was in receipt of 150 millions as against the 70 which she had to pay out.

The incomings, at the total of 1,262 millions, would have been only about 100 millions below outgoings, were it not for the fact that England's political obligations—the maintenance of armed forces overseas and responsibilities assumed in Germany and elsewhere—added some 300 millions to the latter. So that in effect there was a deficit of 400 millions. This justified optimism as regards the future, and optimism coloured the forecasts which were prepared

between October and December 1946, and presented to Parliament at the end of February 1947. Political expenses overseas, it was said, would be reduced from 300 millions to 175. The volume of imports would go up from seventy per cent. to eighty or eighty-five per cent. of the pre-war level, since the country's activity made it necessary, and these, allowing for the rise in prices, would cost 1,450 millions as against 1,110 in 1946. But the rise in exports would, it was believed, cover this increase. The figure of a forty per cent. rise in exports over 1946 received no explanation. It may be that at first the figure was intended to apply to exports over the whole year. But in the hour of disillusionment it was to be explained that it had never been hoped to reach, before the last quarter of the year, a level in excess of forty per cent. over the 1938 level.

These plans, published as the *Economic Survey for* 1947, were to enjoy a colossal sale, which testified to the British people's desire to understand their position and their chances. The document was, unfortunately, to coincide with the great breakdown of power which paralysed the country for several days and was, as it were, the first warning against excessive optimism and the first setback in an advance which had had its extent overplayed. Even before this mishap, disquiet and criticism had shown its head.

True enough the volume of exports for the last quarter of 1946 was twelve per cent. above the 1938 level, and for the year as a whole reached the 1938 level. But, it was asked, would it be possible to reach Sir Stafford Cripp's target of a volume of seventy-five per cent. above the 1938 level ? The more progress was made along this road, the harder it became to pass each milestone. More man-power, more coal, more raw materials, and more allocation of machinery to the export trades—all were needed. It had been calculated that there would have to be 1,650,000 to 1,700,000 men working for export for the desired level of seventy-five per cent. above pre-war to be reached. It appeared, however, that this was an over-simplification : with nearly 1,500,000 already available, the anticipated results did not mature. And the situation as regards man-power was becoming strained. With every industry short of it, and clamouring for it, it became a bone of contention ; the workman had become a rarity, for the percentage of manual labour in the British male population had fallen by eleven per cent. between 1931 and 1946. For this decline the opportunities of bettering their condition, given to the young both before the war and still more during it, furnished a ready explanation. Nor to all appearances was the man-power of today giving the output of former days.

On top of these difficulties was piled the dramatic scarcity of coal—a scarcity which the government had been unable to prevent, or even to foresee, before the crisis of 1947, and which it only countered by drastic and unmethodical cuts. But, it was said, low productivity could be corrected by the modernisation of plant, and therefore there had to be purchases of the most up-to-date machinery. It was here that Mr. Churchill's criticism was relevant. He expressed astonishment that nearly one-third of the purchases made in the United States during the second half of 1946 should have been tobacco : purchases of tobacco made up thirty-two per cent. of the total, and purchases of machinery five per cent. In this way the precious dollars were going up in smoke and contributing nothing to the modernisation of the English economy.

The rhythm of consumption of the dollars lent by the United States was admitted to be alarming. On the 2nd February 1947, the American Treasury announced that it had put at the disposal of its British confrere a further 200 million dollars, making a total of 800 million out of a credit of 3,750. It was then foreseen that the credit, instead of lasting up to 1950, might well be exhausted by the end of 1948. So much the greater was the need for haste in reaching equilibrium, and that made it essential that the money should be spent rather on durable equipment than on fugitive pleasures. But already the pleasures of the English had suffered a sad cut. Where was this penitential process to stop ? The Chancellor of the Exchequer, Mr. Dalton, excused himself for the rate at which dollars were melting away by passing the responsibility to Mr. Bevin. ' I am being asked continuously,' said he jocularly at Newcastle, ' to put my hand in your pockets either to feed the Germans or to help the Greeks or to support some new refugee organisation or for heaven knows what!' He might have added the cost of Palestine. All these external commitments required in practice the expenditure of means of making international payments. In this way the satisfaction of the needs of the English consumer had competitors not only in the vital need of equipping the country's industries but also the exigencies of her foreign policy. The tally of foreign exchange soon made it clear that governing the people consisted in choosing for it. Never before had the government been so completely the master of the people's faculty of choice. It made it its business to choose between admitting American films or feeding German children, between more cigarettes or more machinery, between more meat or more international precautions.

Thus, notwithstanding the good results of 1946, it was apparent

at the start of 1947 that it would be difficult to achieve equilibrium in the balance of payments. At the same time a complication came into view which had been suspected at first only by the more far-sighted. The problem had been conceived as one only of balancing England's trade with the 'rest of the world'—a hard enough task but one which could be accomplished by forcing up the outflow of British goods and services without regard to their destination. This presentation of the problem, however, no longer held good in a world of diseased currencies, in which the channels of commercial circulation were no longer clear.

For a whole century, England had always bought from the United States more than she sold there. Her commercial balance with that country had always been on the wrong side. Since a more recent date, which cannot be fixed exactly, the income from English investments in the United States and the invisible services rendered by England to the United States had not filled this gap, with the result that England's balance of payments *vis-à-vis* the United States had been on the wrong side. In 1928 this deficit reached a figure of nearly 440 million dollars. For all that, the deficit troubled nobody and was ignored ; it was good enough for practical purposes that England's balance of payments *vis-à-vis* other countries should be on the right side, and there would then be no difficulty in getting the necessary means of payment.

In just the same way, we do not, as private individuals, worry about incurring debts with some people if at the same time we are the creditors of others, for we are then assured of our ability to apply our credits to the extinction of our debts—and this we do continuously. But the only reason that we are able to do it is that we are paid by those who buy from us in the same money as that in which our creditors are paid by us. The arrangement ceases to work if we have, for instance, some bills to pay and our only credits consist of purchase tokens on one particular shop. And if our creditor himself stocks and finances this shop, he may well have no wish to make a store of these particular tokens. In that case, even though our overall balance of payments wears a deceptive air of equilibrium, we find ourselves for all that unable to pay our tradespeople.

That, very roughly, is England's position after the war. Not only, as was to be expected, does the sum of her orders to all her tradespeople regularly exceed the sum of the credits which she gets from all her customers, but in addition not all these credits are available to pay all the bills. For instance, if on the same day England gives an order in the United States for mining equipment worth £100,

making 400 dollars, and sends electrical generators worth £80 to France, she will not by so doing secure 320 dollars which she can use in paying America—she will get nothing but francs which are purchase tokens on the shop called France.

This non-convertibility of currencies mirrors the post-war economic situation. On the one hand, the American continent, in full production, is glutted with goods. And it is to that quarter that England goes for nearly one-half her purchases. On the other lies Europe, desolated by war, and with its production picking up but slowly. In it are customers greedy to buy British goods but unable to supply dollars in return, since they themselves are taking much more goods from America than they send there. For that reason England can reckon only on what she sells in America for the means to pay for her purchases there, and cannot, with American industry competing with her, place in the New World more than some seventeen per cent. of her sales. It follows from this that an enormous development of her sales to Europe, while it would be perfectly feasible, would not give her even partially the means of meeting her deficit *vis-à-vis* the American continent—a deficit put at about £420 million for 1946 and which, for the first quarter only of 1947, was to amount to £278 million.

Looking at the matter more closely, we find that, for commercial purposes, the ' rest of the world ' falls into three main groups : the countries with ' hard ' currencies, which claim as vendors and provide as buyers dollars or currencies convertible into dollars—these are the countries of the New World and those countries in Europe—Sweden, Switzerland and Portugal—which were neutral in the war. Alone among them Switzerland and Portugal have a trading balance with England which is favourable to her : this makes them interesting customers. At the other extreme are the countries with ' soft,' inconvertible currencies—greedy customers these but lacking a currency to pay in for which there is demand.

Between the two lie the countries of the sterling bloc, by whom the pound sterling is accepted as a means of international settlement : these are the Dominions (except Canada and Newfoundland), the countries of the Empire, and some few foreign countries. They play a big part in supplying Britain with her imports, of which they assure her one-third, and are considerable customers of hers, seeing that they take more than forty-eight per cent. of British exports. Although the proportion of British exports coming to them is larger than the proportion of her imports which they supply, their sales to England are slightly in excess of their purchases from her : this is readily explained by the fact that the total of her exports is less than the

total of her imports. But the commercial deficit with these countries, though it came to fifteen million pounds for a half-year, causes no embarrassment. Sterling credits are merely accumulated in London on Australian or New Zealand account.

That is the situation ; it is one which makes it a matter of the highest importance to England in which direction she chooses to develop her trade. It is true in substance to say that there are three balances of payments to be brought into equilibrium. There is the balance with the ' hard ' currency countries—in essence the countries of the American continent and more particularly the United States. Imports from these sources must be restricted and exports with them as the destination must be increased. There is the balance with the ' soft ' currency countries. Here, there is no point in increasing sales to them unless they can pay in goods which take the place of goods required from the American continent. But which among them can supply the raw materials and food which are above all else necessary ? Those which are, structurally speaking, dedicated to this office are the countries of Eastern Europe, which are now behind the iron curtain. If only Russia, in particular, would resume her old part as an exporter of grain on a large scale! By taking in exchange British industrial products, she would effect an economy of dollars which would be most welcome. Unfortunately, ever since the Bolshevik revolution, she has no longer been the exporter of corn which she was formerly. However, negotiations, so far abortive, are going on with her.[1]

Lastly, there are the countries of the sterling bloc. It was inevitable that, sooner or later, the British government would, for reasons of monetary convenience, return to the Conservative idea of developing commercial relations with the Dominions and Empire. Between these countries and England, matters are arranged as if there was still an international currency, for the pound plays that part. But it is a difficult matter to give a preference to goods from the Empire over goods from the continent for a country which is bound by the non-discrimination clause included in the financial agreement with the United States. This clause forbids the importation of tobacco (paid for in pounds) from Rhodesia in preference to tobacco (paid for in dollars) from Virginia, if the change-over requires the imposition of a tariff against the American grower which would not hit the South African. The conditions of the loan, which were expressly directed to restoring multilateral trade and freeing the circulatory system of international commerce, are here found vexatious. That system is, on a broad view, superior to an eclectic sort of trading,

[1] They have, since this book was written, resulted in a modest agreement.

but it imposes this condition for its functioning, that everyone everywhere must conform to economic laws—a thing which nobody is prepared to do.

In the first six months of 1947 the loan dollars were to be consumed at an accelerated pace, corresponding to the growth in the deficit of a particular balance rather than in the deficit of the overall balance. We shall see the sequel.

CHAPTER 15

THE DRAMA OF COAL

Coal and Power *The General Strike, and after* *Dearth of Miners*
Absenteeism *Age of the Mines* *The Miners' Leaders*
The Coal Board

'IN this harsh climate the poor burn stones to keep themselves warm'—such was the astonished comment of Italian visitors to England in the fourteenth and fifteenth centuries. 'A kind of black stone——!' Aeneas Sylvius, afterwards Pius II, denoted it. Because it 'gives out an unbearable smell and poisons the surrounding air,' King Edward I, in 1307, forbade the use of it in his capital. But to no purpose : the poor still gathered black stone, and it was even bought and sold. Elizabeth, who detested smoke, was once infected with it by a brewer and a dyer, who were using the black stone in their furnaces. The industrial use of coal had begun.

Like the whole of England's economic evolution, the phenomenon was hastened by the rape of the monasteries at the hands of Henry VIII and his acolyte, Thomas Cromwell. The great abbatial forests passed into the hands of the State—became, in other words, the prey of speculators. Such a massacre of woodlands was it that in the following century the price of firewood jumped eight-fold, which much encouraged the use of coal. Smoke now rose to the skies in place of hymns and chants—*opus diaboli* had succeeded *opus dei.*

It became progressively clearer that the English soil was chock-full of coal. At the beginning of the nineteenth century, George Stephenson, who was to multiply a hundredfold the use of black stone, declared that henceforward the seat of the Lord Chancellor should be not a woolsack, symbol of the national wealth in former days, but a sack of coal, symbol of the new source of riches. Students of the liberal century taught that England's unique position was due to her coal. The steam engine, which supplanted or complemented human or animal energy, was fed by coal. It provided the motive power of factories and the tractor power of locomotives and steamships. And England drew it in increasing quantities from her inexhaustible soil, for use not only by herself but by the entire world. The stocks of coal scattered along the seaways of the world for the coaling of steamships

came from Newcastle or Cardiff. The English ships which sailed to bring back corn from overseas were loaded with coal on their setting out—and the coal paid for the corn. On the eve of the First World War, imports of corn were being paid for by exports of coal.

Every development of technique has increased the use of coal. Did the new metallurgy require coke ? Coal supplied it. Was gas-lighting introduced into cities ? The gas was produced from coal : in about 1870, the gas works were taking some five point four million tons of it. The function of these gas works today is less to give light than to give heat, and they need twenty million tons a year. Electricity has, in England, been generated almost exclusively by means of coal : five million tons in 1913, nearly twenty-five millions now. It has been discovered that oils and essences similar to those to be got from petroleum can be drawn from coal. Better still, from being a fuel and a source of power, coal has been transformed into a raw material. It is the basis of most of the ersatz raw materials which are made synthetically.

Happy then the country which is richly dowered with black stone !

And yet, for a whole twenty years now, I have, on each of my visits to England, found the country in a state of alarm about its coal position ! The reason, in the inter-war period, was that there was too much. The reason now is that there is not enough.

The development of coal production proceeded, up till the First World War, so uninterruptedly that the three or four years which showed a decline on the preceding year were regarded as fortuitous exceptions. The year 1913 saw the record total, which has never been repeated, of 287 million tons. Out of this total ninety-eight millions were loaded on ships either for their own fuelling or for export. Even after providing for her own needs on an ample scale, England still supplied one-tenth of the coal consumed in the rest of the world.

The industry's history after the First World War is marked by diminished prosperity, extraordinary agitation and a dependence on political happenings both at home and abroad. Up till the 1st April 1921, the collieries remained subject to a war-time State organisation: this organisation made a bad blunder. It fixed the prices for the home market too low and then as the State was liable for the losses which would be incurred by the collieries, encouraged fantastic prices in the foreign market ; advantage was taken of the ' coal famine ' which then beset Europe. The c.i.f. price of coal is naturally higher than the pithead price. But the difference between the two had been

reduced steadily from the sixty to seventy per cent. which ruled in the 'eighties to forty per cent. and even less ; it rose again to seventy-three per cent. in 1919 and to 131 per cent. in 1920. The desperate appeals of European Cabinets were answered with quotations which were sometimes ten times higher than before the war. The exports for 1920 fetched an average price of 79s. 11d. as against 13s. 10d. in 1913. There ensued a general desire to dispense as far as possible with British coal.

While this was happening, the miners were in a state of unrest (with their leaders demanding nationalisation) and they were given the seven-hour day. It was thus under difficult conditions that the mine-owners resumed control : output per man had fallen from 243 tons a year in 1913 to 217 tons in 1922, and 1,200,000 miners were winning less coal than 1,100,000 had won pre-war—at a moment when foreign customers were ill-disposed. The situation was restored by a sharp reduction in sale-prices : and the difference between prices in the home and foreign markets was brought down to about twenty per cent., the lowest it had ever been. M. Poincaré, too, came providentially to the rescue by occupying the Ruhr, thereby paralysing this famous coalfield, whatever the French Press may have pretended at the time. In that year (1923) the English pits got back to their pre-war export figure of ninety-eight million tons and, at 276 millions, approached their old total of 287 million tons. The boom was not to last. Not only was the Ruhr evacuated, but, in addition, the coal of Silesia, which Germany had decided henceforward to refuse, was thrown on to the Baltic market by the Poles.

With prices continuing to fall, nearly all the pits lost money and asserted their inability to go on paying current wages : and to prevent them cutting the stipulated minimum wages, the government had to give them a subsidy. There was new talk of nationalisation, and miners and owners were thrown into even sharper opposition. It was to issue in a strike, which, since the Trade Unions backed it with all their strength, became a General Strike, starting on the 4th May 1926. It quickly petered out. But the miners, who are made of stern and stubborn stuff, only gave in little by little. The employers won. Would the industry, which was henceforward to work on their conditions, recover its prosperity? It employed fewer people, manpower having fallen below the million mark. It was working on much lower prices, exports seemed likely to settle down at a total of about seventy million tons, or thirty millions fewer than in pre-war days, and total production fell to 250 millions. Was this a stable regime ? Far from it, for soon there came the Great Depression. Exports fell

to 50 millions, production to about 210 millions, and manpower to 700,000.

That meant that within a few years 400,000 workers had left the industry ! And, since the livelihood of mining towns turns entirely on coal, they became, to the visitor's eye, communities stricken with idleness and misery. Such a visitor was I in 1934. I went down to Wales, which provides nearly forty per cent. of British coal exports. It is a wide, bushy plateau, studded with little tarns, which does not at first reveal to the eye the deep faults in it : these last are the mining valleys. They are green to look on, and there are none of the great slag-heaps, representing the accumulations of centuries, which rise in Northern France like black giants, though covered with a greenish and often cultivable down. Here the mining villages run, not in straight lines, but in curves, as though streams of vehicles had become fossilised while making a spiral descent.

The town in which I stopped, Pontypridd, numbered 10,000 able-bodied workers, 6,500 of whom were unemployed. They could be seen walking aimlessly and silently, or seated on the steps of their houses looking about them. It was hard work to get them to talk. They did not care to admit how long they had been out of work and it was, for half of them, four years ! The only ones to escape from this state of lethargy were those whom a Quaker household, the Nobles, had collected to make up a working community—a small, autarchic centre, which produced boots, clothes, furniture and vegetables. Clumsily and with tools of the most primitive, as though some primitive tribe had come again into the heart of industrial civilisation, these men got themselves a few commodities by mutual trading, and above all saved themselves from despair.

In London the talk in all parties was of ' the depressed areas.' New industries needed to be established in them—but that proved hard to do. The surplus of inhabitants must be induced to come away—but men have an attachment to the soil and it was only the younger generation which, little by little, escaped. I still seem to hear the old man who said to me, ' We were forced, in 1926, to work longer hours for less pay—then everything was to be all right. Well, that has not proved true. Now nobody wants us. As for myself, I am too old to leave. But my young son will not go down the mine.' He has not gone down. He has gone off to the London area where new factories go up endlessly. All along the great roads that radiate out of the city, and especially along the Great West Road, new industries engaged in cosmetics, perfumes and chemical preparations were beckoning to young workmen. No going underground, and none of the draughts and dripping water that make up the climate of the mine.

Out of 1,200,000 miners in 1922 only 760,000 remained in 1939. This number would, it was thought, suffice; they won the 230 million tons available, of which 47 millions were for sale abroad. But today, with fewer than 800,000 miners, production, which is running at a rate of 175 million tons a year, is insufficient for the country's own needs and makes any export impossible.[1]

Shortage of coal is the pernicious anæmia which could hold up England's recovery. It is the obsession of every responsible man. Mr. Horner, who is a Communist, echoes Mr. Churchill's cry of alarm.

Let us examine the position. It is to be noted first of all that if, as in days before the First World War, British pits could produce for export more than ninety million tons, or even the fifty million tons produced before the Second World War, the problem of the balance of payments would, by this one fact alone, be much less disturbing : were this amount of foreign exchange available—so valuable today —imports could be increased and the national dietary correspondingly improved. The time when sales of coal can pay for purchases of food is, alas, in the distant future. There is no question now of supplying the foreigner. It would be step enough to supply the country's needs —and that is not being done.

The coal required by the pits themselves, either for their own working or for the ' free coal ' traditionally given to the miners, amounts to fifteen million tons. The railways take another fifteen millions, the coke-ovens twenty, the gas works twenty-one and the electric power stations twenty-three point five. Industry takes forty-five million and thirteen are needed for the public services and to supply Northern Ireland. For the heating of houses and offices the merchants sell, as a general rule, forty million tons to private persons and businesses. All this adds up to 192.5 million tons. And we have still omitted to bunker the steamships—an omission which would be impossible for an Englishman ; even though the ships take on bunker coal of foreign origin for their return voyages, they need all the same a minimum of three million tons. More than 195 million tons are seen, therefore, to be essential, and that figure requires a weekly production of 3,800,000 tons. Whereas, from October 1945, to September 1946, a weekly average of only 3,400,000 tons was produced, leaving a gap of twenty-one million tons, which it has been sought to fill by means of open-cast workings yielding eight point five million a year of very bad fuel at great cost.

This shortfall of production depletes stocks, with the result that the period of highest consumption, the winter, has to be faced

[1] It is notable that a million men left heavy industry and that number went to swell the ranks of the distributive trades.

with stocks lower than they have ever been before : therein lies danger of a crisis at the winter's end. What does the word ' crisis ' mean in this connection ? Some Members of Parliament talk as if it was a sudden and total failure of fuel, but we Europeans know well that matters do not go like that. Rather it means restrictions on the consumption of gas and electricity and on deliveries of coal to private customers. It brings short time in certain industries and cancellation of trains.

Since nothing must be allowed to slow down productive activity at a time when England is struggling to recover her position as a great exporting country, it is on the people that the privations must fall, drastic though it is to deprive the under-nourished of warmth as well. Already deliveries to the private consumer had fallen from a weekly average of 880,000 tons in 1940 to 738,000 in 1943 and to 600,000 during the year to October, 1946. For the most part, however, the English are still left with the comfort of central heating and hot water. Will the Socialist Government take that from them too ? On that point Mr. Shinwell showed an understandable hesitation. But it would be a serious thing if the necessary rhythm of productive activity were to be suddenly slowed down for failure to impose necessary restrictions. All official calculations would then be upset.[1]

Unhappily, the situation in the mines, so far from improving, deteriorated. What was the reason ? It was, as was said on every side but especially in right-wing circles, the shortage of working miners. The fact was clear enough. The number working had fallen below 700,000, and this inadequate figure was made worse by absenteeism. The percentage of miners staying away from work rose from an average of six point four per cent. in 1938 to sixteen point three per cent. in 1945. Among the essential workers at the face, there was in the winter of 1945-46 a regular percentage of twenty to twenty-two per cent. of absentees, more than half of whom gave no reason good or bad. It was said in Conservative circles that discipline in the pits must be restored. Fewer effectives and increased absenteeism were two phenomena which, though their consequences were cumulative, sprang from quite distinct causes.

Since their terrible experiences in the 'thirties, parents had diverted their children from an occupation which had always been hard and was now precarious. They had only done their parental duty, but it explained the fall in the number of miners. In 1931 there were 112,000 miners between the ages of twenty-six and thirty : in 1945 there were

[1] As described later on, this crisis actually came in March 1947.

only 52,000 between those ages. They belonged to the generation which was of an age to make its first descent during the years of mass unemployment : the majority did not go down. And in subsequent years young men continued to keep away. In comparison with 1931 there was in 1945 a shortage of 141,000 workers, and, if regard is had to miners between the ages of fourteen and thirty, we find that in 1931 they numbered 374,000 and in 1945 235,000 only, or a difference of 139,000. Slow rate of entry into the mines is thus the complete explanation of loss of manpower. The loss is only the graver for that. Replacement of old miners who go out is inadequate ; the problem is one of depopulation. Now depopulation in an industry breeds absenteeism. Why should a miner take the trouble to attend regularly when he knows that he is irreplaceable and therefore safe from dismissal ? The question raises problems of the greatest importance.

It is perfectly understandable that the assiduity of a miner who is undernourished, and therefore in need of more rest, should leave something to be desired, especially when the fact of earning a little less brings him no real hardship and earning a little more no real advantage. So few goods are on offer that they do not exhaust his purchasing power, swollen as it is by war-time saving. It has been asked whether the government did not make the mistake of over-restricting the amount of food and goods in the shops, thus depriving the workers of both their energies and their incentives. The miners, it is true, have got a supplementary ration of meat, which is indispensable to them but the question of incentives is being much debated.

It is also said by some that ' full employment,' which has been realised in England and especially in the mining industry, is now demonstrating its drawbacks, and that the man who has no fear for his means of subsistence allows himself many lapses. On the other hand it is noted that ever since their defeat in 1926 the miners have been working a seven-and-a-half-hour day, calculated from the time of their arrival not at the pit but at the coal face. In view of the length of some of the underground journeys, this may easily mean a nine-hour day, and it would not be surprising if, under present conditions, and after a time, the miners were unequal to the same effort as formerly.

One fact at any rate is established, that moral stimulants are completely ineffective. Absenteeism increased steadily during the war and output per man as steadily declined. Neither the incumbency of a Socialist Government nor the promise of nationalisation of the mines has reversed this tendency in the slightest. Mr. Horner,

secretary of the Miners' Federation, is a stirring speaker; his Sunday oratory has no effect on the graphs of output per man.

Everyone admits the gravity of the manpower problem. But on the Left there is a not unjustified insistence on the age of the mines. England is the oldest producer of coal : what was once an advantage is now a drawback. Her mines were opened long ago. More than half the pits, producing half the coal, date back to before 1895. There is worse than that : in England, unlike France, what was below the soil belonged until recently to the owner of the soil—a fact which in the nineteenth century kept up the fortune and political influence of the landed class. But it has also given mining concerns a lay-out which is often irregular, since the mine is bounded by surface landmarks. I remember my surprise when, visiting years ago a mine close to a country house, I found that, like any farm, the mine did not extend beyond the walls of the park : ' thus far and no further.'

In their earliest days mining concerns took the form of family businesses. In 1875 there were nearly five thousand of them. The process of absorption and amalgamation, which has since 1930 played a prominent part under pressure from the then Socialist Government aiming at capitalism of the largest size, started late and was never completed. It has long been a narrowly conservative industry.

All this feeds the Socialists with arguments for proclaiming a new era, ushered in by nationalisation. They seek, and rightly, the disappearance of the old-time miner who dislodged the coal with his pick and loaded it with his shovel on to horse-drawn tip-trucks. Now there are mechanical coal-cutters and pneumatic drills, and the coal can be taken away from the face by conveyor belts. But modernisation of this kind, however desirable it may be from the human standpoint, seems unlikely to effect very much from the economic standpoint. The experts appointed by the government to conduct an enquiry for that purpose noted with surprise that the work of mechanisation accomplished between 1927 and 1939 had not increased output to the extent anticipated. Indeed, in Scotland output fell, even though the percentage of coal cut mechanically rose in the same period from fifty-six per cent. to eighty per cent and the percentage of coal mechanically carried rose from twenty-five per cent to fifty per cent. Different conclusions are possible according to the district taken ; in Nottinghamshire, for instance, the figures are much more encouraging.

Is the working out of the broader seams the reason for this, or must we look elsewhere ? It is in any case an alarming feature that,

between 1913 and 1938, output per man rose in Britain by only thirteen per cent. whereas in Poland it rose by sixty per cent., in the Ruhr by more than sixty per cent. and in Holland by a hundred per cent.

This state of stagnation gives point to the daring idea launched by the *Economist*. In its issue of the 19th September 1946, it suggested that, when the crisis was over and it was no longer obligatory to win coal at all costs, because none could be bought elsewhere, it would perhaps be wise to renounce all idea of becoming an exporting country again and even of attempting to satisfy the country's own needs. Why, in the twentieth century, should not England make up her mind to become an importer of coal, just as, in the nineteenth, she had become an importer of corn ? The conception is a bold one, but is it as safe today as it was in 1847 to bank on a world market and peace ?

' You must see Horner,' I had been told. ' Firstly, because the secretary of the Miners' Federation will give you his views on the coal problem ; secondly, because he is Communism's leading representative in the Trade Unions : lastly, because his is an interesting personality.'

I did not wait for a meeting to be arranged for me, for I was in a hurry : I rang him up on the telephone and he told me to come at once. I had pictured him installed in that vast block, Transport House, which belongs to Mr. Bevin's Union, the Transport and General Workers, and gives distinguished lodging to the T.U.C. and the Labour Party. Transport House is conveniently situated in a small square a stone's throw from Parliament, in a quarter inhabited almost exclusively by politicians living near to their grindstone.

But not at all : Mr. Horner has set up an independent headquarters. You must cross the bridge over the Thames, from which is seen the famous ' terrace ' of the Houses of Parliament, and proceed along a wide street which soon presents a drab perspective. Not only is there here much war damage, most of it not cleared up and all of it deserted. More than that, even what is intact is drab by nature. All great cities present these contrasts. Just behind me lies an agreeable warren of pleasant little streets, lined with tiny town-houses ; where I am, huge, down-at-heel buildings alternate with squalid little shops on either side of the wide, the too-wide street. Like a wide beach where big decaying hulls are stranded higgledy-piggledy among brightly painted little smacks. It is a melancholy vista of brick-work raddled with soot, and on the wind-blown roadway fragments of sodden newsprint drag their slow lengths along. A placard summons

the folk to nothing more exhilarating than a temperance club : set slightly askew, it evoked humorous but grim comparison with a woman's discarded hat stuck on a dust-bin. Here is the London of the late nineteenth century, grim but solid, drab but hygienic : it is spacious, but only the more dismal on that account. Charity herself wears a grim aspect, and the Eye Hospital, for all its fine achievement, is built like a prison.

Here it is that Mr. Horner has installed his Union. The door once passed, a fragrance of new paint assails the nostrils. The rooms, which are still bare, are as bright and cheerful as a nursery. You feel drawn at once to the man who now appears : small, sturdy, his round head slightly lowered, his arms at his side and his fists half closed, with a ready and combative look to him, this Welsh miner is not just anyone. He takes me into his office, sits down at a brand new table in front of a brand new electric radiator, and plays with a brand new paper-knife.

' Yes,' he says, ' the country is short of coal. It needs at the lowest twenty million tons more than what we are now producing . . .

' Yes, the number of miners has shrunk terribly : before the war we still had 770,000, now there are 693,000. Yes, we are opposed to sending Poles down the pits : the entry of foreigners into an occupation depresses wages. Look at the farm workers, who are not paid enough because there are German prisoners of war to share the work with them. Anyhow we object to these Poles who belonged to Anders' army.'

' What is your solution ? '

' That if more miners are wanted, English workmen must be attracted into this trade.'

' It is a very strenuous one.'

' Yes ; for that reason it must be made very attractive.' He gave a short laugh of satisfaction, understandable enough when it is remembered that there was a time when miners were felt to be too thick on the ground.

' The time has passed,' he continued, ' when miners waited expectantly for permission to go down : those were the days when there was nothing else on offer. But nowadays young people have a wide choice of trade, for strong arms are everywhere in demand. If they prefer to go elsewhere, they go elsewhere. To get them into a mine, they will have to be offered more than they get elsewhere . . . '

' And now the State will be their employer.'

' Whoever it is, State or capitalists, makes little difference. Men will be attracted to the mines by the advantages to be had in that trade as compared with others. We have got a special ration of meat for

them. The other Unions protested—quite wrongly. Did they protest when the soldiers had extra rations? Soldiers were needed then, miners now. Of course they should have differential wage-rates: the miner is in short supply, he is wanted and so his price goes up. That's logic.'

'An old law of liberal economics.'

'Call it common sense. What is rare is dear; if you don't consent to pay more, you won't get it at all. Do you suppose that in Russia the work that is most wanted doesn't get paid at a higher rate?'

He talked to me of hours of work: they are seven and a half, which is a lot if it is borne in mind that time starts only at the coal face. A man has to turn up at the pit, wait his turn to go down in the cage, make his way underground to where he is working: nothing is taken off for that or for the return journey. The American system is better: from arrival at the pit to leaving it.

'We still have some things in our trade to change,' said Horner, 'and now is our chance to change them. Now that miners are no longer in plenty, but in short supply. Besides we have forty M.P.'s in the House put there with our Union funds, and they put forward our claims.'

'They take their orders from you?'

'Certainly. On any matter affecting us, of course. The morning before a debate on coal I go down to the House, and in one of the Committee Rooms I remind them of our requirements. More than that, they belong anyhow to our Union, and that, you know, is a matter of pride.' He handed me a letter. It was from the House of Lords, written by a Trade Unionist turned Peer who asked to remain a member of the Miners' Federation.

If, as is said, it is Mr. Horner's influence which keeps Mr. Shinwell at the Ministry,[1] then the latter is as much the representative of the miners in the Cabinet as Minister of Fuel and Power. Mr. Shinwell is an eloquent and unquestionably gifted man, but on the most charitable view it must be said that he has bad luck. What has gone before, which was written in the autumn of 1946, indicated clearly that in the winter the supply of coal would be difficult. Mr. Oliver Stanley, one of the Conservative ex-ministers, told me in October that there would be a stoppage in the factories, and his prediction came true in February 1947. Entering the winter, which is the season of heavy consumption, with only three weeks' stocks, the Minister did not realise soon enough what results the inadequate industrial stocks were bound to have. Warnings to the Ministry by important

[1] Mr. Gaitskell succeeded Mr. Shinwell as Minister of Fuel and Power in October 1947.

concerns with only three or four days' stocks went unheeded. When the hard winter came, blocking some of the ports and some of the canals, a number of factories had to close their doors. On the 11th February there were 1,812,000 unemployed, on the 22nd February, 2,273,000.

In one place there was total stoppage, in others part-time. Fearing a complete breakdown in the distribution of electricity, the government parried the danger by ordering cuts in supply : these had the effect of spreading wider the difficulties of production. After it was all over, it was found that panic economies, effected higgledy-piggledy, amounted to less than one average day's consumption. But the reaction on the country's production generally was serious. In February work at the spinning mills was less than one-half that of January. There was a thirty-five per cent. fall in the output of the brickyards, a sixty-six per cent. fall in that of the cement works, and a sixty per cent. fall in that of the motor manufacturers. The effects of this crisis in production were felt in the export trade for several months and helped to increase the commercial deficit.

This serious miscalculation did not, however, stop the Minister from carrying out his policy of changing the shape of the coal industry—a policy which was thenceforward presented as the way to prevent a return of the ' great breakdown.' During the winter, as was too true, absenteeism among the miners in the pits had risen to nearly twenty per cent. (nineteen point four four per cent. in January). For this the remedy was to be the five-day week. As the work was so exhausting, the miners would do it better if they were given two days' rest. At first the change produced encouraging results : absenteeism in the pits, which had by this time passed the twenty per cent. mark, fell, and for the first few weeks it looked as if increased production was certain. In the month of May, which saw the introduction of the change, the weekly average exceeded that for April—which was, incidentally, a particularly low one. In June, the figure for March, which had been a relatively good month, was just exceeded. But in July it fell with a crash, and in September the government started negotiations with the miners to get them to work either another half-hour every day or a six-and-half-hour day on Saturday.

If the five-day week had failed to come up to the government's expectations, the set-up of the nationalised industry disappointed the miners no less. The management of the industry had been entrusted to the Coal Board, which was a government in itself, with a president and a vice-president without portfolios, assisted by seven ' ministers ' whose duties were respectively the recruitment of manpower, relations

with labour and the Trade Unions, coal marketing, and technical advance and production—the last being a 'department' which required two 'ministers.' Below these last are the area directors, and below them the pit managers.

Contrary to the British tradition, decisions are taken too exclusively at the centre, and it takes problems too long to reach there—or so at least the miners complain. It sufficiently appeared that the bureacracy both of the Coal Board and of the Miners' Federation had lost all real touch with the labouring base of the pyramid at the time of the Grimethorpe strike, started by the underground workers when they were told to work a two-foot larger stint. The Coal Board, and even the Miners' Federation, behaved with all the obduracy of a master who claims an absolute obedience. All that the miners claimed was to go on working normally. The absolute insistence on their doing as they were told cost the country, directly and sympathetically, more than 400,000 tons of coal, and in the end the miners got their way, without it being admitted, for they returned to work on their usual stint while an enquiry was being held as to the possibility of their working a larger one ; and that was the very thing which they had demanded at the start. The strike had by that time lasted more than a month—from the 11th August to the 15th September 1947.

CHAPTER 16

INDUSTRIAL RE-ORGANISATION

Development of an industrial structure *Corporative Authority*

IT would give a false picture of Labour ideology to represent the government as being principally concerned with nationalising industries to the exclusion of almost everything else. Nationalisation, it is true, tickles the ears of the groundlings : there is drama in the eviction of the capitalists and in the apparent conclusion of the long war waged against them. Nationalisation is a subject of much interest : the relative merits of State management and private enterprise are an inexhaustible theme for debate, which takes the place of the old one about free trade and protection. They affect, moreover, the pockets of an army of shareholders. For all these reasons they hold the front of the stage.

For the Labour party's longer heads, however, the public seizure of certain of the means of production is but one factor in a general policy aimed at securing full employment and the most efficient use of all the means of production in the country. The entire national economy can do with re-organising : certain industries, such as coal, are dealt with by nationalisation ; others there are, cotton for instance, which are not so dealt with but need re-organising for all that. In this type of case a most interesting problem arises, for means must be devised for effective collaboration between the proprietors of businesses and the State. A nationalising minister, such as Mr. Shinwell in the case of coal, needs only to nominate people whom he trusts and give them plenary authority to rule the entire industry ; whereas a non-nationalising minister finds himself confronted with a host of industrial leaders, from whom he must try to secure such arrangements on the part of each as will accord, in his view, with the public interest. It seems a difficult task, but is in fact made easier, first, by the prestige attaching to ministerial rank, which is much greater in England than on the Continent ; secondly, by the disciplined habit of mind which two wars have ingrained in the industrial leaders ; thirdly, by the obligation under which the employers lie not to annoy the unions, who are the government's allies, and, lastly, by the powers wielded by the government itself, which can compel where it cannot persuade.

The minister concerned with the task of re-organising British industries is Sir Stafford Cripps. He is a tall, authoritative, imposing man, whose root and branch puritanism has for many years dismayed people of good family, unable to get over their astonishment at this sort of Robespierre coming from their class. But the industrialists came to see another aspect of him, as the best and most painstaking Patent lawyer to be found—a class of work which is always difficult and involves considerable sums. Today, in the same way, they realise that they are dealing not, it is true, with an indulgent critic but at any rate with a judge who reads his papers with the greatest care.

Getting papers together was exactly the way in which Sir Stafford started. He selected five industries (cotton, footwear, hosiery, pottery and furniture) and established in each of them a 'working party' in which the masters, the workers and a third group consisting of civil servants and economists all found a place. The duty of each 'working party' was to study its industry and suggest ways in which fresh life could be put into it. These deliberations would, so Sir Stafford hoped, disclose the form of organisation which each industry should adopt in order to attain its maximum efficiency. Masters and workpeople would then be summoned to accept this form of organisation, which would receive the force of law.

Certainly each one of the industries, looked at as a whole, presented a somewhat confused appearance, and differed profoundly from what it would look like were it created today at one stroke. For each had its own past, none was arranged with reference to present needs and possibilities, but all were explicable by the circumstances which determined their development. It was deplorable that china ware, at every stage of its manufacture, was not turned out, like motor cars, on the chain system, passing rhythmically from one operation to the next : as things were, time was lost in its passage from one processing shop to another, which had been sited without reference to its predecessor. But pottery, it has to be remembered, is a very ancient art, its establishments are often of great age, and workshops have grown up around an early nucleus just as the available space dictated.

The plants for spinning and weaving cotton were, as was noted, of venerable age and made up of antiquated types. But this again was the case of an industry which was actually the first of modern times to be mechanised, and attained its greatest stature in the nineteenth century, when it sent out its products over the whole world. Seventy years ago it was producing more than in any year since the First

World War. As in the last twenty-five years it has only had to turn out about a half of what it sold in 1912, it has, as is not surprising, drifted along with much redundant plant. It is today attacked for not having installed power-looms : but had it effected this economy of man-power at a time when 200,000 men in the industry were unemployed, what judgment would have been passed on it ?

The boot and shoe industry had been dealt with more kindly by circumstances. It had reaped the advantage of an ever-rising demand and its mechanised plant had been constantly renewed in line with each technical advance. The reason for this had been the existence of a monopoly which, though it had often been damned, was now having a belated justice done to it. An American trust, called the United Shoe, hired out to the manufacturers, through the medium of a British subsidiary, the machines which they used—and then replaced them as soon as new models were perfected.

History loves her little surprises : the weakness of the cotton industry was due to its precocious mastery of the world market, the strength of the boot and shoe industry was due to its dependence on a foreign trust.

All the reports favoured the establishment of a permanent industrial council in each of the industries with which they dealt, made up, like the ' working party,' of three components. It would in fact be nothing less than the ' working party ' given durable shape : thus was the truth illustrated that all bodies, once created, tend to self-perpetuation. Though in theory consultative, these councils, occupying a midway position between the government and the industry, would recommend to the latter the appropriate self-disciplinary steps which it must take, and they could eventually secure their enforcement by government.

In the case of industries, such as boots and shoes and hosiery, whose condition was pronounced satisfactory, the measures immediately to be taken came to no more than the setting up of corporate bodies to organise research into matters of interest to the industry and to get together a body of experts for the purpose.

But the council's duties would naturally tend to expand as circumstances required. It would at first represent its industry's corporative interest *vis-à-vis* the interests of others. This role had, in the case of the boot and shoe industry, already been assumed by the ' working party ' when it asked the government to restrain the export of boot-making machinery by the concern which supplied it to the national industry, namely, the British subsidiary of the United Shoe. In the hosiery industry, again, the ' working party ' asked the

government to promote the development of a British industry for making stocking-machines. In this way the ' working parties ' began the work of the councils. Both took the place of the employers and provided their corporative claims with an authority drawn from their official investiture and their public character. Not much imagination is needed to see a halo of institutions representative of sectional economic interests forming about the head of the government. A government seeking to direct an economy needs these representative bodies : there is a logical tie between *dirigisme* and corporativism.

The duties which a council must perform outside the immediate sphere of its industry are easily conceived. The case of the cotton industry shows the extent of the authority which it may come to exercise over the industry itself. What the ' working party ' for cotton proposed was, in effect, a sweeping plan of re-organisation from which the element of constraint was not excluded. It deserves detailed examination.

CHAPTER 17

THE RE-ORGANISATION OF THE COTTON INDUSTRY

Concentration of manufacture *Modernising Plant*

ARE we about to see a great industry, while remaining in private hands, re-organised to the bone and permanently disciplined by a semi-public body, which has one foot in the industry's camp and the other in the government's? This was the novelty proposed for the cotton industry by Sir Stafford Cripps's 'working party'.

Manchester in 1820 left a much more dazzling impression on visitors than did Detroit in 1920 : for this was the first time that a vast array of machines serving the whole world had ever been seen. The tens of millions of revolving bobbins, the hundreds of thousands of shuttles passing to and fro, made the reign of Lancashire a long one. But in a self-industrialising country the cotton industry is one of the easiest to get on its feet. The English machine-makers sold their products throughout the world and in between the two wars Lancashire fell into a decline. Almost everywhere it encountered national industries which were sufficient for their countries' needs, and in the markets of the Far East came up against the competition of the young Japanese industry. It now sold but one-third or one-quarter of what the world had formerly bought from it. Its spindles and its looms stood immobilised, its man-power fell into unemployment. The din of its factories which were still operating echoed with sinister sound on the walls of the disused ones. Lancashire was moribund. This was the invalid to whom the 'working party' proposed to apply treatment and the knife.

The proposed operation consisted firstly in putting out of action a fraction of the spindles and looms in being. There were too many and the industry must, therefore, acquire the surplus from its owners with a view to destroying it. Even before the war, destruction of plant had brought down the number of spindles from sixty-three to forty millions and the number of looms from 792,000 to 470,000. This process was now to be continued.

Why ? During the war the government had effected the concentration of production in the more efficient factories, and had closed the rest. The learned consultants feared, it seems, that the closed

factories would now take the floor again under the stimulus of clamant demand, and that soon more bobbins and shuttles would be at work than would be wanted permanently. But there was little substance in this fear ; the persons engaged in the industry, who before the war still numbered nearly 400,000, were now down to 210,000 and showed no sign of increasing. The resurrection of the entire plant was thus an idle fear. And, as the employers pointed out, the creation of a precedent by which the owners of obsolete or superfluous plant could get themselves bought out was quite unnecessary.

The major preoccupation of the consultants was, in fact, to carry over into times of peace, and even to accentuate, the concentration of industrial activities made necessary by war. They wanted to bring about at will the amalgamation of concerns on the ground that there were too many of them and to squeeze the industry into a few large formations within each of which the work could be split up on rational lines between large and narrowly specialist dependant factories. The point was made against them that the big concerns—there are four of them on the spinning side and these contain nearly a third of the total number of spindles—seemed to be no better run than the smaller concerns ; nor were big mills an advantage over smaller, as could be seen by the preference shown by the Americans in their recent construction work for textile factories of moderate size.

Less than five per cent. of the looms in the English industry were at that time power-looms, as against more than ninety-five per cent. in the American industry. More than that, nearly three-quarters of the machines were worn out by too long use. To improve matters everything would have to be modernised, including the buildings, three-quarters of which were put up in the nineteenth century. It may seem paradoxical that there should be so little modern machinery in the English spinning mills, when there is an English trust, Textile Machinery Makers, which has for many years been making it ; but the trust, it seems, sold ninety-five per cent. of its production abroad, and thus re-equipped, not the national industry, but its rivals. The same position does not hold good for power-looms : there is only one English manufacturer, who turns out no more than a hundred a month. But, whether they came from home or abroad, new machines were needed, and the ' working party ' recommended a rise in prices, the profits from which would be turned over to a Re-equipment Council. The concerns could then be goaded into re-equipping themselves. They would receive back what they had paid in for the purpose of buying new machines, and for no other. The concerns which did

not buy new machines up to the limit of what they received back would have the excess allocated to other concerns, which would then be able to spend on equipment more than they had paid in.

It was a complicated scheme, and there is some simplification in this summary account of it. In its conception it was intended to penalise those firms which would not get on with their re-equipment. The employer-minority on the ' working party ' made vigorous protest against this form of pressure, claiming that many concerns were intending modernisation and that they should not all of them have it forced on them. Why was it desired to make it obligatory ? For reasons which are both interesting and relevant. So great is the present demand for textiles that it pays to put into service even the oldest plant. But new plant ordered now could only be put into service after an interval of some years.[1] It would, in other words, come into service just when the present exceptional demand had been satisfied. And it would thus have to be written off under what would be, perhaps, unfavourable market conditions. The government experts and the trade unionists claimed that the substitution of power-looms for those at present in use would reduce labour costs by one-fifth. It may be so, answered the employers, but these looms cost £160 apiece. We realise that, said their critics, but, allowing for their writing off, there is still a considerable economy, which will enable the introduction of a forty-hour week and the two-shift system, and still leave you a profit. You are basing yourselves, said the employers in reply, on two incorrect assumptions : you are comparing the writing off of the new plant with what would be the writing off of the old, if there was still any old to write off. But in fact it has all been written off. And, what is still more serious, you are assuming that we shall be able to keep our new plant going at full blast—a possibility which depends, not on us, but on market conditions. And if market conditions make it impossible for us to keep our new plant in full service, we shall have made a very bad investment. Professor Jewkes has written on this subject a distinguished opinion.

There is much good financial sense in what the employers say, but there is much good national sense in what their opponents say. In a few years' time those manufacturers who had looked to their immediate advantage and exploited to the full their old written-off plant, would be cutting a sorry figure. Would they then make off with their ' boom ' profits and shut down their concerns ? Or would

[1] It would take twenty-five years at present rates of production to replace all the spindles, even if the industry devoted itself entirely to producing for the home market, whereas as to ninety per cent. of its capacity it is working for the foreign market. As to the looms, it would take eighteen months before the domestic industry could turn out four thousand a year. There are 350,000 looms in service.

they hang on, as they did in the past, losing on the swings of the bad years what they had gained on the roundabouts of the good? In either case the industry would be in a parlous plight.

After hearing the parties, Sir Stafford Cripps delivered judgment. Spinning mills with more than five thousand spindles would get, if they agreed to modernise their plant, a government subsidy up to twenty-five per cent. of the cost. So would those mills which agreed to amalgamate so as to present a united whole of more than five thousand spindles. Steps were taken by which the tax machine would encourage amalgamations: only one-half the appreciation of assets resulting from amalgamations would be taken into account. In this way Sir Stafford Cripps, by means of the help which he brought them, groomed the spinning mills for the part which they had to play in his drive for increasing exports. In his eyes, their output was in fact insufficient to meet the needs of the weaving mills which were to play a big part in the British export drive. A socialist minister was aiming at capitalist concentration.

CHAPTER 18

DIRECTING THE FLOW OF INCOMES

The Lesson learnt *Modern War Finance*
Creating Inflation—and holding it *A Dilemma*

IN olden days Ministers of Finance had a modest conception of their duties. Their ambition was limited to collecting enough in taxation to cover the expenditure of the State. To achieve this, they kept watch and ward over the other departments' estimates and kept them down as far as they could. They were marked not only by the spirit of economy but also, what seems strange now, by a certain timidity, which came out in their hunt for ways and means. Not for them the summary seizure of what others possessed ; they tried, on the contrary, to be as little vexatious as they could be. They went in fear of grumbling over their exactions, and were liable to encounter opposition in a Parliament which still conceived it a duty to protect the interests of the subject.

Parliaments of today, no longer protectors but sovereigns, see themselves as instruments of great ideas ; subjects ought to know that their possessions are and should be at the disposal of the State, and Ministers of Finance are conscious what a poor thing is the spirit of economy. They have a higher conception of their duty now. The expenses and receipts of the central government are altogether too light a burden to absorb their entire attention. So they enlarge their purview to include all the receipts and expenses of private persons in the entire country. The question for them is not merely whether public expenditure is well applied ; their solicitude extends to the merits of the expenditure of private persons. Their minds are not exclusively concerned with making a wise apportionment of revenue between the various public departments ; it must be well apportioned between the various categories of citizens as well. Away with the meagre theme of whether the State employs well or ill the revenue which it takes from private persons. It is time to take up an infinitely more entrancing subject of study : do private persons employ well or ill the net incomes left them after taxation ?

The use made of their incomes by private persons is quite deplorable and stands in need of correction. Keynes said so. Your modern

politician is aware that the sum total of national activities involves a continuous flow of goods and services whose passage is assured and whose outpouring is stimulated by the expenditure which absorbs them. He is aware that the scale of consumer expenditure must be sufficient to eat up what is on offer and that the scale of investment must be sufficient to employ the available means of production.

He has been taught that under-consumption is due to the owners of small incomes, who spend the whole of them on consumption, not having enough of the national income, whereas too much consumer-power is in the hands of the recipients of large incomes, who are the natural savers. His conclusion is that, for consumption to be sufficient, small incomes must be increased by taxation of the large for the benefit of the economically weak. He knows too that, to stimulate the investment of the saving which remains, rates of interest must be kept low. In a general way, he conceives it the State's business to encourage expenditure, if necessary by creating purchasing power and injecting it into the body social, where it bears fruit, engenders consumption and builds up again its equivalent in saving.

These are the teachings which fill the heads of today's rulers. They are convinced that the reason why full employment has proved impossible of achievement in the past has been the mistaken use made of private resources. It was in that respect that total change was needed. But the war came before they had their chance politically.

We, unlike our fathers, are far from finding it difficult to keep a war going financially. And those were old-fashioned economists who consoled their contemporaries with proof that a war on the modern scale could not last longer than a few weeks. The diversion of the national energies to war and the financing of this diversion are the subject of a technique in which this age of ours positively excels. Public authorities no longer consider the expenses which they incur. The British Treasury was spending £19 millions a week in 1938 ; it found not the slightest trouble in raising this figure to £102 millions in 1942, and in the three succeeding years the figure swung between £110 and £115 millions a week.

The labours of industry and its employees are paid, as needs must: the government alone distributed more in income to private persons than there was in the whole body social in 1938.[1] In this way purchasing power was injected into the social organism according to the

[1] Income distributed by the central government—1944 : £5,971 millions. 1945 : £5,967 millions.

Private incomes in 1938 amounted to £5,031 millions (before direct taxation) and to £5,686 millions (before indirect taxation). For purposes of comparison, the first of these two figures is the natural one to take.

Cf. *National Income and Expenditure*, 1938-1945. Cmd. 6784 of 1946.

Keynesian prescription, but in vast doses. Full employment was achieved, and the unprecedented number of twenty-two million persons was gainfully employed; and there was even over-full employment, necessitating the mobilisation for work of several hundred thousand women who were not seeking it.

The public purse scattered its contents all over the land in the best Keynesian manner, but in monstrous proportions. Private incomes rose from £4,772 millions in 1938 to £8,351 millions in 1945. And, better still, the small incomes, those below £500 a year, which are almost entirely used up on consumption, became by themselves as large as the sum of all incomes in being before the war.[1] There is for the time being no reason to fear under-consumption. The trouble is under-production.

The incomes of British private citizens, taken as a whole, were, in 1945, seventy-five per cent. above the 1938 level.[2] But it was far from the case that there was on offer to buyers a seventy-five per cent. increase of goods and services! When a private employer buys services, he uses them on the creation of goods and in that way puts goods in circulation at the same time as wages. The wages which he distributes have thus a real backing. So it is, sometimes, when the public employer buys services—but not always.[3] And most certainly not when it applies these services to war. It then plays the part of deceiver, by distributing incomes to which there is no corresponding reality.

The actual position in 1945 was that a seventy-five per cent. increase in incomes was matched by a fourteen per cent. diminution in consumable goods and services, and the figure of diminution would have been not less than a third but for drafts on the country's capital resources. Nothing else could have been expected at a time when half the country's normal man-power, and the most vigorous half at that, was being used to satisfy the needs, not of the people of the country, but of war, which had first claim on the best machinery and raw materials.

To make this clear, let us suppose each worker's remuneration to consist in a fraction of what he produces, the worker at a cycle works being paid in bicycles, the railwayman in tickets, and so on. What they now hold is, it is clear, certain real values which they can

[1] They were £5,354 million in 1944 against total income of £4,772 million in 1938.

[2] Cf. *National Income*, Table 1.
In 1945 : £8,351 million. In 1938 : £4,772 million.

[3] It is a much debated question as to when a public employer can be said to create equivalent values. It has been interestingly treated by the great specialist on questions of national income, Simon Kuznets.

use in exchange to satisfy their wants. But what real values will be held by those who are workers for war? None, and the workers must, therefore, be paired off in such a way as to make the man in each pair who works unproductively for war a charge on the other who works productively. The former must share the fruits of the latter's work. That is what really happened. The only way to pay men whose labour is unproductive is to give them a lien on the product of those engaged in productive labour. So things went in the Middle Ages and the later Ottoman Empire, when the knight or the spahi had several families allotted to him to provide him with the means of subsistence. The contribution levied in modern war is more onerous still, since there is now no more than one worker left to keep each warrior (including in that term the war-worker). The phenomenon would become nakedly clear if the entire expenses of war were to be met by one tax which ate up capital reserves, wiped out the incomes of unmobilised workers and made niggardly payment to all employed on the war. Under conditions like that Norman Angell's thesis would come true and a war could not last long.

The policy actually pursued had the diametrically opposite object of creating an atmosphere of well-being. In England, for instance, wages were progressively raised by fifty per cent. But it was a process of deception. In M. Jacques Rueff's happy expression,[1] it was a distribution of ' bogus rights.'

We are taken for pretty fools when we are told that the war was carried on without inflation. The trebling of the fiduciary circulation,[2] the doubling and more of bank deposits[3] are significant, but less significant than the inflation of incomes in the presence of a diminished national productivity. What those who talk in this way really mean is that the inflation created has been held.

If, during the war, the incomes distributed had been given free play, their unreal character would have been immediately unmasked, for they would have competed for commodities which were in short supply and these would have risen sharply in price. There could then have been no concealing the fact that the real value of income was very different from its nominal value. The result would have been that pressure of public opinion would have forced the revaluation of all earned incomes in an upward direction, though this as a policy would have been quite useless so far as changing anything

[1] In his remarkable work *L'Ordre Social*, 2 Vols. Paris, Sirey, 1945.

[2] Money in the hands of the public was put at £446 millions in 1938 and at £1,310 millions in September 1945—a percentage increase of 193.7 per cent. *Monthly Digest of Statistics*, January 1946, Table 101.

[3] Deposits in the London Clearing Banks rose from an average figure of £2,277 million in 1938 to £4,898 million in September, 1945.

in the facts of the situation was concerned. Incomes are no more than liens on the national product and, if they go up while the national product goes down, they are automatically devalued.

The remedy preferred was rationing. This is another way of saying that the population were prevented from using the bogus wealth which had fallen into their laps, except in the measure of the real wealth available.[1]

The result was that each man could still look on his income as a real income, since that part of it which he was authorised to spend on consumption had lost hardly any of its purchasing power (in September, 1945, prices had risen only by thirty-one per cent.[2]), whereas in truth and in fact purchasing power had been maintained only by holding in an artificial backwater a large part of the income. This unusable part constituted a potential purchasing power which could find satisfaction in the purchase of a few goods outside the rationing system—tobacco, for instance, the profits from the exorbitant price of which went almost entirely to the Treasury.[3]

The sales of tobacco rose every month from £15 million to more than £20 million, and would have risen higher still had it been available in sufficient quantity. The same double role of revenue producer and 'mopper up' was played by entertainments. It is estimated that for the year 1946-7 more than ten million people spent as much as £582 million on the various forms of gambling—horses, dogs, football pools, etc. Unprofessional betting, however, escaped all tax. Yet, with the assistance of all these means of dissipation, the public succeeded in spending only fifty-nine per cent. of its income in 1943 and 1944, and sixty-one per cent. in 1945, as against eighty-three per cent. in 1938.

Direct taxation, it is true, took back a part of the income distributed—indeed it swallowed up by itself twenty-two per cent. Nor were its ravages limited to taking nineteen-twentieths of their incomes from the very rich; it burdened the professional classes and reached even to the working classes, hitting in all twelve-and-a-half million people. It made a big hole, but still left the citizen with much more purchasing power than he would be allowed to use. The State mopped up the surplus by loans on continuous tap. The fate of

[1] Jacques Rueff has explained with singular clarity the ways in which this was done. *Op. cit.*, pp. 430 *et seq.*, 697 *et seq.*

[2] The rise here shown is that of the cost of living index figure, which includes hardly anything but goods and services subject to rationing and price control. The inadequacy of this index was recognised in March, 1946, and it will soon be changed.

[3] In 1938 tobacco yielded £84 million to the revenue: in 1945 £409 million, or more than Income Tax and Surtax together (at £371 million) had yielded in 1938.

borrowing was from £52 to £55 millions a week for each of the years 1942, 1943 and 1944. To get a true picture of its importance, all the money in the hands of private persons before the war must be imagined pouring into the coffers of the Treasury every two months.

The shortage of other investments enabled the Chancellor of the Exchequer to borrow very cheaply. This was, financially speaking, a great boon, for only an exceedingly modest rate of interest could have made such a vast public debt endurable.[1] It also carried with it the advantage of answering the prayer of Keynes : the low rate of interest would achieve ' the euthanasia of the rentier ' and encourage, it was said, investment.

During the war, it was possible to make men work for illusory wages, which could not be converted into increased consumption and, if they were saved, brought in only a nominal income. Was it possible to continue this policy in peacetime to the extent to which the Socialist government was trying to continue it ?

Exhortation rained on the workers not to absent themselves from the workshop or the mine, but this campaign of moral suasion brought poor results. The workers, to tell truth, grudged an effort which brought them, true enough, high wages, but wages which could be converted into consumption only in part and which they thought it useless to save. Their wages must be able to bring fulfilment of their wants, if loss of working days was to cease being a matter of indifference to them. Consumer goods must, in other words be available in adequate measure. Their appetite in this respect showed itself when they stood in queues for hours merely to see the goods on show at the ' Britain Can Make It ' exhibition. All of these goods were, alas, for export so as to provide the means to pay for purchases which were indispensable.

The obsession with exports appears in some typical figures. The monthly production of fountain pens has already reached a figure of 600,000 as against a pre-war figure of 750,000 ; but whereas all in pre-war days were for the home market, one-half of those made now are for export. The production of bicycles is 10,000 more than in 1945, but 50,000 fewer stay in the country. The production of radio sets has gone up by 25,000, and 25,000 fewer are for sale to the English.[2]

Production of goods wanted by the public could, no doubt, be forced up, but this course, says the government, would lower the

[1] At the 31st March, 1946, the public debt amounted to £23 milliard, 270 million.

[2] *Monthly Digest of Statistics*, January 1947, Tables 69 and 71.

intensity of an effort which is of the highest importance to thenation's life. The country's fixed capital, its houses, its factories, its machinery, its plant, whether held in public or in private hands, has undergone during the war years damage by the enemy, dilapidation, and wear and tear. To put the country on its feet again there is no more urgent task than the reconstruction of its fixed capital. That result cannot be achieved merely by allocating workers to the task—they must also stick close to their work. But what if they can be induced to do so only by the quantity of goods on offer? Here is the making of a dilemma. In order to raise the productivity of British workers in the future, the production or purchase abroad of capital goods must be given preference over the production or purchase of consumer goods. But in order to stimulate the productivity of workers in the present, there must be consumer goods for them, and this consideration would lead to the production or purchase of consumer goods being given preference over the production or purchase of capital goods. Suggestions pour in from all sides. The shop stewards claim that the enthusiasm of the workers may be aroused by setting them, as is done in Russia, targets of production; whereas a growing number of economists advocate a deflation of incomes such as would line them up with the realities of national production.

It is in fact being discovered that, if the division of the incomes and energies of the nation between consumption and capital expenditure is not left to individual decisions, if Power decides that the work of capital equipment must receive a priority lien over an important fraction of the national effort (whereas in a free economy consumer expenditure gets the priority and capital expenditure is limited to the savings left over), then, as is done in Russia, no more must be distributed to consumers in the form of incomes than what is equivalent to the consumer goods on offer. The middle way between the authoritarian and the free economy is, as appears in this respect, very difficult to follow.

CHAPTER 19

ALLOCATING THE NATIONAL RESOURCES

Age of Statistics *Rationalisation of the National Effort*
Complexity of Choices *Economic General Staff*
The best Allocation, but to what End?

LET us imagine a demiurge capable both of grasping as a whole and of following through in detail all the activities of a modern society. He sees men farming, manufacturing, building, transporting and calculating, hard at it above and below ground, on the sea and even in the air. He sees them also in their homes, consuming food and clothing and surrounded by a variety of possessions ; he sees them being carried in vehicles and refreshed by public shows and entertainments. Naturally, he concludes that one and the same people may be looked at under two aspects, as producers and consumers, servers and served, with the sum of effort issuing constantly in the sum of things consumed.

He may ask himself the question whether the sum of human effort is well distributed between the various tasks. He takes note of the cultivable lands, the buildings and the machines existing in the area which he is considering, and he observes that certain raw materials are exploited by man and certain sources of power utilised by him. On the assumption that men's desires were different from what they are, the mind of the demiurge can conceive of a wiser employment of all these resources. But he can also conceive of their more efficient employment, even with no change posited in the nature of human desires.

These conceptions of our imaginary demiurge have become in our time the preoccupations of human beings.

A century ago such conceptions preoccupied nobody. In those days there was general joy over the goods offered in increasing quantities to the consumers.[1] And their unceasing development was related to

[1] Cf. John-Baptiste Say :—
'Imagine the feelings of an inhabitant of old Paris or its neighbourhood, of one of those who, in days before Cæsar's conquest, trod the same ground as we do, were he transported suddenly into the room of one of our artisans, of whatever trade. What would he make of the panes in the windows, the clock on the mantelpiece, the mirrors on the wall in which the whole room is reflected, the

the liberty allowed to individuals to use their energies as seemed good to them, and to put their products on offer as they pleased.

Admiration was felt for the wonderful convergence of independent activities which not only made possible the regular supply of goods and the regular provision of services but added continuously to the variety of these goods and services. And it was considered, with Adam Smith, that ' no human skill and wisdom would be capable of taking charge of the labours of individuals and directing them towards those occupations which accorded best with Society's interest.[1]

It has often been said of this regime that it was one in which the consumer was in the saddle. He, in effect, armed with the weapon of purchasing power, uses it as he chooses, deploying day by day his various choices and inclining the labour of the producer in the direction given to it by his expenditure. If the consumer feels a growing urge to buy newspapers and a diminishing urge to buy coal there will be a growth in the proportion of coal used in the manufacture of paper for newspapers. The consumer goes, as it were, to the poll every day, and chooses among what the producers place on offer. The latter are guided not by chance but by fluctuations in price. But too many volumes have been published about the regime for a detailed description of it to be needed here.

Statistics were developed by Europe largely that it might contemplate with satisfaction its material advances. Just as the various exhibitions furnished the eye with proof of qualitative improvement, so statistical tables informed the mind as to quantitative.

From this new art, moreover, we get the illusion of seeing, like some god, the ways in which men work and the ways in which raw materials and power are used. I say ' illusion ' deliberately, for the picture conveyed even by the fullest tabulation cannot but be of a state of things which is already in the past—a picture disfigured

elegant flowered wall paper, the copper-plate engravings in gilt frames and many another useless object ? Would he not say to himself : Doubtless I have been taken to the house of one of the princes of the country ? And when he saw this artisan's wife and children wearing clothes of fine cotton stuffs and ribbons of silk, observed mahogany furniture brought from lands of which he had not even suspected the existence, saw the whole family consuming sugar, coffee, pepper and other products which had travelled many thousands of leagues, was dazzled by a bulb which gave out by itself as much light as several torches, then he would at once conclude that this artisan of ours was incomparably richer than his own head druid had ever been.

' And he would be quite right, for the artisan can, with his modest earnings, enjoy what would have been quite outside the reach of the leading magistrates of the Gaulish provinces.'

J.B. Say, *Cours complet d'économie politique appliquée*, 6 Vols. Paris, 1828. Vol. II, pp. 348-349.

[1] Adam Smith, *The Wealth of Nations*, Book IV, Chapter IX.

even in the moment of its fixing by the crudity of the frame upon which reality has had to be stretched. If delight in the role of god is awakened by statistics, it is war's part to allot it to the political and administrative chiefs. Every war takes its toll from the nation's man-power, including those who must be used in keeping the military machine supplied, whether they build battleships or cast cannon. The government need not always intervene directly in the country's economic life. All it has to do is to mobilise men and levy the taxes with which to pay for the supply services it needs.

In this way it acquires resources from the country's economic life, which does not, however, for all its impoverishment suffer essential change. The ultimate cause of economic activity is still, as before, the choice of individuals in search of satisfaction. But in total war all is different. The government contents itself no longer with a fair-sized fraction of the national energies. Its point of view undergoes a change and it now regards the entire nation as a weapon of war from which it must draw the maximum of military effect.

Its problem is how to get from the working population, diminished as it is by the call-up of soldiers, the largest possible output of armaments. The satisfaction of the population's personal needs becomes a secondary end—needs which must be satisfied only so far as is necessary to prevent its war work being unfavourably affected as to output. It is a natural consequence of this principle, once admitted, for the government to classify the population in three main groups, the services, the war-workers, the ordinary workers—the consideration accorded to the third group being on an ever diminishing scale. To secure to the men of the services, who are an economically unproductive group, the highest standard of nourishment, to secure to the war-workers' sector a priority as regards both man-power, raw materials and power, the government has to take over the direction of the entire resources of labour and commodities.

Whether this direct control was logically inevitable has been disputed. In a free economy, in which the lay-out of production turns on the consumers' lay-out of their expenditure, the influence exercised by the consumers is, by reason of the inequality of their respective purchasing power, a very unequal one. It is arguable that in time of war the State has only to use the weapon of taxation so as to effect such a reduction in all other purchasing power and such an increase in its own as will bring production into line with its requirements simply by the mechanism of the market. To this argument it may be answered that the competition of individual consumers, with their unequal purchasing power, would operate too harshly over the field of the goods in short supply left over by that gargantuan consumer,

the State. Also, that the mechanism of the market is inapt to bring about with the required speed adaptations of such vast extent. But whatever conclusions are reached by abstract reasoning, the fact remains that, in a total war, the State suspends economic freedom: the producer is tied as to what he makes, and the worker as to where he works. The country's resources in men, raw materials and forms of power are made subject to Power, which henceforward distributes their use. And this regime, as is natural, gives birth to the idea that in time of peace, too, the authoritarian distribution of national resources is a practicable course. Even that it is a desirable one. For is it not true that during the war, notwithstanding the absence of men on service, a higher volume of production has on the whole been reached than was seen in peacetime ? Admittedly the production which the consumer finds useful has been lower than formerly. But war production has not fallen from not being ' useful ' in the narrower sense. And should not anyone seeking to measure the effectiveness of the national effort add production for war to production for utility, as does Simon Kuznetz, whose calculations point to a fifty per cent. rise in production in the United States between 1939 and 1943 ?[1] From this the conclusion seems legitimate enough that the nation's productive resources were not fully exploited under the pre-existing regime, and that, if the war regime is continued into peace, there will be the same increase—but this time a ' useful ' increase—in the volume of production.

It would, in truth, take a long and closely reasoned discussion to assess accurately the merits of these arguments. But it is sufficient here to note that the war, by accustoming the rulers to treat the nation as if it were an arsenal, has naturally habituated minds to regarding as a whole the resources contained in it. For a particular object it has been treated as a single enterprise ; and after that it is natural to look on it still as a single enterprise when it comes to satisfying the requirements of peace, and to enquire whether the organisation of this enterprise is the most rational possible.

Moreover, in the case of a country so grievously impoverished as is England, the problem of making rational use of its resources is an immediate one. This causes it to be said that the smallest diversion of resources in short supply would endanger the very existence of the nation. So the idea of rationalising the national effort wins acceptance. To consider the economic resources as a whole and to see to it that they are used as the interests of the nation as a whole require—therein is economic planning and that is the task which

[1] Cf. Simon Kuznetz, *National Product in War-time.* National Bureau of Economic Research, New York, 1945 (Table II, 5, p. 54).

the Labour Government has set itself. The need is to see things whole, to take a panoramic view of the existing factors of production and to bring to bear on them such a co-ordinating effort as will distribute and combine them in the way best fitted to adapt them to the national requirements.

Such is the basic principle ; it was developed, in its consequences and its application, by the government White Paper of February 1947,[1] and by the remarkable speech in which Sir Stafford Cripps opened the debate on this White Paper in the House of Commons.[2]

In October 1946 a staff of officials started to make an examination of the productive resources which would be available for satisfying the national needs in 1947. Its first conclusion was :—

'There are more than twenty million workers in this country. They work with the aid of a vast network of factories, mines, railways, power stations, farms and buildings—fixed assets gradually accumulated in the last hundred years. They use raw materials drawn from all parts of the world. These workers, along with the plant and raw materials used by them, constitute the national resources.'[3]

It is a starting point calculated to stir the imagination. The White Paper's second conclusion was as follows :—

'We have not enough resources to do all that we should like to do. We have hardly enough to do what is absolutely necessary'.[4]

This vast concourse of man-power and plant must not, in other words, be pictured, as the armchair planner is too apt to picture it, as unoccupied. They are in fact gripped in the doing of necessary tasks, classified in the White Paper under three heads.

The first is national defence, which in the actual state of the world cannot be neglected—particularly in the case of a country which would not get enough to feed itself if it did not keep open the international trade routes. According to the White Paper, the armed forces and the auxiliary services in December 1946 absorbed 1,427,000 men and women ; to keep them equipped required the labour of 459,000 producers.[5]

The second is exports. Because more than one-half the country's food comes from abroad, British exports make as direct a contribution to feeding it as does the agriculture which they supplement. Also, these exports make it possible to obtain in return raw materials without which the wheels of industry could not turn. Not surprisingly, therefore, it is a matter for congratulation to see 1,476,000 workers engaged in the export trades ; not surprisingly, an increase in their numbers is desired.

[1] *Economic Survey* for 1947. Cmd. 7046. [2] Hansard, 10th March 1947, Vol. 434.
[3] *Economic Survey*, Para. 2. [4] *Id.*, Para. 61. [5] *Id.*, Table C.

The third is the renewal and modernisation of plant. To restore its lost exporting capacity to the textile industry, Sir Stafford announced that its plant must be renewed. To surmount the coal shortage, Mr. Shinwell said that new machinery must be introduced into the mines. The transport system is threatened with a breakdown, because in the war it had had to carry thirty-eight per cent. more traffic than in normal times and was still suffering from twenty-two per cent. overloading, without having been able to maintain adequately, let alone renew, its rolling stock.[1] Naturally, therefore, the national re-equipment demands a great effort. This absorbs 3,611,000 workers.

National defence, exports and re-equipment draw away resources which would otherwise feed activities assuring to families and individuals a regular flow of goods and services. The White Paper distinguishes between the industries which maintain the life of the community, such as transport, coal and the distribution of gas and electricity (absorbing 2,351,000 people) and those of which the products are immediately available to consumers (absorbing 8,095,000 people).

Finally, the requirements of civil government must be met, absorbing 2,130,000 people as against 1,465,000 before the war.

Such is the picture presented by the government White Paper. An epilogue could be written on the classifications adopted. It would have been clearer, no doubt, to group together that section of those catering for the consumer's needs which feeds him, with that section of those working for the export trades which pays for the food brought from abroad. It seems somewhat arbitrary to separate the postal services, classified under government activities, from the transport services, whose economic function is strictly analogous. It would have been better had the various categories of work been classified by reference to the requirement which they ultimately meet. But these very criticisms which suggest themselves are evidence of the interest created by work of this kind : this work is the foundation of the choices for which the government makes itself responsible.

Choices which are very difficult to make, as a few instances will make clear. Exports have been, and rightly, the main preoccupation of the government. It prides itself on having, at the end of 1946, raised the monthly volume of exports to a point thirteen per cent. above the average level of 1938, and it proposes, by the end of 1947, to raise it to a point forty per cent. above the 1938 level.[2]

But a point was reached in this patriotic drive for exports when

[1] *Economic Survey*, Para. 102.

[2] It must not be supposed that exports for the whole of 1946 were thirteen per cent. above those of 1938, or that exports for the whole of 1947 were to be forty per cent. above them. The comparison is between the monthly rhythm attained by the end of the year as against the average monthly rhythm for 1938.

the interests of national re-equipment were sacrificed ; machinery was sent abroad which could with greater advantage have been installed in British factories. For instance, there were sales abroad of power looms, locomotives, railway waggons, mining equipment and electric generators—all of them things of which the English economy was cruelly short. Indeed, such was the shortage of electric generators that there was competition among factories to get enough current for a full day's work. To make matters worse, all these precious commodities were sent to soft currency countries and could not, therefore, assist in any way the balance of payments. Their export could, it is true, be justified by the need to recapture a foothold in the European markets. But the decision was, as is easy to see, a delicate and necessarily arbitrary one.

The needs of consumers were resolutely sacrificed, even though the Prime Minister had said in the House of Commons on the 27th February 1946 : ' Daily consumption should be encouraged to grow substantially in 1946.' Successive restrictions were introduced from then on, such as bread rationing (which during the war had been unnecessary) and cuts in the rations of meat and bacon. Measures were envisaged for 1946 for restricting tea, and it had already been announced that clothing coupons would have to last longer. Not only were consumers hit by the shortage of coal, but Sir Stafford Cripps announced as well restrictions for an indefinite period on central heating.

One effect of these harsh privations[1] was that they left unsatisfied a proportionately larger amount of appetite and purchasing power, which naturally fell to on unrationed goods. These had not been rationed because they were not considered essential ; and, because they were not rationed, the purchasing power now at large threw itself on them and so stimulated activities which were recognised to be unessential. This was pointed out by Mr. Eccles in the course of a debate in Parliament ;[2] ' This system of rationing and price control has enabled the non-essential industries to outbid the essential industries for the labour coming out of munitions and the forces.' In the result there were to be seen just as many people in the tobacco industry as before the war, whereas those in the textile industry

[1] So Sir John Boyd Orr, the nutrition expert, referred to them in a speech delivered at Copenhagen in August 1946, before the cuts in meat and bacon : ' It is estimated that the additions to rations in the United Kingdom necessary to assure to our population a healthy diet would mean a twenty-five per cent. increase in the amount of meat and a sixty-five to seventy-five per cent. increase in other animal products and in fruit and vegetables.' Quoted in the House of Commons on the 10th March, 1947.

[2] Hansard, 11th March 1947, cols. 1221-2. D. A. Eccles, M.P. (Cons.) for Chippenham since 1943.

were down by a quarter. Again the various forms of betting, on horses, dogs and football matches, employed people on a scale which there was not the courage to admit.

Moreover, those very satisfactions which the government took pride and pleasure in granting to consumers militated against the national programme. In June 1946, for instance, the Chancellor of the Exchequer (Mr. Hugh Dalton) took credit for the formidable increase in the quantity of electrical appliances for the home coming on offer. All these appliances, so greedily swallowed up by their purchasers, overtaxed the capacity of the electrical generators—and at a later date their use had to be restricted.

A man must be entirely unacquainted with the difficulties of economic planning were he to place on the planners the entire blame for the internal contradictions in their policy. Certain instances there were, it is true, of sheer lack of foresight : coal was one of them. In England it is the source of power to an extent greater than elsewhere. It was vital that there should always be enough of it for essential tasks, and from the end of the summer of 1946 onwards there was no lack of warnings on the subject, all of them scorned by the responsible minister who, once the crisis had come, proceeded to make uncoordinated cuts which achieved the minimum of saving. Alone of the mistakes made, this one is inexplicable. Whereas, it is natural enough to rejoice in the distribution of electrical appliances or the export of electrical generators without paying regard to the link between the appliances and the generators ; to have felt otherwise would have required a degree of co-ordination between different services which was not to be achieved all at once. To achieve it was precisely the reason for the creation of a planning general staff. This co-ordinating body does not resolve the problems. It acts at best as a tribunal before which the problems can be aired. It is clear that most of the problems will be beyond its competence. For the essential choices imposed by State planning are not economic choices : they are political choices.

The idea that the activities of national production must be rationalised is a striking and attractive one. It is an idea altogether to the taste and tune of our epoch, marked as it already is by the rationalisation of businesses. To eliminate from factories wasteful processes and wastage of raw materials by a re-ordering of the factors and methods of production is one of the arts and occupations of our time. Men realise this ideal in the shape of the chain system of production, as opposed to the passing to and fro of the thing being produced. The scientific organisation of businesses, as it is called, is in the teaching

curriculum of today : it includes study of the various activities of a business of many products with a view to effecting a better allocation of its available resources between its different branches. So why not look on the entire nation, in its capacity as producer, as a single undertaking needing rationalisation, so that it may maximise the services which it renders to its clients, who are itself? And why not have an economic general staff charged with the duty of ensuring that there is the best possible use and allocation of the available resources? Such a general staff was established by the Labour Government.

The analogy which wins support for rationalisation on a national scale, itself gives a clue to the difficulty of the problem involved. The expert called in to rationalise a motor works or a soap factory knows that the end in view is, at a given expenditure of factors of production, to produce more motors or more soap. Enterprise on the national scale, on the other hand, has for its objective no such single product. Rather it is comparable to an enterprise of many products : but how, in an enterprise of that kind, does the rationalisation expert distribute the available resources between the different branches ? By calculating what division of activities will maximise the enterprise's total profit. This consideration of maximum profit is not available in the case of a nation.

Rationalisation experts have, in a word, criteria by which they can decide what is economically preferable. A national general staff have no such criteria, except perhaps in time of war—total war especially, in which the nation's life is at stake. Then what has to be maximised is the production of military strength. Even under those conditions there are, as England has discovered, difficult choices to be made. Which is it better to have, one more soldier or the increase in armaments which, as a munition worker, he would produce in a factory ? At what point in the transfer of miners to the army is the army weakened by the reduction of coal output ? At the height of the submarine war, was it better to have more men on the land to produce food in the country, or more sailors to bring it in from abroad, or more aviators to track down the enemy submarines ? Just how far is it good economy to divert men from warlike tasks to keep the men of the forces amused and to maintain their morale ?

These choices were made by guesswork and corrected in the light of experience. There was no yardstick for measuring the disadvantage of one soldier the fewer against the advantage of one miner the more. And none would have the hardihood to claim that the allocation of resources, as it was made at any given moment of the war, was the best conceivable.

If it happens like that when all endeavour is directed to one end, the difficulty of the problem in time of peace may easily be imagined. In what does it then consist, ' the maximum service rendered to the nation,' in Sir Stafford Cripps's formula ? To satisfy immediate consumer needs, to equip the nation so as to ensure its future productivity, to safeguard its security, to improve its education—all these are ends which are not contradictory in theory, but which compete in practice for the available resources. And the importance to be attached to each of them respectively cannot be so calculated that the distribution made between them is beyond all question the best distribution conceivable.

The after-war problem which England confronts is, no doubt, so pressing that it furnishes the general staff with a dominant end. Forced as she is to buy abroad the food and the raw materials without which her people cannot live and the wheels of her industry cannot turn, England is bound absolutely to put herself in a position to pay for them by her exports. The export drive may be given the same leading part to play as was given to the military effort during the war : and the government has acted on this principle.

But how far can families be denied the amenities of life without discouragement to the efforts of the producers ? Is it better to use consumer goods for immediate export or as prizes for the workers ? Is more gained by restricting their production so as to hasten national re-equipment or by pressing on their production so as to arouse enthusiasm in the workshop ? Does the purchase of American films cost more in foreign exchange than the return which it brings in good humour ? Will the demoralisation caused by the shortage of domestic heating slow down production in the factories more or less than rationing their allotment of fuel ? Should the growth in the number of shopkeepers be reckoned rather as so many hands lost to production or as so much time gained to their working customers ? Will the suppression of excursion trains lose more in good-will than it will save in coal ? It has to be admitted that all these choices are made by guesswork, and that there is no means of reckoning the balance of gain or loss involved in each decision.

These choices, for all their variety, are all made with reference to the same end. But the end of policy is not an exclusive one. Military needs clash with civilian needs. And the distribution of available resources between these two categories turns not at all on a choice which is economic. There are no means of calculating what proportion of British soil it pays to earmark for military training, or what proportion of motor vehicles should in reason be allocated to military purposes.

It is a political decision, that of determining the numbers necessary for the armed forces ; and it is a decision bound up with the international situation which is an independant variable. With the result that, in the event of the situation deteriorating to the point at which larger armed forces were necessary, an entirely fresh allocation of available resources would have to be made between military and civilian needs.

No less than the claims of security, the government's reformist plans are the subject of decisions which are political. At the very moment of marking and proclaiming the vital necessity of increasing coal production, the government announces the introduction of the five-day week in the mines. It can, it is true, give this measure an economic façade by presenting it as a remedy for absenteeism and as a means of attracting recruits into the industry. Be that as it may, there is no economic pretext possible for choosing this moment to keep children at school for another year. This is a purely political decision, which involves, besides, the building of schools at a time when much of the restoration of London's war damage has not been begun. The extension of the school age comes at a time when the government is disturbed by a general shortage of man-power. Its place is not as a chapter in the economic plan, but as a hindrance and a burden laid on that plan. This is said not to condemn it, but to demonstrate that everything is not, and cannot be, subordinated to the economic end pursued by the government. A variety of preoccupations, as heterogeneous as they are irreducible, claim and draw away resources without it being possible to decide between their respective claims by line and compass.

Talk of ' the optimum allocation of the national resources ' tends to induce the belief that some geometrical point exists and can be found which satisfies the condition enunciated 'that the distribution of resources should render the maximum service to the nation', and that it is possible for experts to measure accurately the relative ' utilities ' of their various uses. Here we see the fruits of an abuse of language, as appears at once when the notion is put to the touch. ' The maximum service rendered to the nation ' is an indeterminate idea and a matter of opinion. The idea of maximum service varies enormously between man and man. The accent may be placed according to choice either on external security, or on internal welfare, or on increased facilities for amusements, or on cultural development. And the opinions to be reckoned with are those of the ruled as well of the rulers.

If the regime of rationing and controls tends to remove the allocation of resources from the influence—in other days the determining

influence—of the expenditure made from private and collective incomes, there has been a corresponding growth in the influence exercised by corporative pressure. The newspaper trade is better armed for making its claims prevail than the book trade.

The allocation of resources, instead of resulting as formerly from the continuous plebiscite held by the consumers, of whom the government was one, is coming now to result from government decisions : these are influenced by the corporations of producers, whether or not their industries have been nationalised.

The business of allocating resources in a democracy, in which all must be done in the light of day, is revealing to us little by little the endless difficulties presented by a notion in which at first the intelligence revels.

PART THREE

THE MORAL PROBLEMS

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CHAPTER 20

THE DRAMA OF SOCIALISM

Participation in Responsibility *Enlightened Despotism*
Role of the Intellectuals *G. D. H. Cole* *Active Citizenship*

THE advent of the proletariate has had a romantic welcome from the poet and the advertiser. In the foreground, a youthful worker naked to the waist, displays a superb torso and smiles triumphantly as he brandishes a hammer; behind him stretches an endless line of muscular and resolute toilers. Pictures of this kind were more effective than any amount of cold reason, but they also prepared the way for plenty of disillusionment. For it is not the case that proletarian victory inaugurates the reign of this strong, simple and handsome Tarzan. Those who now mount the throne are, rather, a troop of busy little bourgeois carrying leather dispatch-cases. Socialism is organisation; its regime is one of secretary-generals—a 'scribocracy' in fact.

Thus it must ever be, and to suppose that it can be otherwise is a romantic, even a bohemian, illusion, scoffed at by Lenin as 'the infantile disease of communism.' Nowhere has this illusion flourished less than in the English socialist movement. Two generations now of British workers and intellectuals have watched the formation of a certain type of human being—the Trade Union leader. He is a man whom the subscriptions of his comrades have withdrawn from working class existence and installed in a bourgeois occupation, to pass his life in offices and on committees. A sensible people knows that the coming of the proletarian is in reality the coming of these particular bourgeois—the business men of the working class.

The worker feels no distrust of his leaders now that they are bourgeois.[1] They have not, in abandoning their proletarian guise, abandoned anything to which he himself attaches a sentimental

[1] At the end of 1948 we see some signs that this disposition is changing.

value. All he asks is to become bourgeois in his turn, and he expects his leaders to make this transformation easier for him. The bourgeois style of dress, the bourgeois habit of saving, a bourgeois house—these are the goal of the British working man's endeavours. This is shown by his increasing reluctance to enter the harder manual occupations, such as the mining and textile industries. He wants his work to be neither too dangerous nor too exacting ; he wants it regularly assured to him and the hours to be not too long ; he wants to return from it in comfort to a pleasant little house, so that, in the evenings and on holidays, he may be a respectable esquire and the social equal of everyone else. The tribe of political æsthetes, for whom politics are merely the drop-scene for their futurist melodramas, scoff at these *petit bourgeois* yearnings : they are in love with phantoms, not men.

British socialism accepts the realities frankly : its leaders are *petit bourgeois*, most of its rank and file are the same—the percentage of employees in the nation is continually gaining on that of the workers —and those who are not *petit bourgeois* aim at becoming so. The party's object is to raise the national income by the integrated and rational use of the resources available, and to spread the distribution of this income by a taxation policy which fleeces the richer to provide for the needs of the poorer.

Today, socialism, master of the levers of political command, is in a position to take over the economic direction of the nation. Socialists, whether in substitution for capitalists or as their guides, are embarking on their self-imposed task—a task which is so much in accord with the spirit of the epoch that even their competitors for place and power have assented to it, and would no doubt, were they returned, pursue it.

Yet a certain malaise is showing itself among the finer spirits—those very spirits that did most to keep the fires of Socialism alight. Can it be that something of Socialism has been lost on the way. Where are we going ? To the management of the apparatus of production by experts with a view to assuring to the greatest number the best existence possible in the circumstances. Even if we refuse to admit that these administrators will ever take the form and contract the habits of a ruling class, even if we reject the hypothesis of a technocratic authoritarianism and conceive of a perfect breed of managers, it remains true that, in the regime whose features are becoming discernible, an active role and individual responsibility seem bound to wilt away.

To what is due the moral attraction of socialism and syndicalism ? To the spirit of fraternity as it developed among small militant groups.

What could be more touching than the loyalty displayed in a losing strike, when pride held a man back from following destitution's pressing counsels, and stiffened him in fidelity to his comrades? What could be more moving than the mutual aid administered in small societies of working men, which would outrun their meagre resources to succour the family of a comrade? What could be more admirable than those small working-class co-operative undertakings in which each man, conscious that his work was for all, worked his hardest? Socialism and syndicalism meant, in their heroic ages, the acceptance by each of toil and risk for the common good and the share of each in the common enterprise. The moral basis of socialism was a sense of the dignity and responsibility of the individual : in the hour of victory will its fruits be quite the opposite?

The same phenomena of concentration and monopoly have for the same reasons appeared in Trade Unions as in capitalist undertakings. Associations which number more than half a million members are no longer associations in the true sense : the members no longer know each other and solidarity has become for them an abstraction. The work is done by union officials appointed for the purpose, employed by leaders who are virtually irremovable. The members need do no more than let themselves be defended—a defence which is generally undertaken with energy and competence. But being a Trade Unionist no longer involves any personal activity : rather it is the taking out of an insurance—an insurance which is in practice tending to be made compulsory, since under the 'closed shop' Trade Union membership is becoming a condition of employment. Trade Union gargantuanism has swallowed up those sterling personal qualities which made the militant, and compulsion to join a Union is relegating to limbo the only activist element left : voluntary membership.

The administration of health insurance has, in the thirty-five years of its existence, brought to light a certain psychological evolution. The law provided for contributions to be levied and benefits paid out through the medium of friendly societies or mutual insurance groups which were already in being or were set up for that purpose. No distinction was drawn between the various groups of persons who succeeded in forming such societies, provided that the societies were governed by the members, did not aim at making profits, and were approved and controlled by the public administration. This measure resulted in the assured persons undertaking for themselves the duty and responsibility of administering the insurance benefits. The societies ranged from intimate circles with a mere hundred members to a vast organisation covering a million insured persons.

The whole tendency of the last fifteen years has been towards the gradual abandonment of the small societies managed by the assured themselves, to the benefit of the large scale organisations in which everything is in the hands of managers appointed from above. Young people especially have drifted in mass towards the large societies, taking no interest in the possibilities of self-government which were dear to the heart of Mr. Lloyd George and on which he founded great hopes.

These phenomena and others like them show clearly that, even in the country in which a wide measure of local autonomy and long habits of voluntary association dispose men to self-government, there is yet a flight from the burdens involved, and the task of administering the ordinary man's concerns is left to specialists. The man of positivist outlook may confine himself to noting the facts, and then, after he has brought his observations together, advancing the proposition that the mass of the people is, under every sort of regime, a passive factor. The fascist and the communist may draw from this the same authoritarian conclusions. It should be a source of anxiety to the socialist. For these new institutions, even if they answer to a need and bring advantages in their train, do not for all that fulfil the moral purposes of their promoters—they do not involve the conscious and responsible participation of the individual members.

The socialist ideal is not satisfied by an enlightened despotism dispensing benefits through the medium of a bureaucracy. Such a regime may better the material condition of the subjects ; but it casts them into and confines them within the moral and political condition of mere *administrés*, and it does not form citizens—men, that is to say, who know how to play their part in administration and its burdens. Still less does it form socialists—men that is to say who feel a continuous solicitude for their neighbours, which is shown in action by an unceasing devotion to their well-being. The socialist is he who knows himself to be ' his brother's keeper.'

The true aim of all the spiritual guides of socialism was to raise to the highest pitch the feeling of sympathy and the will to mutual help, to bring to birth a fraternal society. The essential reason for fighting the institutions of private property was that they bred antagonisms, and the concrete institutions of socialism should have been the rallying points of a permanent voluntary co-operation. So conceived, the entire technique of socialist organisation was but in the category of means. But it looks as if the technique has escaped from this subordinate role, and socialism has come down to being merely a method of organising production which is believed to be more rational and more efficient. In the course of this psychological

evolution the essence of socialism has vanished into thin air. That gives food for thought to those socialists who really answer to the name. They ask themselves whether Schumpeter was not right when he said : ' Socialism is on the way, but the socialist will not like it.'

The alliance of the intellectuals, or of some of them, with the popular movement of the day is a phenomenon of great antiquity, greater, perhaps, in England then elsewhere. When Henry VIII had pillaged the goods of the monasteries, the impoverished Church could not provide intellectuals leaving the universities with as many positions and benefices as formerly : the fewer outlets diverted those for whom provision could not be made to the role of popular preachers —an activity which was to have vast political consequences.

'But it is one thing for intellectuals to give substantial support to the popular movement of the day, and another for them to enrol themselves in the concrete form taken by that movement, even to the point of making their thought the sword-arm of the party. That is what is to some extent asked of them today everywhere. It is not enough for them to furnish the movement with visions which exalt and arguments which persuade ; they must also refrain from the smallest criticism which may weaken the authority of the political leaders. They must have a time to speak and a time to be silent : they must in fact behave in a disciplined manner. This subservience to the party line receives the highest honours, but there is in this gilded prison nothing to attract ; rather it tends to drive away the intellectuals from their traditional association with the popular party.

If sufficient attention was paid to a phenomenon which well deserves it, it would perhaps be found that the defection of intellectuals is often the work less of the political leaders themselves than of those mediocre intellectuals whose capacity is limited to the reiteration of the dogmas of the faith, and who condemn any superior mental agility which unsettles them. The condemnation of intellectuals who are too independent, which is in communist parties a matter for the police, is in certain socialist parties the work of ostracism—of bad money driving out good. Recourse to the police and the spirit of the excommunicator are methods yet unknown in England. And the intellectuals can style themselves socialists without their various ' deviationisms ' bringing down on them bell, book and candle. They are free to examine not only the drawbacks but even the dangers which attend the march of socialism, without incurring on that account the charge of treason. ' They are candid souls ! ' said to me, scoffingly, one of those partisan spirits who are to be

found everywhere in continental left-wing politics of the present vintage. Perhaps they are : but has this quality of candour done English socialism so much harm ?

So far from having their existence denied, the various reefs which lie in wait for Socialism are constantly meditated by the finest Socialist spirits. To dodge a difficulty either for tactical reasons or to suit an associate is not in their philosophy, for they well know that a difficulty which is deliberately ignored germinates like mushrooms in a dark place, and that it is far better to drag it into the light of day and pose it frankly as a problem to be solved. To say of a man, ' he knows all the answers,' is, in the mouth of an Englishman, not to praise him but to laugh at him : the course of events is continuously raising questions to which the answers are as yet unknown. Those very intelligences which have tried hardest to keep the garden tidy have the liveliest awareness of the weeds which spring up. The courage to recognise them is the indispensable prelude to the attack which must be launched on them.

For that reason it is not surprising that one who has done most to gather within the socialist fold the minds of the present generation should pay great attention to the difficulties now appearing. I mean G. D. H. Cole, whose name appears on the backs of a whole shelf of books explaining the problems of today, relating them to history and throwing on them the light of doctrine. For a quarter of a century he has devoted his outstanding gifts of clarification and exposition to socialist education in England. Though he occupies a highly-prized chair at Oxford, he sets less store by it than by the chair which he may be said to have set up for himself in the market place. In numberless books, easy to understand and never of poor quality, he has handled all the problems of the contemporary world, relating them not only to history but to the doctrines which claim to explain or resolve them. It has been said of him that he has built up on his own a library and a university of the social sciences. Although devoted to his private researches, which have given us among other things a remarkable biography of Cobbett, he has always put them behind the duty of providing a public, to which he felt as keen a responsibility as to his own students, with explanations of what was happening. The day is not remembered when he ever refused the humblest literary task, that of drafting propaganda sheets—it was enough for him that he was contributing to socialist education. It often happens indeed that a short and simple pamphlet issuing from his pen stimulates interest by its felicitous compression. Of poor health, he has made his contribution only by a rigid adherence to rule. But the door of his house, built on a hill

just out of London, is always open. In it we have discussed the great problem which fills his mind : whether the centralised organisation of a great society—which goes by the name of Socialism—brings in its train the ethical values which socialism, the word, has always implied.

The essence of social democracy is, for G. D. H. Cole, sympathy—the feeling of warm regard for real living people. It is a sentiment which is not compensated in the least by devotion to a distant and abstract idol. He would approve Rousseau's epigram : ' There are philosophers who make love of the Tartars an excuse for not loving their neighbours.' For him Socialism is a man's regard for his neighbour—for someone who really is a neighbour. Hence it is that the democratic spirit—or the socialist, for Cole makes no distinction between them—finds its truest expression in small communities and small groups. Especially so when these small groups are persecuted minorities, as were once those non-conformist congregations which were in England the hearth of the democratic and socialist spirit. So too were the first associations of workmen. In both men called each other ' brother.' But this solidarity was disrupted by success and the growth of the group. To the democratic shape natural to a small group there succeeded the bureaucratic shape, which is no less natural to an enlarged group. There is no longer a close mutual bond between the members, who are now no longer faces but ciphers ; nor are the actions of the group in any real sense the actions of each component member. Cole sees as fictitious, and as such denounces, the ideas of a collective will and collective action : when a certain size has been reached, some men must do the willing and acting for others.

Let no man think that the democratic character of the group is preserved because those who will and act are representatives. What is done by the representative is not done by the represented, who, just because he does not do it and carries none of the burdens and responsibilities, has no democratic activity. Rousseau was right in denying that the people can be represented. Democracy exists to the extent that the individual has a hand in what is done. And Cole finds at any rate a trace of such participation wherever there is some personal link between the representative and the represented, as when the representative is personally known, himself, his habits, his parents, his wife—everything in short which is known about a man in a village and is not known about him in a city. Nothing of this is known any more when votes are cast not for a familiar face but for a stranger—a stranger who is already a representative, but the representative of a party which gives him his title deeds. In that

case, says Cole in a remarkable passage in a recent book[1] : ' What remains of democracy dissolves before the governmental machine. For democracy's essence was less in choosing the deputy than in knowing him. Villages are for that reason more democratic places than cities, even when the squire and the parson direct the voting. Being democratic is not the same thing as professing advanced opinions or believing in democracy. Democracy begins in a man knowing his neighbours as real people, and unless it begins there it does not begin at all.'

I am well aware how vile an art it is to give a false impression by means of accurate quotations. In these few phrases there is embedded so pertinent a criticism of formal democracy, that the reader unacquainted with Cole's position, which is on the left of his party, might well form a false impression. He does not present himself as a defender of the old forms of communal life : but he thinks, along with Marx—instance the reference to ' motley feudal ties ' in the Communist Manifesto—that from the point of view of social homogeneity they were to be preferred. It is for him an urgent matter to re-discover in this vast framework of organised society small human cells where men help each other, feel for each other, decide in common and do in common the things they think important : communities of neighbours, communities of work-mates. He would like there to be in every place of work an association between the men whom their work brings together, and in every township an association between the persons dwelling in each street or block of flats. Then would the words ' neighbour ' and ' comrade ' recover a meaning. He finds it monstrous that, as happens to a man now in a modern civilization, there should be no link between him and the companions of his working hours, any more than between him and those who sleep on the other side of a wall. He would like neighbours and comrades to have times and places of meeting. But what are they to meet for? There is the difficulty. In time of war there were wardens of house and street : a common task brought men together. Something equivalent would have to be found. Indeed the idea grows on all hands that the staff of a workshop should be given collectively some real status in the control of the workshop. Bolder spirits may dream of schemes of co-partnership directed to the benefit of the staff—a line of country which seems more promising than nationalisation.

A need to combat in any way possible the tendencies which are dragging the citizen down towards the condition and the state of mind of an *administré* is clearly becoming the pre-occupation of some Socialists, though not of all. The majority do not feel it, and that is especially true of the young. For most minds the dominant

[1] *The Essentials of Democracy* in *Europe, Russia and the Future*, 1942 (p. 192).

aspect of Socialism is the Comtian or technocratic. The masses will be well served if the work of society is well organised. If social vitality continues to decline and there is a smaller outpouring of small initiatives and small groups, what matter when before long the necessary initiatives will all issue from the centre and the large group will be well organised?[1] If there are fewer outlets for the practical exercise of solidarity, the government will be able to give to all alike a feeling of general solidarity in the execution of a plan which profits all. Let us in passing mark a drawback to this: the aim and object of the solidarity will then be the nation, and Socialism will have given itself in marriage to national feeling. This in other days it combated, but now has need of: it relies on it and, sometimes, exacerbates it. But another more serious drawback still troubles enlightened minds: does not the establishment of official agencies to provide for all man's social needs discourage the natural growth of spontaneous agencies? And does it not help to divert man's surplus energies to public shows? From one generation to another it may be seen how active participation in voluntary associations tends to be replaced by passive participation in spectacles.

[1] Against this point of view may be set a famous sentence of Burke's: 'To be attached to the sub-division, to love the little platoon we belong to in society, is the first principle (the germ as it were) of public affections.'

CHAPTER 21

THE PROBLEM OF THE TRADE UNIONS

Victorian Trade-Unionism Mass Trade Unionism Business Men of the Working Class Tendency of Trade-Unionism towards Concentration and Monopoly The Closed Shop Reality of Trade Unionism

THE great social authorities in present-day England, the Trade Unions, are no longer capitalist but syndicalist. Their position both in and *vis-à-vis* the State is a strong one ; it is strong also as regards the workers.

It is strong *vis-à-vis* the State in the millions of workers who follow the directives of the Trade Unions. And symbolically enough Transport House, the headquarters of the Trade Unions, is situated near both Parliament and Whitehall, as though to remind both Parliament and Government that they must needs reckon with the headquarters of the workers. The new building which houses the Trade Unions is in the centre of a network of small private houses, traditional abodes of families which provide England with her legislators and ministers : it is the symbol of ' the new fact.'

The position of the Trade Unions is strong *in* the State. For the party actually in power, whose ministers hold the various public offices, is financed and controlled by the syndicalist organisations : at the last Labour Party Congress they held seventy-five per cent. of the voting power.

Lastly, it is strong as regards the workers : not only do the Unions exercise disciplinary power over their members, but they are also in a position to compel, by means of the ' closed shop,' those to join them who are not as yet members.

In the Middle Ages there were no associations of wage-earners. All those who exercised the same craft were incorporated in a guild, which brought together masters and operatives for the purpose of corporative organisation and defence—to the glory and the interest of the craft. If antagonism between employees and employers did not raise its head, the main reason doubtless was that the requirement of a long apprenticeship and statutory limitation of the number of apprentices made operatives scarce and thereby raised

their value to the masters whose life and work they shared, whose daughters they married and from whom they ultimately took over. Here and there, it is true, the masters displayed a tendency to limit the number of masterships and concentrate them in fewer hands, thereby restricting the opportunities for operatives. But more than the operatives tried to block these attempts.

In large scale industry, which made an earlier appearance than is often thought, the course of events was quite other ;[1] in it the capitalist entrepreneur employed numerous day-labourers, and this form of organisation, well suited to new industries, made its way also into the old. The ambitious merchant rulers of the Renaissance, though they favoured large scale industry, found it necessary to regulate it and take a hand in the fixing of wages.

But the new class of great industrial entrepreneurs, whom the Revolution of 1688 installed in power socially and politically, chafed at all restraints. At the time that, in its newly found capacity of landed proprietor, it enclosed the common fields and as a result chased off the peasantry to the factories, it rebelled also both against the fixing of wages and the obligation to employ only those operatives who had served their apprenticeship. It destroyed the ancient framework and the labourers lost their ancient safeguards. The latter then took to concerting together in inns—those traditional places of meeting—and in employment offices—the medieval stopping places for itinerant operatives. They made appeal to the justices of the peace, and the local benches were drawn from an aristocracy who often lent them a favourable ear.

But above all they made petition to Power—to the Power which in the sixteenth century had protected them ; and they claimed the reaffirmation or the renewal of the rules and institutions which safeguarded them. But the Power which received their grievances was no longer the King : it was now the Parliament Chamber in which their employers were more and more the predominating influence, and it had become deafer and deafer to their appeals. Request was made of parliament to fix wage rates or to delegate the fixing of them to the local benches. But it listened rather to the ' progressive ' propositions of the manufacturers, demanding the abolition of ' obsolete restrictions ' : in this way the hatmakers secured, in 1777, in the teeth of the workers' opposition, the abolition of the limit on the number of apprentices. This vital safeguard of the medieval

[1] Even in the middle ages the drapers were already employing a numerous staff, working, it is true, in their homes ; and in countries, such as Flanders, in which the drapers' business developed early, there were social clashes. In England the Renaissance was the time of an industrial revolution which John U. Nef has described. Then appeared what was to be called later ' factory work.'

craftsman disappeared on all sides. Parliament, which was continually voting laws permitting the enclosure of village commons, could not be expected to feel sympathy for this vestigial 'barbarism.' Half-way through the eighteenth century, its hostility to wage fixing became marked and it was only in the exceptional case that it yielded to the workers' insistence. The individualist ideology already determined its policy, by instinct more than by conviction. As always happens in England, the changes proceeded at very different speeds in different respects. It was only in 1813 that the power of fixing wages in a locality was taken away from the justices of the peace : but long before that the power had largely fallen into disuse and *laisser faire* had become the rule. Wages were left to the law of supply and demand—a novelty which the rural aristocracy found so shocking that the Berkshire magistrates conceived, in 1795, the idea of a municipal dole[1] to supplement wages and assure a minimum standard of life to the workers.

The workers, being no longer able to count on Power, had recourse to collective action. A law of 1799 forbade them this remedy, as it had already been forbidden by the legislature of Revolutionary France.[2]

The working class movement now found itself driven underground. Admission to it was by a sort of masonic ritual and entrants were obliged to bind themselves by an oath. This defiance resulted in brutal punishments. In 1825, Francis Place, a master tailor, and Joseph Hume, a Member of Parliament, secured the repeal of the Act of 1799 and, as a result, the right of collective action for the workers. But fiery spirits then aroused exaggerated hopes. There was a disorderly spate of large-scale associations, made up of every kind of worker with total socialisation for their aim. These disturbed public opinion, occasioned violent incidents and came to grief between one day and the next.[3]

The associations which were to give its tone to British trade unionism made their appearance after the collapse of this revolutionary agitation. The prototype was the mechanics' union, the Amalgamated Engineers. While the proletarian cohorts got together

[1] As to this system see Karl Polanyi, *Origins of Our Time*, London, 1946, Chap. VII : Speenhamland.

[2] ' If, contrary to the principles of liberty and the constitution, the citizens in the same trades conferred together or made agreements either for withholding or for offering only at a price fixed by themselves their labour and industry, the aforesaid deliberations and agreements, whether or not accompanied by an oath, are declared unconstitutional, derogatory to liberty and the Declaration of the Rights of Man and the Citizen, and of no effect.' Loi Le Chapelier of the 14th-17th June, 1791, Art. 4.

[3] Cf. A. Aspinall, *Early English Trade Unions*, 1949.

in the preceding years for the purpose of fighting losing battles were losing them, a return to the medieval tradition was being planned. Skilled workers of the same craft banded themselves together inside their craft ; then they united several related crafts in an amalgamated society. Their end was mutual aid. This had two sides to it ; one, substantial subscriptions enabling the society to act as a mutual insurance office against illness, unemployment and funeral expenses, the other, protection against oppressive conduct by employers, though the strike was still regarded as a dangerous weapon only to be used after full consideration. When a strike was really justified, it was to be launched only under favourable conditions, which must be kept favourable by the resources of the society. The mechanics made a deep impression on the working-class movement when they were able to give fraternal help to dockers out on strike, to the tune of a thousand pounds a week.

The distinguishing feature of trade unionism of this sort was the spiritual influence exercised on it by its membership : men who had a craft and were proud of it. They compared themselves with doctors : the craftsman has, like the doctor, had to win knowledge of his craft by study. The craftsman, like the doctor, should have his special position guaranteed him.[1] This comparison with a middle-class profession showed the innate respectability which marked Victorian trade unionism. To the disorderly gatherings of the 1830's, natural enough in heterogeneous coalitions, there had succeeded an admirable order and decorum which were to advance greatly its reputation. The big man of the Amalgamated Engineers, William Allen, brought to the internal economy and financial management of his society the capabilities of a shrewd Scot : these ensured its prosperity and made it the model for others.

Robert Applegarth took it as a model for his ' amalgamation ' of carpenters. These two men, both at the head of solid organisations, maintained close relations with several other like-minded trade union leaders. In this way the working-class movement as a whole acquired a general staff which was sometimes called ' the Junta.' The Junta viewed with distaste long and costly disputes and its moderation found favour with public opinion. By its Victorian characteristics trade unionism made good its claim. These decent and competent men, with their grave manner of expression and their ability to bring seemliness and formality into the discussions over which they presided, whose accounts were in order and their coffers full, reproduced exactly all the then approved traits of character.

[1] Cf. the quotation given by Sidney and Beatrice Webb, *History of Trade Unionism*, p. 199.

They won friends in Parliament, they made their voices heard on parliamentary commissions and obtained legislative reforms which suited them. The Conservatives gave them what the Liberals had refused. It was to the Conservatives that they owed their greatest legislative triumph.

The first Trade Union Congress was not the work of the Junta, but it was only when, in 1871, the Junta took the matter in hand, that the Congress took on a real importance, became an annual affair and invested its allies in the Commons with the character of a parliamentary committee. It was in the end to give birth to a permanent body—the T.U.C. This body is, properly speaking, a trade union central office ; it sits at Transport House with an imposing administrative array. Though aiming at legislative objectives almost exclusively, it took the T.U.C. thirty years to bring to birth a party. In 1874, two trade union leaders (both of them miners) entered Parliament. There they defended, as was natural, the interests of the working-class movement, but were otherwise free to take any political line they pleased.

Whatever the services rendered by Victorian trade unionism, it became the target for lively attacks from the 'eighties onwards.

Several years of economic depression had impoverished the larger unions who had faithfully discharged their obligations in paying unemployment pay. That made them the more reluctant to embark on and maintain labour disputes. Their successful concentration on the administrative rather than the political side of their work was made a reproach to them. The ideas of Karl Marx and, still more, of Henry George were abroad : the leaders proved allergic to them and could not supply their followers with enlivening myths. Impatience took the field and it was a new and politically advanced spirit that animated the Miners' Federation.

Trade unionism was chiefly attacked for its narrowness. The unions were, in fact, the defensive organisations of specialised crafts—the Amalgamated Carpenters, for instance, united those who practised carpentry in whatever industry they practised it. In the result, the defence of a specialised craft gave rise to friction with other specialised crafts and threw all specialist unionists into opposition to the unskilled labourers. Propaganda undertaken by middle-class intellectuals tended to discredit the well-defined idea of ' the craft,' and to substitute for it the confused but dynamic idea of ' the working class.' Annie Besant, the theosophist, started a strike of female workers in London match factories, and, though only a few hundred people were immediately concerned, brought in from outside the support

of middle-class intellectuals, so that the strikers won ; the victory set in motion a series of strikes which culminated in the great London dock strike of 1889. This strike was made notable by the large-scale intervention of public opinion on the side of the strikers, not that it was particularly well informed on the causes of the dispute, but because just at that moment the educated classes were in process of discovering the condition of the proletariate. Charles Booth, a capitalist, had been pursuing since 1886 an enquiry into life in London, the publication of which was to overwhelm the national conscience. In the dockers' strike opinion was for the first time on the side of the workers as such, and a public subscription for them brought in nearly £50,000. Cardinal Manning was one of the mediators who secured for the strikers the substance of what they asked.

The result of this historic encounter was to encourage the formation of large-scale ' general ' unions, those, that is to say, that included workers without reference to their special craft but brought all those who worked on the railways or at the ports under the one umbrella. It was no longer a case of craftsmen linked by a common craft but of wage earners thrown into solidarity as such. The driving force was that of the eighteen-thirties but the mood was less Utopian. The two sorts of trade unions were to continue side by side and influence each other. Some financial mistakes made it necessary to infuse the management of the general unions with the spirit of sound administration which had marked Victorian trade unionism.

This rapid survey of trade unionism's ancient history leaves certain general impressions. The first is of a sort of alternation between the spirit of administration and the spirit of agitation, the latter corresponding to the periods in which the organisations are of masses rather than crafts.

The second, and most striking, is that trade unionism's real successes have never been won by force. It was not by making themselves feared but by winning the favour of Parliament that the trade unions got themselves the grant of ever wider rights. Their rights have not been won by their strength but their strength has been made possible by the rights which have been granted them. Still less was it by their own force that the unions won their great labour disputes. There was no syndicalist strength behind the dockers when they won in 1889 : but they had public opinion behind them. The strongest of the unions, that of the miners, had behind it the whole trade union movement when it gave battle in 1926. But the general strike, then for the first time undertaken, did it harm rather than good, by setting public opinion against it.

The trade union leaders have drawn the inevitable conclusions. The wonderful results which they have achieved owe almost nothing to labour disputes and almost everything to legislative provisions and government action. Under Liberal and Conservative governments, trade unionism and the working class, led by strong but reasonable men, have made great strides. Their one reverse was after the disastrous general strike of 1926.

In practice, the legal facilities given to the trade unions have been primarily used in securing more subscribers wherewith to maintain working-class representation both in and out of Parliament—in which since the beginning of the century it has had its own party. And the part played by this working-class representation has been to plead causes and win suits rather than throw its troops into battle. The two wars, and the two periods when the Labour Party was in power before its victory in 1945, won for trade union representatives as such an official status. No parliamentary commission was complete without them and they had places on every public body.

It argues a complete misconception of trade unionism of this kind to feel surprise at the type of men who are its leaders. An instance is the Conservative member and wit who was present at the recent Trade Union Congress at Brighton : he thought he was being sarcastic when he wrote that the Council sitting on the platform looked exactly like a capitalist board of directors. The author of this jape thought, no doubt, that trade union leaders fancied themselves as agitators : but that is not so. They employ agitators : their staff includes propagandists for membership drives. But they themselves, so far from minding the impeachment, take pride in being administrators, managers and executives, possessing the qualities and the characteristics of the directors of large capitalist enterprises—whom, incidentally, they supersede by means of nationalisation.

Moreover, they are, like the capitalists, empire builders. The trade union world has undergone the same process of concentration as the capitalist world. Everything that socialist authors write as to the disappearance, whether by destruction or absorption, of small enterprises to the enrichment of large, could be written of the disappearance, whether by destruction or absorption, of small unions to the enrichment of large. The proud edifices of capitalist trusts are matched by the proud edifices of syndicalist trusts.

The tendency is of long standing. It finds justification, moreover, in the disadvantage suffered by small unions in not having the permanent administrative staff to manage the affairs of their members. Only very large unions can afford heavy administrative costs and

maintain a substantial staff which, though it is no longer working class, administers working-class interests. In former days the law put obstacles in the way of concentration of this kind, which, while it increases the efficiency of the management, also widens the gap between the management and the rank and file. The substance of the law was that, for an amalgamation to take place, there must be a two-thirds majority of the entire membership of each of the unions concerned in favour of it. It is a virtual impossibility to secure the attendance at a meeting of so high a proportion of members. But the need for the co-operation of the trade union leaders during the 1914 war won for them in return an Act which got rid of this difficulty—the Trade Union (Amalgamation) Act, 1917.

The immediate result was a vast extension of concentration. The chief advantage went to the general unions which recruited their members without regard either to the craft exercised by them or to the industry employing them, but were concerned only to collect as many adherents as possible. The main union of this type was the Transport and General Workers Union, which in a few years absorbed the Dockers Union, the Scottish Union of Dockworkers, the Tramway Employees Union, the National Federation of Women Workers, the Association of Municipal Employees, the Crane and Machine Minders Union and a large number of other groups, themselves often the product of an amalgamation. This vast union, it has been said, has gathered in everyone from midwives to gravediggers. Its triumphal march, not unlike that of a capitalist trust, has been led by Ernest Bevin. He has, like all conquerors, built largely : his monument is the enormous pile of Transport House, a stone's throw from Parliament. It houses the general staffs both of his own union and of the T.U.C.

I have been unable to find the most recent figures, but even in 1936, when Bevin's union included no more than 561,000 members (the figure rose last year to 815,000), subscriptions brought in £750,000 and thanks to good administration there was in hand at the year's end £900,000. Very few States are assured of as proportionally large a budget surplus. Expenditure in 1936 was £277,000 in wages and salaries and £128,000 in general expenses ; the union was thus able to sustain the claims of its adherents far more effectively than when this was the responsibility of working men working eight or nine hours a day, whose syndicalist activity put them in danger of dismissal. The workers are not disposed to find fault with their leaders' bourgeois and even sumptuous mode of living when it is clear that they thereby gain independence as regards employers and prestige with public men.

The coffers of the unions fill those of the Labour Party. They provide it with £52,000 out of an annual budget of £82,000. They have got in Parliament 119 members, who are more their members than Parliament's. As Mr. Horner, the miners' leader, said to me with pride : ' We have forty members chosen by ourselves, whose election expenses we paid ; they represent us and vote on our instructions in matters of interest to our union.'

The rulers of trade unions go the way of everyone who has done great things, won great power and rendered great services : they become intolerant of all opposition. In 1937 the London 'bus conductors, displeased with the way in which a strike had been conducted, formed a union of their own, the National Passenger Workers Union, which poached on the preserves of Mr. Bevin's gargantua. The big union bided its time. It came with the Labour government, which repealed an Act passed in 1927 (after the failure of the general strike) found objectionable by the unions. The battle of the big union against the little started with a prohibition directed to twelve conductors against taking their 'buses out. It was a declaration of war. No demand was made for the dismissal of the dissident trade unionists, for there was still in force war-time legislation forbidding transport workers to leave their employments. In September 1946 a new step was taken : the big union brought to a successful conclusion representations made by it to the official body in control of London Transport, the L.P.T.B. This body decided to employ nobody in its various services who was not affiliated to the Transport and General Workers Union. In other words, a man had to join the union or be dismissed.

Opinion was disquieted by this decision. The right of dissent is the foundation of English political philosophy. It was this right which, as against the Church, the Puritans defended, and it was their refusal to conform which set in motion the revolutionary movement in the seventeenth century. In England, respect for nonconformity is an essential article of the democratic creed. So far is it pushed that conscientious objection to military service was recognised in the First World War, and Mr. Morrison, now a leading minister, was one of the objectors, though his reputation has not on that account suffered.

And now, here was a flat refusal of this right of dissent. Henceforward, to earn his bread, a man must not only belong to a trade union but to one particular trade union—the established union, the modern equivalent of the Established Church. The defenders of the Bill in Parliament confused somewhat (but to no purpose) the issue when they argued that, since a worker benefited automatically from

trade union action, it was inadmissible that he should stay outside. He is now bidden to further not trade union action in general but the action of a particular union. And, by the same stroke of policy, he is virtually obliged, whatever may be his own opinions, to subscribe to the campaign funds of the socialist party. For the trade union subscription comprises a distinct part earmarked to the maintenance of the Labour Party. Under the Act of 1927, the worker had to express categorically his willingness to pay the political levy. Under the new law, the union takes this levy from him automatically unless he expressly declines to pay it—a course which requires a certain strength of character!

It remains to be seen whether the Transport and General Workers Union has been wise in making this extreme use of its 'giant's strength' and deserved reputation. The dissident union was a poor enough thing, but the dismissal of its members for the sake of 100 per cent. uniformity aroused in the English public that feeling for the weaker side, for the under-dog, which is a national characteristic. The Conservative Party acquired a powerful argument. It had been reproached with serving the interests of capitalists' trusts, with helping them to build up monopolies; now it could answer that the Socialist Party serves the interests of syndicalist trusts and helps them to build up monopolies. And whereas the capitalist monopolies, where these existed, have been *de facto* monopolies only, it is now a case of a *de jure* monopoly. Were the practice now begun to become general, it would end in legally depriving of work and bread all who refused to range themselves beneath the banners of the great captains of syndicalism. Agreed that in the Middle Ages a man might not exercise a corporatively organised trade without having been admitted into the corporation: but is socialism a return to the Middle Ages?

The question raised is one of capital importance and the rulers of the T.U.C. are aware of this. They have by-passed the crucial point by declaring it to be their policy that every employee should be a trade unionist—100 per cent. trade unionism—but not that he should have dictated to him the choice of union—a position which, taken at its face value, should carry disavowal of the action taken by the Transport and General Workers Union and of the decision made by the L.P.T.B. It was in this instance a case of action taken not against non-unionists but against members of a union which was the rival of the 'monopolist.' As for the government itself, it was impossible to find out what its position was: when asked, it took refuge in evasive answers. It was astute enough not to formulate any decision in principle: in this way public opinion was put to sleep and the big

union enabled to complete the work of destroying the smaller without exciting public attention ; the members of the latter had to pass beneath the Caudine forks of re-affiliation and fine in order to get their jobs back.

Trade union monopoly is not a legal right ; but in the trade union world strength gives right. And the great syndicalist power which Mr. Bevin founded behaves vexatiously like a great political power with which Mr. Bevin is at loggerheads. The most deplorable feature of this development is that the public administration now lends its strong arm not to the weak but to the strong.

Not a few observers have remarked that the reality of trade unionism is becoming more and more divorced from what the law supposes it to be. In law, the trade union is a voluntary association and the members are deemed to take action in common. In practice, the members are the ' administered ' of a governing body which acts in their name.

These trade union rulers are much more independent of the union rank and file whom they represent than are the political rulers of the electorate. The executive of each big trade union permits discussion of its policy only at one short annual conference. And if this conference may be regarded as the union's parliament, then it is a very feeble parliament. The executive prepares the agenda, and the conference practically never goes outside the agenda. It meets for too short a time to become aware of its strength as a parliament. To change its rulers would be almost unprecedented. Its real function is the voicing of grievances rather than the taking of decisions. It does no more than give the rulers a chance of gauging the strength of tendencies—which they will then take into account more from motives of prudence than necessity.

It is also a fact, stressed recently in a careful study of the subject, that the vast majority of trade unionists place themselves in the hands of their leaders, and do not attend local meetings at which they could make their voices heard. The printers' unions, with a voting strength equal to seventy-six per cent. of the membership, get an attendance of barely twenty per cent. It may be seen, therefore, that the ' citizens ' of a union take much less interest in their rights of control than do the citizens of the State, and that the government of a union is much more uninhibited that is the political government. From this there follows, inevitably, a certain loss of touch, as is shown by the launching of several unauthorised strikes.

The situation of the union leaders under a Labour Government is, moreover, somewhat paradoxical. They are, on the one hand,

managing the business of private groupings ; on the other, in their capacity as controllers of the Labour Party, they dominate the government, in which some participate while others embody it. Naturally there is a conflict of duties according as they identify themselves with the State or with their union, concern themselves with the private or public interests entrusted to them. To ensure that public affairs keep in good train, they must restrain claims which it would be logical for them, as trade union leaders, to support. As trade union leaders they cannot accept measures of public advantage, the necessity for which they do not, in the forum of their own consciences, deny. In short, they instance in their own persons the profound antinomy between the duties of government and the duties of representation.

CHAPTER 22

THE HUMAN PROBLEM

The Ruling Class *High Levels of Management* *Civil Servants*
Role of the Universities *Leisure changes Sides*
The unstated Problems *Anxieties*

MODERN democracies present the paradox—not maintainable for ever—of according fewer and fewer material and moral advantages to the talents and having ever more need of them.

The 'modern spirit', which set up the rights of talent against the rights of birth, assisted the rise of capacity and allowed it to reap large rewards, was one thing. Quite another is the 'new spirit' whose claim is not so much the right of capacity to rise as that of incapacity not to be out-stripped. Whereas the 'modern spirit' aimed at all running the race so that the better men might come to the front, the 'new spirit' joins with the 'conservative spirit' in objecting to the race being run at all—though the object now is not the maintenance of ancient inequalities but the creation of a new equality.

Unfortunately, this refusal to reward capacity according to its worth coincides with an almost endless demand for men of talent. The quickest advances possible in industrialisation and technique are needed by Society. Therefore Society must train specialists and technicians : to train them there must be teachers. The good management of businesses is desired : for that there must be administrators. In addition to the staff required by the advanced forms of capitalist economy, a socialist economy—one, that is to say, that strives by human decisions to achieve the harmonies formerly achieved by the mechanism of the market—needs as well a complete new staff of co-ordinators—inspectors, statisticians, controllers, experts and economists, all in the service of the higher management.

In our industrial civilisation, administration assumes a greater importance with every step that a regime takes towards becoming more popular. Its functioning then turns on the quality and the amount of administrative talent available. An organising *élite*, with a technical *élite* at its disposal, both of them the product of a teaching *élite*, that is what modern Socialism needs, and that is what the Russia of Stalin is engaged in forming without stinting honours and

rewards. It is what English Socialism was fortunate enough to find ready to hand.

England is rich in administrative talent. From the time of Henry VIII, commerce, finance and industry have been honourable professions. They came before long to hold a central place in the nation's life, elevating and enobling plebeian families. The phenomenon has caused the virtues corresponding to it to appreciate. The English, unlike the French, have always set more store on good business than on fine ideas, and even as regards one of the most brilliant minds of the day, Keynes himself, esteem rose when it was learnt that he had left an estate of £479,000 : the prestige attaching to such clever management of his affairs gilded his intellectual laurels.

The good man of business enjoys in England a centuries-old consideration which has no parallel in our Catholic Europe, where the leading parts are taken by the intellectual and the soldier, conceived in the image of the monk and the knight, the austere contemplative and the extravagant daredevil. We look down instinctively on the man who is too taken up with material requirements ; if he is successful, let him, we say, enjoy the fruits and not ask to be respected as well. Montesquieu told him this in a tone of great disdain.[1] Colbert's qualities, though placed at the service of the king, smacked too much of the market-place for our French taste. Whereas in England Puritanism had given men to think that the just man, the man predestined of God, was cognisable by his ability, given him by God, to perform his worldly duties. From their performance he derived, like the patriarchs of the Bible, earthly reward. He got, in consequence, the best of both worlds.

In a country formed on this ethic, the virtues of administration arouse respect and confer eminence in every walk of life, even in the universities : moreover, the independence of the universities, that relic of the Middle Ages, requires their leading members to be their own men of business.[2]

The trade union world is, as we have seen, informed by the same spirit. It is not, therefore, surprising to find the business spirit in politics, brought there by the mercantile families when they invaded Parliament in the eighteenth century ; these, by the simple process of buying him a seat, would put one of their sons in the House of Commons. The House of Lords has been enlarged by successful industrialists, by civil servants who have done well, and by trade

[1] Cf. *Esprit des Lois*, Book XIV, Chapter XX.

[2] Cf. Max Weber, *Die Protestantische Ethik und der Geist der Kapitalismus* (1904 and 1905) reprinted in *Gesammelte Aussätze zur Religions Sociologie*, 3 Vols. Tübingen, 1921. Also, R. H. Tawney, *Religion and the Rise of Capitalism*, London, 1926.

union leaders who have shown administrative ability ; it is now a school of proved administrators.

For this reason the Labour Government has had no difficulty in finding the men needed to fill the numberless commissions and boards by means of which it governs the economy. The habit of judging men by their organising ability has brought to the top in every sector of society those types which are today the aptest to the task of Socialist organisation, as they were aptest yesterday to organise for war. They need only to be taken where they are found. That was what the Churchill administration had done ; it had supplemented to the required extent the ordinary administrative personnel with outside recruits taken from the business world, the universities and the trade unions.

After the First World War this mobilisation of the talents had been followed by its partial demobilisation ; but this time it was different, for socialism's victory at the polls brought in its train the upkeep or the reconstruction of the machinery of control. It is, no doubt, repugnant to socialist opinion for too wide a use to be made of capitalist personnel. In Sir Stafford Cripps's ' working parties ' business men take part as representatives of the employers, and that is normal enough ; but their presence on the National Coal Board is less popular. This division into political sheep and goats compels larger recourse to trade union leaders, but the suitable ones are not a numerous band. Above all, men have been recruited from the universities. The latter, however, hear the call of their educational duties as well, now made vastly more burdensome by the return of demobilised men to resume their studies side by side with younger men.

The result is that a crushing burden now falls on the professional civil servants, who, though admirable, are being overworked beyond tolerable limit. In the forefront of their duties are the liquidation of activities of war and the preparation of new measures for Parliament. The big nationalisation schemes, or the big control regulations dear to the heart of the Labour government, presuppose profound study and complex provisions. The rhythm of nationalisation has been slowed down by the sheer physical difficulty of translating ministerial intentions into precise terms. If there is one thing which the English dislike more than another, it is plunging into adventures which have been inadequately worked out. They often recall the fact that they resisted all pressures to start ' a second front ' until they were ready It needed eighteen months for the effective seizure of the coal industry by the State. But opinion on the extreme left is exacerbated by these delays, and the less certain it seems that socialism has

twenty years of power before it, the greater is the hurry in which it acts.

There are those who mutter that the reason why progress is not quicker is that the higher civil servants slow things down. Politically advanced circles often advance the proposition that the higher civil servants come from aristocratic schools like Eton, Harrow and Rugby, and from the older universities of Oxford and Cambridge, with the result that they take a poor view of what is now being attempted.

As to the social background of recruits to the service there is exaggeration, and as to their point of view flagrant injustice. It would, to start with, be impossible to imagine a body of men who performed the duties laid on them, whatever the political implications of those duties, more conscientiously and more carefully. Next, the extension of State control is not at all against their natural bent. So far from that being the case, it is mainly from them that, for fifteen years now, the association called P.E.P. (Political and Economic Planning) has been recruited—whose carefully documented and always anonymous productions have served as models for State direction. Working in the spirit of Colbert they opened new roads to positive planning, perhaps more effectively than the Labour Party's own propaganda. Be that as it may, the further the government advances along the path of direction, the more it makes itself dependent on the civil servants, who are alone able not only to see to the execution, but also to achieve the drafting, of new laws.

A large growth has occurred in the executive grades of the Civil Service, which act in subordination to the higher grades ; and there have arisen innumerable complications which the public service has had either to forestall in its regulations or guard against in its administration. In House of Commons debates it is very observable that, to answer members' questions, ministers need to be provided by their officials with a veritable child's guide to knowledge. Further, ministerial speeches are tending more and more to become written essays, and newspapers have on several occasions reported that ministers seemed lost if the course of discussion took them off the beaten track. It is in truth as clear as crystal that the more politicians enlarge and complicate the State's administrative tasks, the more they place themselves in the hands of the men who are in the true sense administrators.

This situation induces in ministers a schizophrenic feeling, compounded of gratitude and annoyance. They have both a wish and a fear : they would like the Civil Service, which is so important to themselves, to be recruited to the smallest extent possible from sources

which are ' undemocratic,' and they are afraid of the products of exclusive schools and universities slowing down their progress towards solutions in which, however, it is necessary for them to be able to count on the best elements. For this reason they scrutinise time and again the statistics of recruitment, now to prove to their followers that it is less aristocratic and now to take fright themselves at that very fact.[1]

Whether the claim is that the character of the actual cadres is in actual process of change, or whether the wish is merely to bring reinforcement to meet the extension of the tasks to be performed, it is in any event necessary to form a qualified staff. And where, if not at the universities, can such a staff be formed ? Demands are made on the universities at one and the same time for administrators and —with shrill insistence—for technicians. The managerial staff turned out by the universities is too small for the nation's needs.

One of the government's chief preoccupations is to increase what is crudely called the ' capacity of production ' of the universities. In an age of intensive administration, say some, they are turning out too few administrators, and they call for an expansion of the social science faculties : others there are who, calling the age scientific, clamour for an expansion of the faculties of mathematics, physics, chemistry and biology. Five thousand scientists must take their degrees every year, announces a commission set up by the government's planner-in-chief, Mr. Herbert Morrison.[2] That is double the pre-war number. And in every branch of study the universities are pressed to find room for the flood of students which will be brought there by a generous system of grants. There is no lack of money : the Chancellor of the Exchequer makes the universities a grant which is four times that of pre-war.[3]

But there is a shortage of materials for making college buildings bigger. And, more important still, there are not enough teachers. The existing staff are already swamped by the flood of young ex-service men, who, at Oxford and Cambridge, must, in the teeth of tradition, take lodgings in the town ; there have even been built for

[1] The Secretary of State for the Colonies recently announced that, out of 2,335 new recruits for the Colonial Service, thirty-four per cent. had never been to a university, and only nineteen per cent. to Oxford or Cambridge. But thirty-five per cent. still came from the famous Public Schools.
See *The Economist*, 9th November 1946.

[2] *Scientific Man Power*, the report of a committee set up by Mr. Morrison, May 1946, Cmd. 6824.

[3] Before the war the Treasury made the universities a grant of £2,250,000 ; now it must be nearly £10,000,000. In this connection it should be noted that in England the universities are not public institutions. All of them in principle, but especially the older ones, live on their own resources, and the government plays the same role as does any other benefactor.

them, in the courts and quadrangles of the colleges, concrete hutments which have a most destructive effect on the noble harmonies of the ancient buildings.

As a result of this overcrowding the teachers must submit to a regime of back-breaking work. The more so as at Oxford and Cambridge there is in vogue a system which, admirable though it is educationally, takes up much time : the teachers must take all the students in pairs and give each pair an hour of learned discourse and intellectual guidance every week. An Oxford tutor told me that this part of his work alone took up thirty-five hours of his time every week : and to it must of course be added the time spent in delivering and preparing lectures. In these conditions it is not surprising that Oxford and Cambridge refuse to assent to the permanent increase in the number of students demanded by government. The newer and less famous universities are more complaisant.

The life of a professor, which in other days left time for private work, is now one of the most overburdened there is. This interferes with research. A professor, who is a man of world repute in his own subject, said to me in a voice untinged with regret : ' Original research is something which I shall now have to deny myself. It must be sacrificed to the instruction of a new batch of students.'

This sacrifice of the present to the future is not without its fine side. It is the explanation of a complaint often made by judicious critics : ' Too few new books are appearing of any real importance and originality'. But this judgment is too harsh. The intellectual riches of England are such that even her poverty is still wealth. Yet it is true enough that contributions to knowledge are fewer than the men able to make them, the reason being that men are now given over to public duties, not to mention domestic duties. It causes a sinking feeling to learn that Toynbee, the architect of a monument of learning,[1] has yielded to the necessity of postponing its completion to an uncertain date. Having devoted six years to war work, he must now write the war's history, this being another public duty to which public spirit compels him. Among all the sacrifices which have saved England and keep her great, an honourable place should be given to this sort of renunciation.

Yet we may well ask if a great country does not pay too highly for thus overburdening its *élites*. Overwork at the universities, overwork in the higher grades of the civil service, overwork of Members of Parliament upon whom falls the need to study an unceasing spate

[1] *A Study of History*, being a comparative study of the development and decline of civilisations. Six volumes have so far appeared.

of new laws. Overwork, in a word, of all who constitute the intellectual cadres and must do the thinking for their contemporaries.

The Greeks considered that leisure was necessary to responsible citizens. Whether anyone likes it or not, responsibility falls in our modern societies on certain ruling *élites*, in whatever way they are formed. That these stand in need of periods of repose and reflection and time to breathe has always been better understood in England than on the Continent—and she has been the better for the knowledge. Today, when the workers are having leisure guaranteed them, the rulers are being stripped of what leisure they had—a truly paradoxical state of things, for rest and leisure are a requirement of everyone. But rest and leisure for everyone does not equally profit the State. And this seems a case in which the general interest, that constant recipient of public homage, has been overlooked. Some of the consequences of the denial of leisure to the British *élites* are already visible : they are also serious.

Man is an animal who is curious about himself : he explores the spheres of metaphysics and physics, and tries to understand them. Hence the role of capital importance played by centres of illumination which give birth and life to explanations of the universe—on the higher plane, ontology, and on the lower, physics, biology and sociology. During the last three centuries the English and Scottish centres have been particularly active, making a decisive contribution to the elaboration of Western ideas. In the metaphysical sphere their role had been on the whole rather negative. Anglo-Scottish philosophy, from Hobbes to Hume, has tended to blight the metaphysical approach and to confine human intelligence to ' this world.' This world, on the other hand, has been vastly explored : the outstanding general ideas on which the West has thriven are those of Newton in physics, of Adam Smith in political economy, of Darwin in biology, of Spencer in sociology.

The Anglo-Scottish centres, however, have done more than throw a fitful gleam on great subjects : they have, most important of all, burnt with a steady flame. Voltaire found in the England of his day a climate of opinion which he called philosophic but would more accurately be described as intellectual. It was bred by circles in which the spirit of research was encouraged by opportunities for discussion.

As for the world of men and affairs, London, beyond all doubt, was, between 1815 and 1914, the best post of observation. The City's economic interests, to start with, opened a window on every country ; and political interests also did not stop at neighbouring countries, as is the way with Continental powers, but extended over

all the seven seas. For these reasons London was the great centre of information and the great sounding board of events. More than that, the habit of concrete discussion in informed places, ranging from Parliament itself to clubs, discussion circles and round tables, ensured the intellectual digestion of all this rude matter. It followed from this that problems of the time were noted and discussed in England before they reached other countries. Free Trade's case against Protection, for instance, was won in England, and foreign opinion did no more thereafter than apply the intellectual case law of Britain.

Two centuries after Voltaire, on a youthful journey to England, I felt the same admiration and received back the same intellectual stimulus. Her spirit was, it is true, now caught up in cares of a more material and immediate order : the organisation of society. But what a wealth there was of diverse opinions!

We are now conscious of the fact that our Western society is caught up in a continuously accelerating process of transformation. The rhythm of history is quickening apace, to the point at which the short life of a man is no longer lived unconscious of the change in his surroundings. Rather, he sees the flow of several epochs, as though time had been annihilated. The hooves of history deafen us, carried as their sound is along all the modern channels of information. But events themselves make but a meaningless clatter : to see them in perspective, to blaze aright with their help the trail of our journey, calls for great effort.

It might have been hoped that, more than any other, the English would have done this work. But in this respect they are—it would be useless not to say so—a disappointment. To speak bluntly, the enlightened sectors of English opinion seem, on the whole, not to be doing the thinking of our time. Unlike their predecessors in the nineteenth century, they are not putting their fingers on the essential problems. For this, no doubt, three contributory factors account : first and foremost, overwork ; next, an exclusive absorption in a problem of economic management which has been complicated by the application of ideas that have fallen behind events ; lastly, the imperious summons of the immediate difficulties.

England seems indifferent to the political problems raised by her social evolution. Planning, she sees, creates and logically involves a technocracy, but she never stops to ask how this technocracy is going to fit in with democracy, or the need for a permanent corps of technicians with the assumption of power by roving bands of politicians changing at the people's will. Still less is she aware of the transformation of peoples into ' publics,' conditioned by regular

attendance at spectacles, responsive to an emotional technique which makes a horrifying progress, and in that way become the natural prey of rival ' gangs ' whose culture and conscience are in a continuous decline.

The truth is that England, cut off from the Continent for the six war years, was thereby excluded from an indispensable field of observation and study. In addition, and of still more importance, the British intelligence has undergone the psychological pressure of a war unflinchingly sustained. A dangerous degree of intellectual homogeneity was the condition of welding an admirable moral cohesion. There was a conspiracy to swallow the accepted interpretations of complex phenomena, interpretations which were of necessity conceived at a level low enough to further the cause of propaganda. The escape from them now is laborious.

Nothing in all probability hobbles thought more than the compulsion on the mind to adopt in war war-like posturings. Hitlerism, for instance, is a key-phenomenon, the analysis of which is indispensable to an understanding of our age. But the English intelligence has overlaid the reality with the conventional definitions which fitted in with a time of war : under war conditions real understanding of the enemy is not without its dangers.

In the days of Russo-German collaboration, when Poland was being partitioned and Finland invaded, Hitlerism was interpreted as a police despotism, which it was natural to fight in the name of liberty. With the arrival of the Anglo-Russian alliance, objection to totalitarianism as such became a contradiction. The aunt sallies then became junkers and capitalists, while Lord Vansittart, that chip of Maurras, concentrated his vision on German barbarism, the undying quality of which is well known to all listeners to Bach and readers of Leibniz. The drawbacks attaching to these jejune ideas have already made their appearance. For if German barbarism is a reality, what remedy is there but extermination ? And if junkers and capitalists conspired to enthrone gangsterism, then, with the due elimination of these reactionary elements, Weimar Germany should be left to resume its march, interrupted merely by a reactionary accident, towards social democracy.

Intelligences which are satisfied by so much unintelligence are necessarily debarred from all real knowledge and appreciation of a clinical case which is typical. It is a remarkable thing that it needed German writers—anti-Nazi emigrés—to condemn the failure to understand Nazism, and to warn the peoples that it was neither a monstrous accident nor a specifically German disease, but the product of certain social, economic, political and intellectual tendencies

which are not peculiar to Germany. And that, for that reason, once the guard against these tendencies is lowered, they will breed elsewhere similar results. It is especially noteworthy that the same warning has been given by writers of very different political outlooks. The precise form of the warning does not matter, whether, like Professor Hayek,[1] they have said that tendencies similar to those which have moulded Germany must be resisted, or whether, like Dr. Mannheim, that they must be canalised into channels which will make their results different.[2] However different may be their conclusions, the great service rendered to England by these exiles whom she has so generously welcomed, has been that of making her see the problems of the time in the light of the German experiment.

However desirable it may seem to make each member of society the beneficiary of the efforts of all, to guarantee the individual's standard of living, to plan production in the most efficient manner and to distribute its fruits not only with justice but with humanity—all these are propositions which, in that they bring in the State as guarantor, organiser and distributor, cannot be properly considered without an examination of the political conditions which they presuppose and of the political consequences which they bring in their train.

They presuppose a State which is just, judicious and moderate. They bring in their train the omnipotence of Power. They take the field at a time when Power is conferred by masses of men who are very susceptible to propaganda and do not necessarily choose the best rulers ; at a time when the organisation of partial interests is so strong and reflects so badly their true place in Society's ordering, and Power is so utterly moulded for obedience to these pressure groups, that every well designed plan is doomed to distortion at the hands of corporative and partisan pressures, and thus requires for its execution the intervention of a dictatorial Power.

Therefore it is most unwise to neglect the political aspects of social and economic policies, whether it is sought to find political solutions which are both adapted to the policies and acceptable in themselves, or whether it is concluded that no political solution which is adapted to the policies is also acceptable, and that search must therefore be made for other ways of social and economic improvement.

Approached from the economic angle, the political problem is starkly posed—the case of Germany again shows it—by the development of democratic institutions and the general evolution of opinion.

[1] F. A. Hayek, *The Road to Serfdom.*
[2] Karl Mannheim, *Man and Society.*

The founders of democracy always believed that the free expression of opinions would secure, by a sort of natural selection, the survival and triumph of the most rational opinions. Experience has not verified this hypothesis. It is becoming ever clearer that superstition is a social constant, and that all the irrational beliefs fought in the name of Reason have merely transferred themselves to the secular field of temporal interests. The problem of Power and the problem of opinion—both are preoccupations which are starting to exercise British minds.

The problem of Power is brought into the picture by the extent, the complexity and the increasing technical difficulty of governmental tasks—an evolution which makes parliamentary control almost illusory. Even in the House of Commons, which is, as a deliberative assembly, superior to those of other countries, the debates on great economic questions are of most inadequate quality. They are, to start with, straitened to the convenience of ministers, all anxious to get back to their heavy administrative duties ; next, criticism stands disarmed before official spokesmen amply provided with a vast sheaf of facts and figures. What holes can be picked in a brief composed by competent civil servants ? How can a minister be answered who comes along with detailed forecasts based on not generally known considerations ?

The difficulties in the way of constructive criticism were never seen more clearly than over convertibility of sterling. From May 1947 onwards, informed opinion was alarmed at the possible consequences of convertibility : but it let itself be lulled to sleep by the assurances of the Chancellor of the Exchequer, who was alone in possession of the relevant data.

Lastly, the government, though narrowly dependent on the trade unions, is as regards Parliament almost completely independent. The links are now tenuous between the constitution *de facto* and the constitution *de jure*. Opinion in general would quickly get out of breath if it attempted to follow the course of political evolution. It has taken on board a few large catchwords : dethronement of capitalists, planned economy, balance of payments, emancipation of overseas peoples, mediation between East and West. It follows its elected leaders, to whom it stays faithful from one bye-election to another. It neither appreciates nor tries to appreciate the usefulness or timeliness of any particular measure.

Following the bent of their inclinations, the newspapers with ' large circulations ' give these measures only brief mention, except when some question of rationing forms part of them. Gone indeed are the days when pressmen fought for the right to report debates

in Parliament : today, even debates which involve deeply the country's future rarely get as much as a whole column in even the larger newspapers. Most people in the country, it is true to say, are, and are content to be, uninformed. The Labour Government has appointed a Royal Commission to enquire into capitalist influences on the press : the one real influence is that of the public on newspapers aiming at a big circulation. The road to this end is by way of giving less space to public affairs—in, that is to say, their serious aspects and apart from those features which can be treated sensationally.

These are characteristics which are by no means confined to England : it is, indeed, true to say that they are less prominent there than elsewhere. But enlightened circles are more on their guard in England than elsewhere—hence greater alarm is felt there. The signs are multiplying of an increasing attention to these problems ; attention that will certainly prove fruitful and profitable for the rest of the world.

CHAPTER 23

FIRST LESSONS FROM THE ENGLISH EXPERIMENT

ENGLAND is conducting a great experiment, which will be an education for the whole of Europe. Socialism is on trial in the very country in which Marx thought to install it. It is far from the case of a backward continent where Asiatic despotism has forcibly introduced Western industrialisation, a state of things which is only a masquerade of socialist experiment.

Here in England is a free, informed people, realising in itself both the material and moral conditions of socialism ; it has deliberately laid on its rulers the duty of carrying out their programme, which it knew in advance. They are carrying it out in the light of day and in a climate of free criticism. That the experiment is not followed with attentive curiosity is very surprising : think of the interest it would have aroused twenty years ago ! But now, it seems, minds are closed : all is determined by passion, and the observation of facts seems but time wasted.

Socialism's actual role is essentially different from what it once was. It was a sentiment, it has to be a technique. Even as a sentiment, it was encrusted with ideas, but to sentiment it owed its appeal. It was the embodiment of protest on behalf of the man whom industrialisation had used ill—a protest to which suburban revolt and philanthropic indignation added their voice. Nor was Society as a whole untouched by it.

It would hardly be a paradox to say that socialism won its greatest victories before it came to power. Fifty years had been crammed with remedial measures for mitigating the repercussions of the pitiless functioning of the economy. The work of Liberal or Conservative governments, these measures owed nothing to the political strength of socialism, but everything to the moral pressure which it exercised. Ever since a wealthy merchant, Charles Booth, revealed to his compatriots the truth about proletarian conditions, public opinion has been shaken and has never relapsed into optimistic slumber. No doubt the ruling circles needed the spur of the socialist movement ; but they advanced always in the same direction, whoever they were, and profoundly transformed Society.

Before the socialists came to power with an absolute majority which enabled them to do what they liked, they could already take pride in what has been achieved, if not by themselves, at any rate by their suggestions. In the sphere of politics, a focal position in the State accorded to the trade unions ; in the sphere of welfare, a guaranteed standard of life become the main public preoccupation ; in the sphere of taxation, the aim of redressing social inequality by despoiling the richer for the benefit of the poorer.

Capitalism's economic machine, efficient but hard, was already provided with nearly as many social correctives as, in its existing state, it could support without ceasing to function altogether. For this reason the socialists, in 1931, made it known that their intention was not so much to round off the correctives as to rebuild the machine with a view to making it more productive.

It is now a case of stirring not minds but machines, not of dividing the wealth produced but of seeing to it that more wealth is produced. In one word, socialism aims at winning on the battle ground of efficiency. For that reason, it must be in essence a technique.

No conceivable technique is more efficient than economic liberty, says the liberal school. Social resources cannot, it affirms, be more fully or more effectively employed than in a completely free regime, in which each man, energised by his own interest, takes his goods or his labour to the most profitable market—the market, that is, in which they are most needed and most in request. In this way the best possible allocation of productive resources is brought about automatically.

The thesis is demonstrable mathematically, but the demonstration is dangerous, for it depends for its validity on postulates which are remote from reality. Economic activity does not move freely along its trajectory without friction, obeying nothing but the price mechanism. It is easy game to prove that what exists is not an ' economic man ' but a real man, tied by affections, prejudices, inertia and ignorance, and involved in our own day in large economic formations which act for him, whereas the classical theory presupposes each man acting in isolation. Therefore the socialist can bring against the academic liberal the reproach of a misleading ideology. The facts of life accord ever less with the basic hypotheses of liberalism. And he can proclaim the need for conscious direction to bring about the best possible arrangements which will not come about by themselves.

The socialist, unfortunately, falls into the same ideological mistakes with which he reproaches his opponents. True, the ' economic man ' does not exist, but it is just as true that the ' economic State '

of the socialist's dreams does not exist either. This fact is revealed by the English experiment.

What is required to bring about the best possible ordering of productive forces ? An intelligence which includes in its purview the whole economic field, perfectly appreciates its needs and perfectly distributes the available resources ; one which, moreover, is impervious to the passions of men, and, to conclude, has the necessary authority to put each man in his assigned place where he may play the part allotted him. But where is so much wisdom to be found ? In the British ministerial team are men of distinction : yet, as is clear, their foresight failed when they allowed the export of coal in 1946 at a time when the country was about to be so cruelly short of it. Nor did they ration domestic consumption in time to avoid a disastrous stoppage in the factories. Nothing happened in February 1947 which I had not heard prophesied in October 1946. The calculations of the planners were all at sea.

The striking of a balance between advantages and disadvantages is a difficult task : as imported tobacco yielded a large revenue it was not curtailed at a time when its purchase was making a big hole in the supply of dollars. Were ministers right or wrong over this ? I have no personal knowledge, but notice that they wavered and changed their own minds. They wavered too as to whether it was best to cut down coal to the domestic or to the industrial consumer. Honourable enough doubts, but such as hardly leave immaculate the hypothesis of a directing intelligence able to include all within its grasp and make itself universally responsible.

Did this collective brain function with the maximum of clarity when, to effect an economy in coal, it stopped for two weeks the publication of intelligent weeklies, such as *The Economist* and *The New Statesman*, and did not limit the circulation of those Sunday papers which turn to profit the Englishman's penitential Sunday with stories of the murders, robberies and divorces of the week ?

Secondly, is this directing intelligence raised above the passions and interests of individuals ? How can anyone suppose so, when it is the emanation of a party which is itself the emanation of the trade unions ? In certain instances indignation has been generated because the government was not doing what the general interest required but rather what was to the advantage of one of the groups which had put it in power. The indignation is obviously superfluous once it is remembered that the government has attained power thanks to certain interested groups. But can the ruler, whose task it is to create the best possible ordering, succeed in his aim, when he is subject to the pressure of particular interests who strive to distort this ordering

to their own advantage? To put it in more general terms, does not the task presuppose a Power which is the master of the body social and not its mere emanation? In other words, an undemocratic Power?

Thirdly, it is necessary for the authority of the directing intelligence to be exercised without let or hindrance. It is, it proclaims, a matter of the most vital and urgent importance that there should be more men in the mining industry. But it has ruled out the permissibility of having a residuum of unemployed to be attracted into the mines. It has ruled out the differentiation of occupations by marked differences in earnings so as to steer men into the mines. To realise its objective without the aid of the mechanisms of a liberal economy, it must be given the authoritarian mechanism of conscription of labour for the mines. The idea is disliked—and rightly. Thereby the fact is thrown into relief that, so far as the three headings of all-seeing intelligence, freedom from individual passions and sufficient authority are concerned, the government is falling down on the conditions needed to enable it to inaugurate the best possible economic ordering. So far from its succeeding it plunges into difficulty after difficulty.

It is a sore temptation to recall a rather dubious argument used in the course of the election campaign by Sir Stafford Cripps. The economic nation, he said, must be organised and run like an army. We poor continentals, who have the habit of military service, know too well the wastages and mistakes involved in this form of organisation ; to us an army presents the appearance of efficiency only because it has nothing but other armies to deal with.

The idea behind modern socialism is in truth an ancient one which never dies—that men in general are stupid and only rulers wise. Left to themselves, men do stupid things : true enough, and more than that they do evil because of their natures. This has at all times been made the text for regimenting and canalising them. But in former times this text was given out by ' the right.' The queer thing is that ' the left ' have now taken it over.

In the long run I do not see it doing ' the left ' any good. For the dynamic elements in the body social rebel spontaneously against enrolment in the cadres intended for them. It was those elements that put ' the left ' in power and it is those that will turn it out. Already there are to be discerned in the men of ' the left ' characteristics which formerly marked ' the right.' The phenomenon is an odd one.

The total efficiency of the body social cannot be increased when

the latter is subject to a frustrating force which represses and wears out the living energies of individuals. The merit of liberalism was to give these forces play, its demerit was its inability to canalise them. Many of its vices were attributable to juridical follies, as in the granting to large economic corporations of rights which belonged truly only to individuals.

May the English experiment, undertaken as it has been in all good faith and discussed every day with so much intelligence, bring to birth ideas which are adequate to the needs of our time.

PART FOUR

THE CRISIS OF THE SUMMER OF 1947

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CHAPTER 24

PRECURSORS OF THE CRISIS

Disequilibrium *The Flood and the Lock Gates* *Onrush of Purchasing Power* *Paradox of Superfluity in the Midst of Scarcity*

IN the summer of 1947 England was hit hard. A profound shock showed up the miscalculations of the government and checked its programme of national recovery. The ministry's strongest personality, Sir Stafford Cripps, had to take the initiative in launching a new programme, the realisation of which is on the knees of the gods.

The happenings of the summer call for a supplement to our study ; a short analysis which will in reality be no more than the continuation of our previous analyses, just as the event itself was no more than the upshot of the tensions whose development we have already followed.

On the 6th August Mr. Attlee, with the candour which has won him general esteem, informed the House of Commons :—' We had hoped that the American loan would last us well into 1949 and possibly into 1950, and that in that time we should have re-deployed our economy and be in sight of equilibrium.' That was, in substance, the belief of Lord Keynes when he negotiated the American loan, and of Mr. Dalton, who administered the borrowed dollars. Unfortunately, the drain on dollars proceeded at an ever faster rate. Mr. Dalton started drawing on American credit in the second half of 1946. From the 15th July to 31st December 1946, he drew only 600 million dollars, but in the first quarter alone of 1947 he drew 500 millions, and in the second quarter 750 millions—so that in the first half of 1947 he drew twice as much as he had drawn in five-and-a-half months of 1946.

In this way nearly half the whole loan had been consumed in less than a year and, worse still, the rhythm of consumption was still

getting faster. Under these conditions a clause in the Anglo-American agreement—the convertibility of sterling clause—the danger of which was underestimated by Mr. Dalton, came into effect on July 15th. In five weeks the balance of the loan went up in smoke, all save a poor remainder of 400 millions which stayed blocked in American hands when Mr. Dalton hurriedly suspended convertibility. England would have to live without dollars.

This all happened at a moment when what was known of the state of her commercial balance was especially alarming. Instead of the adverse balance continuing to contract, as had been calculated, the deficit was, it seemed, growing. From a figure of £170 millions for the first seven months of 1946 it had reached £337 million for the first seven months of 1947. The growth in the volume of exports gave, at the end of 1946, ground for hope, for it was, for the last quarter of the year, eleven per cent. above the 1938 figure ; but in the first quarter of 1947 the advance on 1938 was down to one per cent. and in the second, to two per cent. The rate of growth noted throughout 1946 seemed in ruins. On the other hand, the volume of imports, which, for the whole of 1946, amounted to sixty-nine per cent. of the 1938 figure, climbed to seventy-seven per cent. in the second quarter of 1947. The situation was made worse by the continual rise in price of imported products, a rise which was greater than that of exported products. Whereas in May 1946 the rise in price of imports (over the 1938 figure) was, at the index figure of 201, little greater than the rise in price of exports at 196, in July 1947 the index figure for imports had risen to 253 against a figure for exports of 230.

The hope of the government had been to fill with successive applications of American dollars a gap which would be steadily closing ; now here it was, without a dollar to its name and facing a gap which was growing and seemed likely in the course of the year to reach £600 million. The surprising thing is that the crisis took the government unawares, for the growth of the deficit in the external balance was visible for all to see, clear warning that the organisation of the national effort was bad ; the effects of convertibility ought to have entered into its reckoning. We will examine these points in turn.

The Labour ministers in the House of Commons had often treated their predecessors with magisterial contempt. The Conservatives, it was said, had governed by rule of thumb, but we Socialists have armed ourselves with a mass of statistical data which serve us as an instrument-board. In this way we can tell with greater accuracy than ever before what the situation is and what must be done.

Unfortunately, statistical data give only belated information about what has already happened. By themselves, they tell nothing of what is to come, and even the best statistical services of America, for instance, could not foretell the 1929 crisis. Foresight is needed as well as figures, and it was foresight which the planners lacked.

When, towards the end of 1946, the Cabinet made its forecast in the *Economic Survey for* 1947, it decided to raise the volume of imports, which had in 1946 been slightly below seventy per cent. of the 1938 volume, to eighty or eighty-five per cent. of that figure ; this implied, after allowing for the rise in price of goods imported, an increase in purchases of the order of £350 million or some £1,450 million of imports as against £1,100 million in the previous year. As in addition there was expenditure abroad of a political kind—in Germany, for instance, and Palestine—which was to be reduced from £300 to £174 million, the total expenditure abroad was put at £1,625 million, to be met by visible and invisible exports (the latter put at £75 million). Visible exports would, it was said, come to £1,200 million. The gap remaining was thus one of £350 million into which would have to be thrown 1,400 million dollars of the American and Canadian loans. It was a big gap anyhow, even with no account taken of the return of sterling to convertibility.

In these calculations everything was to go astray. The persistent rise in the prices of imported goods weighted, to start with, the expenditure on imports, even though in volume they were not to reach the anticipated figures. They amounted in the first quarter to £345 million, at which figure, though in line with the programme so far as value was concerned, they reached in volume only sixty-nine per cent. of the 1938 volume. In the second quarter, what between the rise in prices and a growth in volume, they rose to £439 million, and in the month of July alone to £175 million, at which figure they corresponded to an annual figure of £2 milliards.

So far as exports were concerned, the formidable growth in volume which had been predicted did not materialise. The 1947 plan made its appearance in the middle of a crisis in production accompanied by temporary unemployment, caused by a combination of severe weather and the improvidence of the Minister of Fuel and Power. The coal shortage had, in the bad month of February, cut production in the cotton industry by half, that in the motor industry by three-fifths and that in other industries by varying amounts. The effect on exports of this loss of production was to make itself felt for several months. Although a rise in prices compensated somewhat a drop in volume, British exports, in the first half of 1947, amounted to only £515 millions as against the £600 millions predicted. Whether

the paper economy of £125 millions on external expenditure of a political kind was actually realised, there are no data to show.

The commercial deficit was the more alarming in that it arose almost entirely from transactions with the American continent, whose goods had mostly to be paid for in dollars. According to Mr. Dalton's subsequent statements, the commercial deficit with the United States alone for the year July 1946 to June 1947 ran away with 1,200 million dollars, while purchases in the rest of the American Continent absorbed 600 million dollars—a total of 1,800 million dollars for the twelve months. During the first six months of 1947 the deficit *vis-à-vis* the United States fell off slightly, but to an extent much less than the increase of the deficit with the rest of the American Continent. With the result that for one period of six months alone there was a deficit of 1,100 million dollars, divided into nearly equal parts between the United States and the rest of the Continent.

There was also another complication which had apparently been overlooked in the government's calculations. The British Treasury is the banker for the sterling bloc. The Dominions—with the exception of Canada whose currency unit is the Canadian dollar —the Colonies and other countries associated with the Empire regulate their international transactions through London: they leave in London any surplus of dollars which they receive, and draw on London for the dollars needed to meet a deficit. In this way they had in the last six months of 1946 credited on balance 155 millions of dollars. By an unlucky turn of the tide, they took away on balance in the first six months of 1947 205 million dollars.

Thus the supply of dollars was springing leaks everywhere. Canada was a generous creditor, but she was forced to ask the Chancellor to pay for his purchases in Canada only as to half out of the loan of Canadian dollars and as to the other half in American dollars : the reason being that Canada, who takes three-quarters of her imports from the United States, saw herself confronted with a commercial deficit with that country of about half a milliard dollars which she had to cover by her trading surplus with other countries—of these England is by far her most important customer. Canada could not live if the surplus of her exports to England did not win her enough dollars to meet her deficit with the United States. For Canada, therefore, payment for half of her exports surplus to England in American dollars was a minimum requirement, to which, however, nothing but the pressure of necessity drove her government.

These pressing demands for dollars from all sides should, undoubtedly, have put Mr. Dalton on his guard. Marking as they did

a world-wide appetite for dollars, they underlined the risk of making sterling convertible, of giving, that is to say, to holders of sterling the chance of converting it into precious dollars. Convertibility, as we shall see later, was to plunge England helplessly into the swift currents resulting from world-wide monetary and commercial disequilibrium.

Let us pause to see whether, before committing this imprudence, the government did at least try to redress so much of the disequilibrium as lay within its control—the disequilibrium, that is to say, of the commercial balance, which was, however, linked to the internal disequilibrium prevailing in the British economy.

In March Mr. Dalton publicly announced the growth of the gap in the balance of overseas trade. But no remedial measure was adopted. The Chancellor, in his April Budget, gave an indirect satisfaction to Conservative attacks on the wastage of dollars on purchases of superfluities, when he raised the already very heavy tobacco duties, with a view to discouraging consumption and, indirectly, importation. The next step was delayed until the 30th June. For technical reasons the minister had been unable before that date to draw all the dollars he would have liked to draw. The delay of a few days in putting at his disposal a slice of the loan brought home to him the full danger of the situation : and he announced abruptly the drastic curtailment of imports of tobacco and petrol, as well as of newsprint—the latter restriction carrying with it either a return to four-page newspapers or a fall in circulation.

In view of Opposition protests that this saving of candle ends would only prolong the life of the loan by a week or two, Mr. Morrison stepped in to defend the proposals to the House of Commons in a speech which was not only alarming but defeatist. It was for the first time clearly admitted that the government had lost all hope of closing the gap in the balance of payments before the expiry of the loan. As if to underline his speech, Reuter's reported the same day that at the present rate of withdrawal the loan would be gone in nine months. Pleading the rise in American prices, which he called unforeseen and unforeseeable, Mr. Morrison indicated that British imports would have to be cut by one-quarter—a course which would carry with it an unwelcome reduction in the nation's standard of life, with unfortunate political and social consequences. Responsibility for the solution of the problem he threw back on the United States who had, by the voice of Mr. Marshall, offered their aid to Europe.

Thus the situation was admitted, and the admission took place at a moment when the government for its part had no sort of

remedy. It confined itself to calculating afresh the probable deficit between July 1947 and June 1948, and to reviewing the hypothetical course of exports : no longer was there question of their exceeding in volume the 1938 figure by forty per cent. at the end of 1947—the date was now put back to the middle of 1948. But these calculations did not make a policy. And the hypothetical balance sheet was to be quite overthrown by the results of convertibility.

What should have been done was to make an examination of the reasons why England could not earn her living. The external deficit did no more than advertise the inability of her people to meet their needs by their work. It is neither necessary nor desirable that a people should produce at home all its requirements. But it must produce the equivalent of its requirements. It is good for it to have recourse to foreign suppliers provided that it pays them the equivalent. But, if it is chronically incapable of making this payment, is not the only possible conclusion this, that it is living beyond its means ? In that case it must receive, if it is to continue living in the same way, a grant in aid from foreign labour to supplement its own.

If it is a country with a foreign investment income, it can to some extent pay for this grant in aid out of capitalist investment made abroad in the past. So that it is true to say, as Mr. Bevin one day told a working-class audience with brutal frankness, that the defence of British oil interests in the Middle East is also the defence of the standard of life of British workers. Once certain limits have been exceeded, this grant in aid from abroad can be paid for only by the liquidation of foreign investments, as happened with the British investments in Argentine railways. And so it continues until the last method of payment of all is reached, which is the sale to the foreigner of concrete properties and blocks of shares belonging to the debtor country itself or to its dependencies.

The chronic deficit in the foreign balance of payments is, therefore, a national affair and must be given its correct name. It is in essence a disequilibrium between the whole of what a country spends and the whole of what it earns.

On this point an interesting controversy began. The government, on the one side, abruptly started to proclaim, like any common-or-garden employer, that people were not working hard enough : and soon the country was covered with posters saying ' Work or want.' *The Economist*, on the other hand, maintained that the trouble lay less in underproduction than in the ambitious designs of the government itself, which had tried to stretch the national effort round too many tasks at once. It listed the following : the raising of the general

standard of life, the institution of social security and the development of education, an unprecedented housing effort, repair and reconstruction of war damage, the modernisation of industrial plant at a pace never known before, the development of the colonies, the responsibility for maintaining a sector of Germany, the maintenance of the armed forces on a scale at least twice as high as was ever seen in time of peace. Both points of view have truth in them : there has been some loss of dash and efficiency in production, and too much has been attempted.

A further aggravation of the disparity comes from a thoroughly bad allocation of the nation's effort to the various tasks. Each of the planners in the Cabinet has tried to push his own projects, so much so that a directing general staff has had to be set up to keep the peace between the various departments fighting for money, men and materials. Further, and most important of all, the Cabinet's general policy has tended, for reasons which long went unobserved, to divert resources from the more valuable to the less necessary uses.

CHAPTER 25

THE INTERNAL DISORDER

The Drain on Dollars *The Crisis brewing* *Timid Measures*
Traces of internal Disorder

IT must be said of the Socialist rulers that they did not embark on their great task in a spirit of improvisation. They had, with an intellectual assiduity which did them honour, long prepared themselves, taking full advantage of the most up-to-date economic theories. Those who had had no share in the responsibility of office during the war had played a prominent part in spreading the newest ideas on the working of the economic machine ; or again, in the propaganda and military education services they had helped to spread these conceptions. So it was that their team came to office with minds which were neither empty of content nor encrusted with fossilised doctrine, but were replete with well studied, settled and ingenious ideas. Regrettably, these ideas were found wanting.

The new rulers entered what was bound to be a period of scarcity with ideas formed on the great crisis of over-production in the ' thirties.' As in those days unemployment had been the trouble, they now took as their ideal ' Full Employment,' to which the second Beveridge Report gave an immense popularity. According to the Keynesian analysis, the Great Depression had been due to a convergence of shortages both in consumption and in productive expenditure. This had resulted in an insufficient utilisation of existing resources. This analysis stamped on certain policies the word ' good ': these were, a wide expansion of purchasing power among the masses —the policy, in other words, of high wages and generous social services—the stimulation of productive investment by low rates of interest and a substantial increase in public expenditure. Ample purchasing power, low rates of interest, high public outlay, these were things which men's minds had been conditioned to regard as ' good.' Not as ' good ' relatively to some set of circumstances which had passed away but as ' good ' absolutely.

In the learned memorandum accompanying the Beveridge Plan and designed to give form to the means of carrying it out, a big drive on house construction, road making, school buildings etc., and a big drive to re-equip industry, were presented as needing to

be achieved along with a big rise in family consumption, to which, so far from being an obstruction, they would prove a stimulus. In certain sets of circumstances there would be no absurdity in these opinions. But, equally, they would not fit every set. And unfortunately the circumstances in which their application was to be tried were just those in which they were absurd.

Why had the growth of popular purchasing power, and investment, public or private, whether it was economically productive or merely beneficial socially, come to be called ' good ' ? Because each of them in isolation made such claims on resources in man-power, equipment and raw materials that, taken together, they would, by the calls which they made on a wide variety of resources, banish completely unemployment as it had been seen in the past. What has happened now is that these remedies for a situation in which there was an alleged shortage of demand have been applied to a situation in which resources are in short supply : bleeding has been applied in a case of anæmia.

It is amazing that the contradiction between the Keynesian programme and the actual situation was not seen, that it was not realised that the remedy being applied was intended for the diametrically opposite disease. Yet it was known from the start that it would be necessary to maintain the armed forces on a scale far exceeding that of pre-war days. In mid-1946 they absorbed more than 2,100,000 men, or more than three times the effectives of 1939. To that must be added the rather more than 700,000 men working for the armed forces. In mid-1947 the effectives of the forces had fallen to about 1,400,000 men, a figure which was still more than double that of pre-war : the number of their civil auxiliaries was no longer shown in the statistics, but must have fallen. Anyhow, the needs of defence were still diverting an important part of the national resources.

It was also known from the start that, to redress the balance of British foreign trade, a large part of the national effort would have to be devoted to exports. Sir Stafford Cripps strove with all his might to canalise all the activities he could into the channels of foreign trade. The numbers working for the export trades rose from less than a million in 1939 to more than 1,300,000 at mid-1946 and more than 1,500,000 at mid-1947. At the same time materials in short supply and fuel were directed as much as possible into work for export. It was Sir Stafford Cripps again who at a very early date stressed the need for a complete re-equipment of national industry : not only had war-time wear and tear to be repaired but also its pre-war deficiencies, so that the productivity of labour might expand from the use of up-to-date plant.

Not only had there to be more soldiers, more exporters and more engaged on plant renewals than in pre-war days ; the government also planned to carry out at the same time a large building programme which at mid-1947 employed more than 1,300,000 workers.

Now, man-power is not unlimited ; no more, in the post-war period, are raw materials ; nor, at this critical time in the history of the British coal industry, is fuel. The natural result is that the more the available resources are used on all the major tasks set out above, the fewer are left to satisfy consumers' daily needs. Over against this physical dearth of goods which consumers could purchase stood the vast scale of their purchasing power.

A worker, whether employed in making a machine gun or a bicycle, a radar apparatus or a wireless set, must in every case be paid : thereby he obtains a credit which it is legitimate for him to wish to use in buying consumer goods, whether or not his own activities have served to increase the supply of consumer goods. Thus the activity of a nation creates incomes by reason of its volume and not of the objects to which it is directed. If among those objects the creation of consumer goods takes a back seat, the result will be that the incomes in search of consumer goods to buy will be disproportionate to the quantity of consumer goods available. This disequilibrium could not occur in an economy where the fraction of resources applied in ways which do not result in an accession of goods and services to the market comes from the fraction of incomes which is not spent : where, in other words, investments follow savings and issue from them.

When the State, whether for reasons of necessity or doctrine, determines the degree of importance to be given to objects other than the satisfaction of consumer desires, when it ranks their importance very high, then, if it does not at the same time keep down personal incomes, there follows what has happened in England, where the supply of food is limited by the scarcity of foreign exchange, and the supply of clothes, household utensils, etc., is limited by the priority given to the production of other articles—while personal incomes have enormously expanded. These, in 1938, were put at £5,107 millions ; in 1946 they were put at £9,181 millions. Granted that what is taken by direct taxation has more than trebled, from £516 to £1,876 millions ; even so, the incomes still available to the public have risen from £4,252 to £6,854 millions. And this huge purchasing power is always looking for an outlet.

The major bugbear was lest all this purchasing power should swoop down on the most sought-after commodities, especially food.

Consumers had to be prevented from using their incomes to fight over the necessities of life. For that reason food, clothing and other necessities were rationed and their prices strictly fixed. In this way a limit was put to the amount of income which could find the most natural outlets.

The English are proud of the fact that these barriers have held so well, the more so as civic discipline has played a larger part in it than administrative controls. Yet it may legitimately be asked whether this very success has not brought its own peck of troubles. Food, clothing, accommodation, lighting and heating, which in 1938 absorbed nearly fifty-six per cent. of all personal incomes, in 1946 absorbed less than forty-seven per cent., at which figure more than half was available for other forms of expenditure.

Where, as in the United States, a rise in the price of the more essential goods and services was legally permitted, or, as in France, came about illegally, it mopped up surplus purchasing power, for the prices of the goods or services in short supply rose in step with the incomes which fought for them. In the result essential goods and services kept a place relative to their importance in the use made of personal incomes. For this reason food, in the United States, accounts for one-third of the population's total consumer expenditure. Whereas in England, by reason of the controls in successful operation, it accounts for only one-quarter. In a word, the population of England, a country which is now poor, is able to use a larger part of its income on non-essential expenditure than that of a country which is the richest in the world, the United States. Such a state of things is a breach of all logic : logic demands that the poorer a country is, the higher the proportion of its income which it spends on food, and the richer it is, the smaller.

The same topsy-turveydom is repeated in the case of expenditure on other primary needs, such as clothing, accommodation, lighting, heating etc. These absorb, in Britain, only twenty-seven per cent. of total consumer expenditure, and, in America, nearly thirty-seven per cent. Thus, the population of Britain is able to use a larger proportion of its income on non-essential expenditure than is the population of the United States. This illogical state of things has important consequences.

British purchasing power is, in certain directions, of vast extent : it overflows wherever it can. Expenditure on drink rose to 238 per cent of what it had been before the war, on tobacco to 340 per cent. Taken together, these two forms of expenditure, which in pre-war days equalled what was spent on clothing, were now twice as much. Tobacco and alcohol act to some extent as sponges which drain off

purchasing power for the benefit of the Treasury, for the growth in the sums expended is largely absorbed by price rises due to indirect taxation. For all that, purchasing power has resulted in increased imports of tobacco which cost foreign exchange. And that is only one, and perhaps the least dangerous, of the directions in which the onrush of purchasing power flowed. Diverted from its natural bed, it soon made other channels, following what were the lines of least resistance—unrationed goods and services—and attracting to them resources taken from essential industries. These resources, both of materials and men, but especially men as being the more volatile and less susceptible of control, were displaced by the irresistible sweep of purchasing power from the fields in which they were of most service to the national economy to those which the fertilisation wrought by purchasing power made the most lucrative. This displacement ran counter to the one sought by the government, but was the logical consequence of its policy.

The amusement industries, one and all, received a stimulus just at the time when the cabinet was exhorting endlessly on the need to concentrate energies on essential tasks. The betting industry everywhere, whether on horses, dogs or football, became one of the major national industries. Professional sport or cheap jewellery, any and every activity which needed few raw materials, sucked in labour which drew its support from the wave of purchasing power. This suction took effect on the man-power of the essential industries, where it aggravated the shortage, assisted Trade Union claims and so prepared the way for further inflation of purchasing power.

The government had aimed at the most rational allocation possible of resources ; the upshot was a wholly irrational allocation, answering not to the needs of the situation, but to the impulsion given by a purchasing power which government policy itself had driven from its normal channels.

It has been the government's fate to see the form which it was striving to give to the nation's activities upset continually by the impetuous flood of purchasing power. For this flood the government's policy is responsible : not only has it fed it but it has stopped it being mopped up naturally by a rise in prices of the essential commodities such as would reflect their scarcity. Therefore it is the government which has led the people of a poor country to behave in its buying activities as though it were amply provided with the necessities of life. It is the government which has encouraged an unprecedented total of expenditure on superfluities, with a resultant stimulation of superfluous activities at the expense of the essential.

What can the government's wishes and intentions avail against the phenomenon unleashed by its acts ? It sought to give priority in the factors of production to those industries upon which the country's life depended. It has failed in its aim. It could not but fail, for it had not brought the structure of incomes into line with the structure which it was trying to give to activities. Its aim was to develop activities of every kind which brought no direct satisfaction to consumers. And in general terms it made high proclamation of the need to keep down consumption. But it did not in practice dare to cut consumers' purchasing power. It made distribution in tokens of the riches which it could not distribute in goods. It inflated the purchasing power of the masses, which tends always to expend itself on articles of consumption, and accompanied this process with exhortations to save to ears which were ever less receptive. At the same time it dealt hardly with those larger incomes from which capital increase tends to be built up.

The aim was to steer the factors of production into the paths of reconstruction; the achievement is to enlarge the people's purchasing power to a point at which it tends irresistibly to steer those factors into the production of immediate satisfactions. And the restraint placed on the satisfaction of the most legitimate needs has diverted both purchasing power and the factors of production towards the consumption and production of superfluities. To obviate a movement which was opposed to the national interest, it became necessary in the end to have recourse to measures of compulsion. Men engaged in essential industries must be forbidden to leave them for others, men unemployed in unessential industries must be directed to work where they are required, and the managers of those industries must be pressed to release man-power—at first by persuasion, then, if required, by the refusal of raw materials.

The mistakes made by government issued inevitably in a complete disciplinary system, the authors of which were, as so often happens in human affairs, the authors of the mistakes. But these measures and many others were destined barely to precede the blow struck by the sudden crisis over convertibility.

CHAPTER 26

THE CONVERTIBILITY OF STERLING

An Engagement kept *Why America imposed Convertibility*
Arbitrary Changes *Bretton Woods*

AS from the 15th July 1947 the pound sterling became 'convertible,' as it was elliptically put ; convertible, that is to say, into foreign currencies, which meant, for practical purposes, into dollars. The expression 'convertible' has several different meanings, each corresponding to a different historical situation. Before the 1914 war, for instance, the pound was convertible into dollars by the play of the monetary machine : being exchangeable at the Bank of England against a weight of fine gold slightly below that against which a five-dollar note could be exchanged at New York, a pound could always be exchanged for a little less than five dollars.

When convertibility through the Central Banks by means of the gold standard disappeared, another sort of convertibility, between the paper moneys of different countries, came naturally into being. These moneys no longer had a gold backing but a commodity backing : each was legal tender only in its country of issue. Exchange of them between their various bearers came about through the reciprocal need for foreign goods : in that way variations in the exchange rates were caused by commercial trends and the purchasing power available in each country. Under the former system the rate of conversion is as good as fixed, under the latter, it is variable ; but under both, every bearer everywhere could freely convert his monetary wealth into other currencies.

The state of things in being after the Second World War is quite different. There is no conversion through the Central Banks, and conversion of the second or 'natural' kind is forbidden : under the style of 'the black market' in currencies, it is severely penalised and effectively prevented. The bearer of pounds cannot, then, convert them into dollars. He will get dollars only if he has to make a payment which the British monetary authorities have approved : the authorities will in that case make the payment for him in exchange for pounds which he will have to give them at the official rate of exchange, namely four dollars to the pound. But for practical pur-

poses he will neither see these dollars nor dispose of them : they will go into an account opened at New York by the British authorities in the foreign payee's favour. There is not, under this system—or at any rate there should not be—any way in which a bearer of pounds can get himself dollars for purposes of his own. The pound is inconvertible.

This is the foundation, roughly outlined, on which the measure of the 15th July was superimposed. It was far from being applicable to every bearer of pounds, but only to foreign exporters who, with every pound they got in exchange for the goods or services supplied by them, were now able to demand that they should be given dollars, at the rate of four dollars to the pound, in exchange for these pounds. And foreign credits accumulated in pounds—the sterling balances as they were called—could also, as to a small fraction of them, be converted into dollars. Such in outline was the convertibility of the 15th July.

Its salient feature was that it put certain holders of pounds in a position to get dollars for themselves. They jumped at the chance, and it is not surprising that they did. The currency which, in these hard times, gives access to the best-stocked markets in the world was known to be in request ; that bearers of pounds were hastening to exchange them on black markets for dollars at a rate of three dollars or less, was a fact. It was unreasonable to expect that the opportunity to exchange them legally at a rate of four dollars would not be taken. The step was clearly a dangerous one. Why did it come to be taken ?

Why was convertibility introduced at a moment when there was a manifest dollar famine in every country, making it certain that all would hurl themselves on an easy prey ?

The answer is that article 7 of the Loan Agreement with the United States bound England to make current receipts in sterling available for making purchases in any monetary area whatsoever one year after the coming into force of the Agreement. The due date was the 15th July 1947. Speaking of this and other conditions, Mr Dalton said in the House of Commons on the 7th August :—' We accepted these conditions when we signed and we have kept them punctually ; we are entitled to be proud of it. It is our British way of doing things ; if we have signed a document, we keep to it.'

It was, then, a case of honouring an undertaking. The Chancellor did what he could in advance to limit the damage that had to be expected. Clearly it would have been disastrous if foreign sellers had been able to obtain payment in dollars while buyers in the same

countries paid in pounds—a position which could arise by reason of the existence of vast sterling balances on foreign account, the result of war purchases. These balances totalled not less than three milliard 559 million dollars. They were for the most part blocked, and therefore temporarily unavailable for making purchases. But foreign pressure compelled their progressive unblocking by small amounts, and for these, as was well known, there was a free market. It was evident that with the help either of these unblocked sums or of other sterling resources foreigners could have paid in sterling for their purchases while receiving dollars for what they sold. To guard against the danger, Mr. Dalton negotiated an agreement with each separate country by which only the excess of foreign sales over foreign purchases would be available for conversion into dollars.

The negotiations were made easier by the fact that most of the countries concerned exercised a strict control over their foreign trade and their international payments : when everything passed along the same channel it was easy to limit the amounts convertible to excesses of sales over purchases. And, that once done, the danger involved in convertibility seemed negligible. The countries that were hungry for dollars were not those with which England had a heavy deficit on current account. Her deficit was with the American Continent where, with some few exceptions, payments had in any case to be made in dollars ; whereas the countries to which convertibility gave their chance of claiming dollars were those with which England balanced her current account. This consideration enabled *The Economist* to declare on the 12th May that the deficits on current account with the rest of the world, barring America, would not amount to a sum which would confront England with an embarrassing quantity of convertible pounds.

Furthermore, in order that a momentary deficit with any given country might not result in a surplus of pounds being presented for conversion, Mr. Dalton stipulated in each separate agreement that the Central Bank of the country concerned should ' carry ' so many millions of pounds : in this way it would come about that only an excess over this reserve would in practice be convertible.

A difficulty was created by the ' balances,' by which is meant the pounds accumulated on foreign account and temporarily blocked. Not only had the governments concerned long been pressing for the unblocking of these balances in successive fractions, but in addition there was a stipulation in a clause of article 9 of the Anglo-American Agreement that the unblocked fractions were to be convertible. The negotiations which Mr. Dalton had to conduct with the governments of the countries who had these accounts to their credit were especially

delicate, his object being to secure that the fractions to be unblocked were fixed at amounts which would not press too hard on the available dollar resources. The governments concerned were in an advantageous bargaining position, in that, in the event of their not receiving satisfaction as to the amounts to be unblocked and converted, they could refuse co-operation in managing the flow of payments in such a way that only a net balance would be presented for conversion.

For reasons which differed widely—now yielding to pressure and now to a desire to help a negotiating country—Mr. Dalton agreed to unblockings of rather more than £140 millions for seven countries —the whole of this sum to be convertible : this meant that to the extent that conversion was demanded, there would be a maximum of 560 million dollars to provide. If Mr. Dalton supposed that these demands for conversion would be spread over the next six months, he much overestimated the patience of those with whom he was dealing.

It became immediately clear that the scramble caused by the unblocked balances would by itself make off with more than half of England's remaining store of dollars. This, together with the deficit on current account with the American Continent, accounts exactly for the losses incurred in July and August. So that all the work put in by Mr. Dalton on his defences had been in vain. How did he come to grief, assisted as he was by financial advisers whose great competence nobody doubts ? True it is, that, if he felt himself bound to institute convertibility at all, his many optimistic statements can be explained by the desire to avoid any psychological ' run.' But, as *The Economist* was afterwards to say, he could have negotiated with the United States a postponement or relaxation of convertibility :—' The Americans were fully prepared to grant one many weeks ago, being apparently better informed than was the Chancellor of the Exchequer himself as to the real position of sterling.'[1]

The truth seems to be that the minister under-estimated the scramble that was to ensue. Even *The Economist* itself under-estimated the consequence of convertibility, though it is true that, as the paper afterwards wrote, only the authorities had at their disposal all the facts on which to form a judgment. The fact of their going so wrong is a memorable example of the difficulty of forecasting in economic affairs—an example which should somewhat humble the pride of those who specialise in predicting the course of future events.

Why had the Americans, during the negotiations of 1945, attached

[1] *The Economist* of the 16th August 1947, p. 289.

so much importance to the undertaking to make the pound convertible ? They must have attached great importance to this provision seeing that they had even laid down the date on which convertibility was to start. And it is true that convertibility was essential to their plans for re-establishing international commerce in the after-war period.

One of the most serious pre-war phenomena for Americans, and one of the most fraught with political consequences, was the contraction in international trade in the years from 1930—a contraction which had been depicted by the economic services of the League of Nations by a curve in a falling spiral. It was in their eyes a political as well as an economic necessity to re-establish broad and widening channels of trade, such as there had been in the days of peace and prosperity with which comparison could still be made.

One of the primary features of the period of contraction had been a change in the nature of trade, which had declined from being multilateral to being bilateral. Trade proceeds multilaterally when, for instance, Canada sells to England more than she buys from her and can then draw on this surplus to make up her deficit with the United States. Naturally she can only do this if the pounds which are owed her are convertible into the dollars which she owes. If they are not, Canada will accumulate in England credits in pounds—sterling balances as they are called—which will be useless to her, and will at the same time cause her to restrict her purchases in the United States for lack of the means to make good her deficit there. In the end the level of Canadian exports to England will tend to fall to that of English exports to Canada, the Canadians losing some of their customers, the English some of their supplies, and the Americans some of their markets. Such are the consequences of bilateralism, which inconvertibility brings, inevitably, into being. It is precisely this that had occurred before the war, when international trade had been transformed and broken up into trade between pairs of countries.

What the Americans feared was that England, now poor and socialist, would learn the lesson taught by Dr. Schacht. As the case of Germany had shown, it is easy for a country which is a large customer to force its suppliers, if they are weaker economically, to accept payment in an inconvertible currency : in this way they are compelled to send supplies to the country to which they sell. By reason of the agreements negotiated by Dr. Funk, all that the exporters of Roumanian maize received in payment were credits in marks opened in German banks. The Reichsbank would not convert them into dollars on demand, and those in whose names they were

opened could not withdraw their money to trade it freely against other currencies. Nearly all these credits in marks were taken up by the Bank of Roumania which paid an equivalent sum in lei to the owners, at the agreed rate, and then made them available to Roumanian importers from Germany, who paid lei for them still at the agreed rate. In the event of it happening that what was sold by Roumania exceeded what was bought from Germany, the Bank of Roumania became encumbered with mark balances, with the result that the poorer country found itself in the position of granting credits to the richer.

England was in a position to do what Germany had done—was indeed much better placed than Germany for doing it. She was by tradition the largest buyer in the world, and still is. Her imports for 1946 amounted to 5,229 million dollars as against the United States figure of 4,818. She is, for a number of countries, the principal outlet —an outlet that must be kept going at all costs. Not only was England in a better position than Germany to get payments in inconvertible pounds accepted, but, more than that, her payments could not but be the more acceptable when it was a case of a currency which had possessed a world-wide purchasing power and which was, even when it was inconvertible, good tender in all the diverse countries throughout the world that made up the sterling bloc.

For this reason, thought the Americans, inconvertibility would be bound to divert to England, to the detriment of American exporters, purchasing currents which might otherwise have flowed elsewhere, and would oblige the purchasers, to their own detriment, to content themselves with what was available in England at England's prices. The general effect of the system would be to reduce the volume of world trade and delay general recovery. Some, quite wrongly, went so far as to suspect England of wishing to avail herself of inconvertibility to become again, for all her competitive inferiority to America, the great world exporter, using for this purpose the weapon of being the largest buyer. But this suspicion played a smaller part than the consideration of principle—that freedom to buy had to be restored in the world. It was in the same spirit that the Americans had introduced into the Agreement the non-discrimination clause, which bound England to treat all foreign goods alike wherever they came from, and forbade her, for instance, to discriminate by customs duties against American tobacco, which costs dollars, in favour of Rhodesian tobacco, which costs pounds.

The combined effect of these provisions was to encourage importers everywhere to buy where the buying was best—and that is the true formula of world trade. In 1947, however, the desired

shopping centre of the entire world was America in general and the United States in particular. Yet, for reasons which will appear, the rest of the world was in no condition to sell much to America. The result could only be that the two parties in the world outside America, England and the rest, would try to regulate their trade with each other with a view to obtaining dollars, so as to be able to buy in America. But the rest had no dollars and their currencies were inconvertible ; therefore England could obtain none by selling to them. They, on the other hand, were bound to take all the dollars made available to them in England by convertibility.

The truth is that a unilateral convertibility, artificially and arbitrarily established, could not improve the cause of world trade. To achieve that, the Bank of England would have had to stop quoting the pound at the artificial rate of 4.025 dollars, and currencies, both sterling and the others, should have been left to find their natural levels. The pound, for example, might have fallen to the 2.50 dollars at which it was quoted in Switzerland. At this rate, there would have been no need to keep European buyers confined by inconvertibility inside the British market : purchases in England would have been anyhow preferable to purchases on the American market.

Trade between Europe and the United States is a one-way traffic and the fact is not one for astonishment. It comes about because the artificially high rates of European currencies enable too much to be bought in the United States and too little to be sold to the whole American continent.

The European justification for these artificially high rates[1] is that, with production in its present state physically, much more has in any case to be bought than can be sold—and it is true. But this deficit is anyhow covered by dollar credits, which are quite unaffected by exchange rates. The borrower of a milliard dollars from the Americans does not pay any more for them whether they come to £250 million or to £400 million. Nor is repayment a consideration ; as it can be made only in goods or services, exchange rates are still a matter of indifference.

The real reasons for objecting to devaluation are in the field of domestic politics : it would result first in a rise in the price of imports and then in a rise in the cost of living. This is just what it is sought to prevent by price controls, in some cases producers' subsidies, and in others adjustments of salaries and wages and a general rise in consumers' purchasing power. Yet, a high cost of living is only

[1] It is gratifying to note (December 1948) that now the real position of the pound has very much improved as against the dollar.

the sign and signal of a bad distribution of the national energies. If the price of bread tends to be too high, the reason is that there are not enough men on the land, or, in the alternative, not enough miners in the pits to produce the coal which could be exported in exchange for corn. It is useless to kick against the results of this state of things by distributing to men in public or private employment enough additional purchasing power to enable them to buy dearer goods : the causes must be attacked, which means getting men back to the mines and on the land, either by letting the price mechanism function, or, in the last resort, by the authoritarian method of direction of labour.

Artificially high exchange rates, by allowing excessive imports to be bought at inadequate prices, is one of the means used by the governments of today to maintain artificially a vicious structure of national activities, causing a high percentage of workers to be for practical purposes unproductive. The ' drones,' who were lately pilloried by an English statesman, are not so much the completely idle, who are quite few in number, but the unproductive workers—who are legion from the growing tendency of European society to build a superstructure of administrative or distributive jobs. Arbitrary exchange rates tend not only to hinder exports by the prices which they put on them, but also to diminish the amounts available for export and to increase the amounts that must be imported by reason of the bad distribution of the national effort which these rates help to keep in being.

Let us note, however, that not all the culprits for failure to effect the necessary devaluations are European. By an inconsequential paradox, the Americans themselves have forbidden these devaluations. More precisely, they have been forbidden by the Bretton Woods agreements in the conclusion of which the Americans took a leading part. The substance of these agreements was that rates of exchange were to be kept stable by the signatory governments. None might devalue its currency by more than ten per cent. without the authorisation of the international body to be set up. In this way it was sought to obviate the harm done to trade by unstable exchanges. In this way, too, the mechanism for rectifying trade disequilibria was paralysed.

A new and startling phenomenon has been found today : scarcity of dollars. Yet never before have there been so many dollar notes circulating : they come to a total of twenty-eight milliards. But the dollar is scarce in Europe. In this, however, it resembles anything else the price of which has been officially fixed at an artificially low level : let the price rip, and it would become more plentiful.

The Bretton Woods negotiators had foreseen the possibility of trading disequilibria, even though they grossly under-estimated their probable extent. Keynes himself, in a speech in the Lords in December 1945 declared that, all things considered, he thought that the surplus of the American trading balance for 1947 would be between two and three milliard dollars at most. In fact, it has reached three milliards for the first four months of the year alone! Here is another warning to distrust economic forecasts, whatever the authority of the names behind them. But what measures did the Bretton Woods experts put in hand for dealing with trading disequilibria ? There were, to start with, short-term palliatives : the International Monetary Fund was, with the help of an initially subscribed reserve, charged with the duty of providing countries that asked for them with supplies of a currency which they lacked—but always at artificial exchange rates. These supplies, which were to be proportionate to the sum initially subscribed by each country, were calculated according to the ideas in vogue as to the disequilibria probable.

England, for instance, as Mr. Dalton explained in the Commons on the 7th August 1947 could draw 320 million dollars a year—a figure which would enable her to keep going for three months at the rate at which she was spending dollars in the last half of 1946, and for six weeks at the rate at which she was spending them in the first half of 1947. In September Mr. Dalton asked the Fund for sixty million dollars. It is noteworthy that the withdrawals from the Fund made by England represent, to within 210 million dollars, only the consumption by her of the equivalent of the gold which she had herself deposited with the Fund : it is only out of the balance of 1,300 million dollars, representing her quota, that England gets any positive advantage from the Fund—by withdrawing dollars in exchange for the pounds which made up the balance of her deposit.

But the duties of the Fund are not limited to bringing emergency help. It must also press upon the various countries the measures needed to correct the disequilibrium. Its role is to be that of the anonymous organ through whose medium governments prescribe to themselves wise and clear-sighted measures which, though they are aware of their necessity, they do not dare take. The Fund has not so far come to life. Like the organisation of the United Nations, it remains a vain shadow—as does everything set up after the Second World War.

In the end, unilateral action governs all, just as if no international institutions existed : for nearly fifteen years there was much more concrete reality in the life of the League of Nations. And, as one item in the bill, England abandoned unilaterally sterling convertibility

when it was seen to be impracticable. She put her trust in direct diplomacy, rather than in international institutions, for getting fresh supplies of dollars through the Marshall Plan. Meanwhile, having broken the Anglo-American agreement by suspending convertibility, she was freed from the conditions which hedge it round, and at liberty to pursue the redress of her balance of trade in accordance with her own ideas and her own requirements.

CHAPTER 27

THE CRIPPS PLAN

Growth of the Trading Deficit *Plan for Equilibrium*
Realisation of the Export Programme *The Last Ditch?*

IT is a well-known fact that serious crises and dire events set up a nervous excitement which may take the outward form of a feeling of happy relief. That is perhaps the explanation of the surprising tone adopted in England, at least by the popular press, immediately after the suspension of convertibility and the announcement that there were no more dollars. For some days all the loudest voices were heard representing the abrupt termination of the American loan as being first and foremost an enfranchisement of British policy. Now freed from the conditions imposed on her, which were the fruit of an outmoded passion for Free Trade—Socialist and Conservatives vied with one another in saying this—Great Britain would be able to buy, as is the reasonable thing to do, from those who buy from her. Was it not absurd for England to take more than twenty-two per cent. of imports from the United States when that country took hardly more than seven point five per cent. of British exports ? There would now be a great change in the directions taken by British trade, which would be conducted on the healthy principles of bilateralism. It was the Americans who would come badly out of it, and the reactions of the American markets to British restrictions, along with the alarm felt by Hollywood producers at the prospective loss of an important source of income, were much stressed.

The socialists regarded it as a condition of ' full employment ' (their major passion) that there should be power to direct foreign trade—a power which the American negotiators had sought to break down. There were songs in Socialist hearts over economic sovereignty regained. The Conservatives, with their traditional attachment to ' Imperial Preference,' had for a long time vented their concern at American attempts to destroy these preferences by a policy called ' the open door.' They leapt with joy when Mr. Bevin, speaking at the Trade Union Congress on the 3rd September, 1947, launched the formula of a Commonwealth Customs Union. Lord Beaverbrook, proprietor of the *Daily Express*, with a circulation of four millions, is a devout propagandist of Imperial Free Trade, and his papers

hailed with enthusiasm Mr. Bevin's remarkable conversion. But the Australian and New Zealand governments at once made it clear that any such proposal was out of the question.

A more sober examination of the facts, however, proved discouraging to the earlier notion that it would be possible to get elsewhere the agricultural products for which there was no longer the money to pay the United States. It was remembered that England already took the whole export surplus of meat and dairy produce from Australia and New Zealand. And with a number of other countries, both in the Commonwealth and outside it, she already had contracts running which reserved for her the whole, or at any rate as much as possible, of their agricultural exports. In those directions no increase was possible. Rather there was reason to fear that the return to inconvertibility would discourage sellers, especially that large supplier the Argentine who, banking apparently on the convertibility of the pounds earned by her surplus exports to England, had imprudently increased the scale of her purchases in the United States. The Turks were placed under obligation not to export without a licence to countries paying in sterling. Canada let it be known that it was necessary for her to be paid in dollars as to one-half of what she was owed.

There was no need to take a pessimistic view of the final attitude of England's suppliers. She was too large a customer for them to be able to penalise her for having made her currency inconvertible once more : they would only succeed in penalising themselves. But all the same it was much too optimistic to expect them to increase their exports to the point needed to replace what had been sent by the United States.

Much was made, and rightly, of the coming to London of a strong Irish trading delegation, led by Mr. de Valera himself. By a curious turn of the wheel, agricultural Ireland, after twenty years of prudent administration, played the role of a wealthy country and one able to help England. But in return for increased exports from her, Eire asked for English coal, or else the dollars needed to buy American coal. So it became apparent that, even to the small extent to which other countries could compensate the loss of what the United States had sent, their assent could only be won if England herself had more to offer them. Not long after, great hopes were being placed on an agreement with Russia. Had she not, at the start of the century, been an exporter of nearly as much corn as England imported ? Yes, but under her new regime she seemed no longer to have exportable surpluses ; nor could agreement be reached on what was to be paid her for the small quantity which possibly she could have provided.

The picture began to take clear shape : there were no sources of supply visible which could make up for American supplies now to contract, nor, under the threat of payment in inconvertible pounds, would the non-American suppliers care to make delivery beyond what England could produce and sell in exchange for what they sent. A geographical survey of England's trade problem established the fact that under no system of trading could England import as much as she was importing while she exported as little as she was exporting.

It was well appreciated—Sir Stafford Cripps more than anyone had repeated it indefatigably—that the trading gap had to be closed. But it had been hoped that the gap would steadily narrow as the economy righted itself. It had been believed that the American dollars would suffice to fill the gap until the end of 1949, by which date it would be nearly closed. In September 1947 it was clear to all that these hopes had been based on illusion. It was now the case that there were no more dollars wherewith to fill the gap and that the gap itself was steadily widening. From £44 million a month in the second half of 1945 the trading deficit has been brought down to £28 million a month in 1946. But as from the start of 1947 it had started to grow again, and at a great pace. From £25.1 million in January 1947, it went up to £29.9 in February, to £41 in March and to £57.7 in April. At this high figure it remained almost stationary for three months. Then it took wing again ; for July it was £67.7 and for August £76.8, or three times what it had been in January.

The widening gulf defied measurement by the statistician. At the beginning of March, when the prospects for 1947 were under discussion in Parliament, it was estimated, on the basis of the January figure, that for 1947 the gap would be one of £300 millions. At the beginning of May it was estimated, on the basis of the figures for the first three months, that, if the figures for the remaining months were the same, the gap would be a little less than £400 million. But, in a situation which changed so quickly, the latest figures were the most reliable ; assuming the continuance throughout the year of the March position, figures were reached of £369 millions for the next nine months and £465 millions for the whole year.

When in the debates in Parliament on the 6th and 7th August the government set out the situation, it based itself on the figures for the second quarter, which gave a total of some £340 million for the next six months, and one of more than £600 million for the whole year. But at that date it was still without the much more alarming data yielded by July and it did not anticipate those of August.

With the dollars all gone, and at the rate at which deficits were running in the second quarter, the gold reserves at the Bank of

England, which were the nation's last resource, could not cover the gap for much more than ten months. At the August rate of deficit, they would be gone after eight. Things were moving too quickly for exact measurement to be possible, but what was clear was that a gap wider than had been expected would have no American dollars to fill it. Steps had therefore to be taken to remedy a trade position, worse financially than at the start of the American Loan, within a period not of three years or more but of eight months. It seemed a quite impossible task.

Speaking on the 3rd September at the Trade Union Congress, Mr. Bevin expounded in homely terms the government's plan for equilibrium ; one of the secrets of his success is his ability to sum up a situation in striking phrases.

Putting the annual trading deficit at £600 million, Mr. Bevin said that the government's plans included a reduction in imports of £228 million and an increase of exports of £372 million. This should solve the problem. It meant a monthly economy of £19 million of imports and a monthly advance of £31 million of exports. He recalled the import cuts already introduced and made preliminary announcement of the great export drive which Sir Stafford Cripps was to expound in detail on 12th September.

Mr. Attlee had announced the most important of the restrictions in the Commons on the 6th August : they included a cut of £12 million a month in food purchases in the New World, which was, as Sir Stafford Cripps pointed out the following day, a sacrifice of one-sixth of the total food purchases abroad.

These figures must be given their commodity meaning. As the cut applies to the volume of purchases, the figure of £12 million is only an indication. The sacrifice is of one-sixth of the food purchases effected in the second quarter of 1947. That does not mean that imports, with this cut achieved, will cost £12 millions less than in the second quarter of 1947, for that depends on the movement of prices. In the same way, when Mr. Bevin announced the government's intention of increasing exports by £31 millions a month between then and mid-1948, he meant that the volume of exports now aimed at would, had it been achieved in the second quarter of 1947, have represented at that time a gain of £31 million. Maybe in mid-1948 they may represent a larger gain : that turns on the movement of export prices.

Therefore it was inaccurate to say that the realisation of the measures proposed would close the gap to the extent of £50 million a month. It would have been truer to say that, had the measures now

taken been in operation in the second quarter of 1945, they would at that time have closed to the extent of £50 million what was then a gap of £57 millions. There is method in this clarification, for it emphasises by what method of comparison with the past the predictions for the future were made ; these were subject not only to the material fulfilment of the plans made but also to price fluctuations. In fact there were wide fluctuations in prices : between July 1946 and July 1947 average prices of imports rose more than the average prices of exports, and this tendency, if it persisted, would reopen the gap, even assuming that the physical targets for closing it were realised. If, on the other hand, the tendency went into reverse, the gap would be easier to close.

I emphasise this point because of the profound illusions cherished today as to the extent to which *ad hoc* decisions can bring about economic equilibria. True it is that restrictions on purchases to which England stands committed carry the additional advantage of depressing the market prices of the goods which she buys. But against that the Marshall Plan has, even on its first appearance, raised the prices of those primary products to which it will apply, thereby tending to reopen the gap in the English balance. True it is that the demand for English industrial goods, and, therefore, their prices as well, are raised by the increasing difficulty of buying in America. Against that the Marshall credits, should they be opened on the scale envisaged at the Paris Conference, will have an unfavourable effect on the sales of English merchandise—unless indeed some other combination of circumstances should arise to help them. The truth is that these turns of events are beyond human foresight.

Nobody knows whether the export programme announced on the 12th September by Sir Stafford Cripps will close the gap. What is known is that England must export more, and it is good psychology to lay down concrete targets for each industry, letting it be understood that their attainment will result in an approximate equilibrium.

Sir Stafford deeply impressed the two thousand representatives of the employers and trade unionists who had come together to listen to his programme. In this he set out the quantities to be exported in mid-1948 and at the end of the year, for 153 products or groups of products, including even, as *The Economist* observed, safety-razor blades and combs. Will this programme be realised ?

Sir Stafford, we may note, worked out his remedy in the way which, if it was the most attractive, was also the most speculative. There was conceivable a policy of great harshness, by which goods actually produced for the home market would be diverted to foreign

markets. In that case each national industry producing goods for which there was a market abroad would have had to cut down abruptly its actual sales inside the country, and throw the savings on to foreign markets, taking advantage of the active demand which prevailed. Notwithstanding his decision to demand very great sacrifices from the domestic consumer, Sir Stafford did not proceed in the above way except in a few cases, of which the motor industry was one : three-quarters, instead of one-half, the motor cars actually produced were earmarked for export, while at the same time the basic ration of petrol allowed to the owner of a car was suppressed. Even in the case of motor cars, however, Sir Stafford did not limit his demands to the restriction of domestic consumption : he demanded as well, and more, an increase in production.

To achieve the export programme, he aimed at having the specified industries step up production. It was a natural condition of their doing so that they should employ more of all the factors of production. It was, therefore, not so much a case of a quick diversion of goods from the home to the foreign market, as of a diversion, bound to take effect more slowly, of factors of production towards the industries earmarked for export.

The diversion of man-power to the industries which had had these tasks laid on them now became an immediate preoccupation. The measures taken for the authoritarian direction of labour had this in view. Allocations of raw materials were the next care. It is, unfortunately, the teaching of experience that a diversion of man-power does not achieve automatically the results laid down by arithmetic for our guidance. For instance, between June 1945 and June 1947, the man-power engaged in the export industries increased by 265 per cent. whereas the resulting volume of production increased by only 163 per cent. It seems that production per man steadily declined with every increase in the number of workers engaged, as though in obedience to some law of diminishing returns ; the reasons were, no doubt, difficulties arising from the lay-out of the buildings and the organisation of the work, and, almost certainly, because allocations of raw materials and fuel could not be made with the necessary regularity, and could be adjusted to the increase in the number of workmen only after a delay caused by administrative difficulties. In the result the acceleration of the rationalisation of the national effort involved over-all wastages of man-power.

If England's position is that she must go without all but indispensable purchases abroad, and must sell abroad rather than keep for herself everything which she can, the other countries of Europe are in no better case : they too are struggling to preserve their foreign

exchange for what seem to them to be the most useful objects, and twenty-one countries have already, in quite a short space of time, closed their doors to foreign touring cars.

There will be no difficulty in selling one thing—machines, for everyone wants to increase production and is looking for the necessary plant. Sir Stafford was right, therefore, to give an important part to the manufacturers of machines ; but the task laid on this industry will prove a particularly heavy one seeing that it must at the same time meet England's requirements in the way of re-equipment.

Lastly, the Cripps plan made heavy demands on the textile industries. Motors, machinery and textiles were, between them, to produce nearly three-quarters of the growth in exports. The plan, it may be noted, involved a two-fold concentration of British effort : concentration *on* certain industries combined with concentration *inside* those industries.

The results are incalculable. It is odd to see the congestion arising in the sectors of industry working for the export market when it is remembered that congestion in those sectors constituted the country's main trouble after the first war. It is possible to wonder whether the method, less scientific it is true, of allotting for export a percentage on *all* current production and leaving the pressure of demand to fill the holes thus made in supply, would not have had some advantages. It is just the result which devaluation would have brought about.

Let us, in view of the catastrophic psychology of our times, hasten to add that the failure of the Cripps plan would not be ' the end of England.' Perhaps it is as well for public opinion to see nothing but the 600 million gold pounds at the Bank of England between itself and total inability to buy. But there are in fact some other reserves standing between the country and famine.

There was an odd exchange in the House one day between Mr. Dalton, when he was at the Exchequer, and a Conservative member, Mr. Brendan Bracken. The Americans declare that the British still own in the United States possessions worth some two milliards of dollars—the remnant of an invested fortune which was once vast. The British Treasury keeps a tight hold on these possessions and would, if it became necessary, requisition them. But, it is agreed, it is better not to talk about them : as they *are* the last reserve, it is wiser to forget them.

On the 7th August Mr. Bracken, who owns the great financial daily, *The Financial Times*, asked Mr. Dalton in the House about British investments in America. Mr. Dalton lowered his voice as he replied to Mr. Bracken across the table : ' I think the Rt. Honourable

Gentleman will agree on reflection that it would be better not to bring our investments into the picture.' In other words, do not let public opinion go to sleep, lulled by the disclosure of a last nest egg ; and do not let us incite such isolationists as are left in the United States to demand that, before they help us further, we mobilise our last possessions there. It is indeed a matter for deep reflection that a Socialist government should retain as the last resource for keeping its own people alive just those capitalist investments abroad which socialism has in the past denounced so often.

CHAPTER 28

FULL EMPLOYMENT OR RATIONAL EMPLOYMENT

THE Socialist team, wanting to achieve full employment, failed to understand that the circumstances of the time would do it for them. The measures they took would, perhaps, have been useful fifteen years earlier in an entirely different situation; coming when they did, they merely added fuel to a fire and increased the difficulties of putting it out. At a time when British industry was suffering from an inability to sell, the idea of employing their excess productive capacity by means of large public investments inside the country seemed sensible. But this programme of large investments has been put into force at the very time that productive capacity was proving inadequate to meet the needs of demand.

Keynes had taught that the phenomenon of over-production could be met by raising the national level of money incomes and thus setting in motion the factors of production which had previously been unemployed. The process of raising money incomes, already inflated by the war, continued after it, and the available factors of production proved inadequate to meet the demand so stimulated. The phenomenon of under-production raised its head.[1] Keynes was well aware that a general stimulation of demand results in increased imports ; especially is this true of a stimulation of popular demand in England, for British imports go mainly to satisfy the consumer needs of the masses.

What was done, therefore, was exactly what was needed to ensure that the demand for imports would be out of all proportion to the national capacity to pay for them, and that the demand for goods made at home would be out of all proportion to national production. Could comfort be taken from the fact that anyhow full employment had been achieved ? It could not. Full employment was now the nigger in the woodpile, and in the autumn of 1947 the entire efforts of the British government were directed to coping with its unhappy consequences.

The purchasing power in circulation was so large and the stream of incomes was in such full flood, that everyone was employed at

[1] Cf. the striking article by Professor Michael Polanyi in *Time and Tide* of the 4th October 1947.

something or other. There was no propulsive force at work for shifting the factors of production from a sector where they were high and dry to some other. Nobody made losses, nobody was unemployed ; nobody looked like making losses, nobody looked like being unemployed.

But, if there was no propulsive force to dislodge the factors of production from the less useful employments, equally there was no force of attraction to take them to the more useful. The natural course of purchasing power would have been towards the more useful services ; these it would have rendered more renumerative, in competing for them, both for capital and for labour. The higher level of remuneration would then have canalised the factors of production in those directions.

This was prevented from happening by a network of strict controls which narrowly limited, by means of rationing and controlled prices, the amount of purchasing power usable on these essential services. With the result that more than ever found its way into the unrationed services which were the less useful : this process set in motion a flight of the factors of production away from the sectors where they were most needed. Those who had in this way distorted the normal currents of activity then said that they must be put right again. Having tortured nature, they denounced her imperfection : having created a monstrosity, they had to make it work. To this end force was used at every turn to recall the resources of production to a more rational use : raw materials were strictly allocated and man-power was authoritatively directed.

In politics, full credit is taken in advance for what politicians are going to do : the Labour Party took especial credit for their plan to renew the nation's plant. Whereas capitalism had allowed that plant to fall into decay, socialism was going to enlarge and rejuvenate it, thus furnishing English labour with the wherewithal to be more efficient.

The idea was fine. It is incontestable that the only way to raise a nation's standard of life is through raising the productivity of labour by means of larger and better plant. The secret of social progress lies not in schemes of redistribution but in productive investment. Therefore the socialist team were right to want to bring in everywhere new plant and machinery. Only, it was an implied condition of this desire, as Labour statesmen themselves stressed, that a larger proportion of the national effort was allocated to the construction of capital goods. To increase what was available for construction, less had necessarily to be left for consumption. It was, therefore, an

unmaintainable paradox to foster the growth of purchasing power among the body of consumers, and to allow this consumer's purchasing power to become a larger percentage of the national income. The structure of incomes went clean against the structure which it was sought to give activities. The result one day or other was bound to be a condition of over-attempted investment which would compel the stoppage of work in progress.

This was the more certain to happen because it was not even known how to arrange in their due order of precedence the labours of increasing the supply of capital goods : those which were of immediate advantage in increasing the return on investment and were economically profitable were undertaken simultaneously with those which were of social utility only. In this respect official planning showed itself incompetent to draw those distinctions in economic need which the price mechanism draws naturally. The system of planned priorities proved itself unable to make efficient selection. So that, when the time came for cutting down the investment programme, the cuts were made blindly and crudely, even as the programmes themselves had been drawn up with an undiscriminating lavishness.

The Labour Party's policy had, as was clear, met with a check: they countered the check with stronger steps, clamping down controls and making their measures of constraint tighter and stricter. Sir Stafford Cripps, the minister most deeply concerned, recognised the moral dangers involved in this process. In his speech of the 12th September—a model of clear statement—he stressed the point that the increased burden of government control and planned direction was bound to make disobedience to the laws that much the more profitable. Therefore he asked his hearers to report immediately to the competent authorities all contraventions which they might come across.

It is astonishing that so fine a mind did not draw the necessary conclusions from this train of thought. If, as I have suggested elsewhere,[1] a planned economy in a desirable shape is possible, it must be one which makes profitable to the individual what is of advantage to society, so that he brings to the service of Society the entire stock of energy with which he seeks naturally to satisfy his own needs. A planned economy is a good thing when it makes social action materially rewarding, so that a man's own personal interest leads him to achieve it—becomes disastrous when it divorces social action from personal interest, and creates a state of things in which the

[1] B. de Jouvenel, *L'Economie dirigée*, Paris, 1928.

commands laid on the individual are in flat contradiction to what it pays him to do. When that happens, it follows inevitably that individuals tend to do not what they are told but what is of advantage to them : and they embark on various illegal activities which are demoralising in their effect on character. Also it follows that Power must try, by methods of constraint, to force its subjects into the form of activity which it has imposed on them. The police and the black market darken the land. .

The English experiment is the more instructive for having been undertaken by men of high moral and intellectual worth, and in a climate of civic spirit which is admirable. The economic result is, notwithstanding, just as disappointing as in the Western European countries where the same propitious conditions are not found together. Wrong ideas bring forth the same fruits everywhere.

The British people have so far remained faithful to their Labour government, which has lost only one seat in the bye-elections held since it came to office. This fidelity has matched that of the government to its election pledges : what it has done in power has been just what it promised to do if it got there. The misfortune is that, as the event shows, it was not what needed doing.

The lessons of the experiment are slowly appearing. It could be wished that an administration which comprises so many worthy men might learn from its own mistakes and make its own contribution to more rational policies. To discard error should not be a party matter but a generally respected action. It must not be supposed that all the mistakes could have been avoided easily. Apart from their intellectual seductions, they were almost a matter of political necessity. It is a sight to inspire respect, that of a ministerial party, their opponents, and a whole people gradually learning from events. It is stimulating to watch the growth of informed discussion, less in Parliament itself than in the correspondence columns of *The Economist*, *The Times*, the *Manchester Guardian* and the *Daily Telegraph*. It is an augury of good hope.

Pessimism as to England's future would be folly, however well justified it may be as to its immediate prospects. Let us rather recall the fierce debates of a century ago, which were an education to Europe. Let us remember that it was from the party then in power—a party pledged to a policy of regimentation—that the statesman appeared at last who broke with the follies of the past. In this way the change of mind was made no party matter and agreement reigned for three-quarters of a century on certain of the principles of government. It is for the repetition of this phenomenon, rather than for a mere electoral reverse, that we must hope.

It is not too much to hope that England will be the first to rouse herself from the sort of narcotic dream in which the whole of Europe lies—a sleep which is being maintained to our misfortune by further injections of sedative ideas.

PART FIVE

EPILOGUE

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CHAPTER 29

ENGLAND RE-VISITED IN THE AUTUMN OF 1948

IN the autumn of 1946 I renewed acquaintance with England after a long separation from her. I then tried to give, roughly and hurriedly, a picture of what was in her mind. The doing of it brought me that invariable pleasure of reproducing, however clumsily, the face of a greatly loved family ; and I thought it also of vital importance for the Continent to realise her tendencies—for she is a country whose part in Europe's civilisation needs no embroidering, and she was, after a glorious defence of her heritage, embarking on a bold internal reconstruction. Greatly as she had added to her ancient renown, the glory of it did not suffice her : she must now needs try to show the way to a juster society. Though I found much to admire, there were also features which alarmed me, and my alarm was the greater the more convinced I was of England's essential role in Europe's restoration.

Two years have passed, and now I have been able to see England again in conditions which better enabled me to penetrate her spirit. I owe to the University of Manchester a three months' visit which will rank among the most interesting months of my life. Seldom have I known a more stimulating intellectual climate. I have enjoyed daily discussions at the University, much conversation in London (notably at the Reform Club) and a too brief visit to Oxford; I was also present in May at the Labour Party Conference at Scarborough and in October at the Conservative Party Conference at Llandudno. In the light of all this I have revised my impressions and must try to give their gist.

First, I should like to record the disappearance of two errors which in 1946 had seemed widely held and take up much space in what I had previously written—I mean the Russophil error and the inflationist error.

In 1946 England was, I found, sunk in the understandable feeling of well-being which comes from victory won at the price of admirable effort. The war was not long over, sandbags were still in the streets and women in uniform were still everywhere to be seen; the pall of war propaganda still hung low on minds and the feelings excited by it still raged. Naturally enough opinion was not yet seized of the true situation, and was understandably reluctant to see a new menace to the country for which so much had been dared—a menace arising from the very ally whose praises had been so loudly sung. It was hard to realise that the Soviet power whose victories had been praised to the skies was an imperialism no less dangerous than the one just laid in ruins—more dangerous indeed by the greater range of its claims and the superior attractions of its principles, and because it was a tyranny advancing under the banner of charity. It was hard to grasp that, after so complete a victory, England should still be in the front line against a new enemy, without any covering force on the Continent and isolated as much by the annihilation of her enemy, Germany, as by the enfeeblement of her ally, France. It was, lastly, intolerable that, at a time of generous rejoicing over the withdrawal of British power from overseas possessions and the conferment of liberty on their peoples, account should have to be taken of the opportunities presented by this withdrawal to Soviet imperialism. Doubtless the government had, with praiseworthy clearsightedness, taken some necessary precautions ; and, as I have written elsewhere,[1] gratitude is no less due to England for the eighteen months during which she stood alone on the diplomatic front against Russia than for the eighteen months during which she stood alone on the military front against Germany. But it was cause for alarm that a section of the ministerial majority were in full cry against this politic necessity and sought, paradoxically enough, to hold the scales even between the U.S.S.R. and the U.S.A.—as though Andromeda could remain neutral as between the dragon threatening her and Perseus coming to her rescue.

It is deeply gratifying to be able to record, two years later, the collapse of this opposition. I should not have thought possible so complete an abandonment of an intellectual position held by so many. I had feared for the government's ability to get itself followed by its party. Moscow's ridiculous blunders have greatly helped it. And so have the efforts of a truth-loving Press to enlighten truth-loving minds. The rectification has been great and salutary.

True it is not complete. And the ethical preconceptions which the English public imports into the country's international policies

[1] Cf. *L'Amérique en Europe*, Paris, 1948.

often give its opinions a strange twist. To this is due its siding with Asiatic nationalisms against European powers—but it is thought indelicate to call too pointed attention to the oppression of peoples in Eastern Europe by the Soviet government. Anger is expressed against the Dutch for having now, it seems, accomplished a civilising work in Indonesia ; Soekarno is supported while General Bor, who, after having commanded the rising in Warsaw in 1944, is today the head of the Polish government in exile, is gladly forgotten. Peace being the supreme good, there must be ratification of all the injustices perpetrated by Soviet imperialism, and when he talks of liberating the oppressed Mr. Churchill gives occasion for scandal. But the peace which England brought to her lost empire is made of no account, and it is admitted in principle that the most fanatical Asiatic nationalism has a claim to respect which would not be allowed in the case of an Englishman who should proceed to the same passionate excess. Here, however, we have certain features of British opinion which are so deep-seated that they may be said to live their lives independently of actual happenings. There is, for all that, a rectification apparent in the domain of foreign policy, even if some partial back-slidings have still to be expected.

The second rectification is in the domain of internal policy. The socialist party was, when I found it in 1946, in the first flush of its new authority ; it was fulfilling the desires of its Trade Union wing and the dreams of its intellectuals, giving visible shape to the social reforms imagined by the Fabians in the 'eighties and applying to the 1946 situation the Keynes-Beveridge therapy designed to cure the diseases of the 1930's. I had watched the socialist team advancing ' with a song in its heart ': it was the song of the inflationist sirens. I am here using the word inflation, not in its technical sense, but as indicating a psychological condition—a desirable one in the case of a listless patient who is not making sufficient effort, but a harmful one in the case of an overwrought nation which is over-taxing its physical resources. It was clear to see that too many things were being attempted at once : the workers were to have more leisure and more social services, a renewed plant was to be at their disposal and there was to be an increase in their purchasing power over a production which had grown inadequately and was required for too many purposes—all at the same time. A first glance showed that inflation of this kind would dangerously extend the national economy and involve the nation in a measure of consumption which was in excess of the resources coming to it from abroad. The inevitable crisis came in the summer of 1947. It marked the end of an experiment—not of the ' Labourist ' experiment but

of the inflationist experiment which belonged to the phase of fictitious well-being.

The British people then gave another example of their sang-froid, and the British intelligence of its flexibility. There was a marked reversal of policy ; though to outward appearance nothing in the government changed, Sir Stafford Cripps had conferred on him a veritable economic dictatorship. Hymns to austerity now took the place of the blithe marching song which had led to the edge of the abyss. A superb rectification took place, such as must cheer the heart of every friend of England and every European. The student of social phenomena is also entitled to feel pleasure in it. It would have been a thousand pities had an inflationist euphoria caused the premature collapse of the socialist experiment, thereby depriving us of the lessons which a continuance of that experiment has in store for us.

Its continuance has been made possible, as must in all honesty be admitted, only by the American Aid. With the exhaustion of the loan granted her by the United States for her recovery, Great Britain would have found herself in parlous plight if the Marshall credits had not come to her rescue. The shoring-up of a socialist government by a State which is allegedly under capitalist domination might well give pause to those who confine themselves to ready-made formulas. When England was in her extremity, there were no opponents of the government to be found of so partisan a spirit as to wish that American Aid might be denied to it. From one point of view I regard it as a good thing that the Labour government has lately introduced a bill for the nationalisation of the iron and steel industry ; for whatever may be the merits of the proposal—and they seem small enough—its introduction proves that the government has met with no external hindrance.

The American Aid, however indispensable, would not have restored the situation by itself, and Sir Stafford Cripps has had to induce an effort to this end which does both him and the nation honour. Harkening to the Chancellor's exhortations, British industrialists have stepped up their exports, which were, for the first nine months of 1948, of a value 40% greater than for the first nine months of 1947. Values are affected by price movements, and more significant than them, therefore, is the fact that the volume of British exports had in October 1948 risen to 46% above the 1938 level and in November 1948 to 48%. The result is that the monthly deficit in the external balance, which ran at £68 millions during the the third quarter of 1947, was brought down in October 1948 to £29 millions and in November to £28 millions. Invisible exports,

moreover, have turned out better than expected, thanks to the energetic renewal of the British merchant fleet and of the City of London's various capitalist activities. So that the situation has been vastly improved : it is true that the special deficit with the hard currency countries, taken as a whole, still exceeds the global deficit but a change-over as between suppliers has reduced this special deficit to a point at which the Marshall allocations of Aid seem to cover it. According to the government's forecasts, the total deficit in the balance of payments with the Western hemisphere will amount to only 1,351 million dollars, and the allocations of Aid to England to 1,263 millions. We may hope, therefore, that England will no longer have to devour her substance, as she did when, to get herself meat, she had to liquidate British investments in Argentine railways.

This economic rectification of relations with the outside world has, however, been made possible only at the price of a deflationist internal policy. It looks, on the whole, as if the country had successfully pulled itself up on the slope down which it was sliding to disaster in 1947 : to this the free markets in sterling bear witness. They are still far below the level of the official rate (4.03 dollars to the pound), but they are now above 3 dollars on all of them—a rate which they nowhere achieved in 1947.

On the whole, then, the prospect is a cheerful one. England is recovering. So much had never been in doubt : what could reasonably be doubted was whether recovery was possible along the political path chosen in 1945. At the price of a drastic rectification of direction, success seems in sight. Indeed her government now feels in good case to administer some lessons to Europe. Its partisans claim even that its policy is the envy of the United States : such is the interpretation which certain adventurous spirits place on the American election results in November.

So much for a first view.

What is the feature of the socialist regime in England which at once strikes the foreigner ? The persistence of rationing and price control in the sphere of food. The rationing measures, observed as they have been with an admirable discipline, secure to every Englishman a supply of food which is equal in amount, extraordinarily cheap and deplorably inadequate.

The food is cheap. According to a study published by the Institute of Statistics at Oxford, a family of five persons could, in April 1948, be fed for 43s. a week, and the addition of a few permitted bisques brought up the cost to 47s. only. Assuming that

the three children in this family are at school, the two parents would both be able to go to work and may reasonably be credited with a net income of not less than ten pounds. So that the food of this working-class family would absorb only one quarter of its income—a state of things which is now unparalleled in the world.

This state of things exists at a time when all over the world, in the United States as in France, food prices are, without distinction of social class, the bugbear of the housewife. By maintaining them at a low and stable level, British governments have kept at bay ' the vicious circle of wages and prices ', as it is called. Increased wages raise in the workers hopes of a better table and their demands raise the prices of the foods for which they compete. This rise in turn causes them to claim increases of wages. France and the United States have both fought several ' rounds ' of increases. The part played in the disorders of our time by this hunt for food is not, I think, sufficiently recognised, the reason being, perhaps, that sight has been lost of the fact that the ' standard of life ' is in essence a ' food standard '. In England, the wartime increases in wages have not opened a wider door on the markets for food, they have not raised food prices and the principal motive force behind increases in wages, namely, the pressure of food prices on household budgets, has not operated. I am inclined to see in this the real reason why social agitation and strikes on any large scale hardly exist in England at the present time. I certainly find it a much stronger reason than the one usually given—working class satisfaction at seeing in power their own leaders. The propagators of the latter view are, I think, living in a fairyland of their own.

It cannot be denied that this stability in prices of food costs the nation dear at a time when world prices have been rising continuously. Comparison need only be made between the index of food prices on the food's reaching England and that of what a family has to spend on buying it : a statistician has calculated that, for June 1947, the former figure was one of 220 and the latter one of 138 ! The English obtain their food at these consistently low prices only at the cost of subsidies which fill the gap between what the wholesaler has to pay for it and what is actually spent by the consumer.

As what is sold to the consumer are agricultural products whose wholesale prices are continually rising, the subsidies also have, naturally, to rise continually. One of the Treasury Ministers, Mr. Jay, has put the cost of these subsidies as in the region of £470 millions a year : the sum is a vast one and is equivalent to one eighth of the national budget.

Such is the cost of keeping expenditure on food at a stable figure. The cost in money ; for there is another price which must indispensably be paid—the price in discipline : everyone must be content with the ration allowed him and eschew every means of increasing it by over-bids which would create black markets and destroy the stability of prices.

Much credit is, on the whole, due to the English for not over-bidding. Their insistence on the perfect adequacy of the ration and their countering of any expression of doubt with an array of medical authorities may be disregarded. Whatever these authorities may say, the fact remains that the Englishman's ration is, in essential foods, much below the normal dietary of a pre-war working class family. This is the conclusion not of some subversive publication but of the *Oxford Bulletin of Statistics*, which shows it conclusively, while at the same time maintaining that, food apart, the standard of life has risen above the pre-war level. Mr. Dudley Seers there notes that the weekly ration in force gives a family three pounds less flour and three pounds less sugar than before the war ; butter and meat and bacon are down by one pound each and there are nine eggs the fewer. The difference between 4.9 and 1.9 pounds of sugar, between 1.8 and 0.8 pounds of butter and between 14 eggs and 5 (ignoring fractions) is a formidable one. Only in the case of bread has consumption remained stationary and only in that of milk has there been an increase.[1]

Right in the forefront of life in England is, therefore, rationed food, in quantity insufficient or barely sufficient and in price very cheap. Some increase of quantity may be hoped for, but it is hard to see how the country will ever get away from the food subsidies. Their suppression would, it has been calculated, raise the price of eggs by 40%, that of bread by 64% and that of butter by 100%. Anyone who knows of our difficulties in France in securing adequate adjustments of rents can easily imagine the size of the difficulty involved in securing adjustments of prices which fill so important a place in family budgets.[2]

Let it be said too that the rationing feeds the egalitarian feelings which have become in England a major passion. And certainly equality is never easier to justify than when it is applied to the vital necessities of life. Certain enjoyments there are of which one man might defend his right to more than another from a greater capacity to savour them ; he would be ashamed to make eating one of them. In this respect the English regime must be acknowledged

[1] Dudley Seers in *Oxford Bulletin of Statistics*, May 1948, p. 160.
[2] T. Balogh in *Oxford Bulletin of Statistics*, October 1948.

superior to those of countries where some make merry and others go short.

I have mentioned egalitarian feelings, which have in England made vast strides. What may well be called the Western Revolution of the twentieth century—the formidable redistribution of incomes which has occurred in every Western country by the regular means of progressive taxation and social reforms, not unassisted in many places by the ruin brought on the middle classes by the irregular means of inflation—started in England.

Today the progressiveness of the Income Tax, which Mr. Lloyd George in his 1909 Budget first made progressive, has become vertiginous. Here is a story which shows it : a big American business which had decided to pay the head of its English subsidiary a salary of 20,000 dollars (£5,000) was informed that, owing to Income Tax, the recipient would in fact touch half only. Not to be put off, the American business asked how much it would need to pay its servant to ensure him £5,000 net. The answer came back—£50,000, the figure which will, after taxation, leave £5,093 10s. 0d.[1]

Within the life of a man, England, which had perhaps been of all civilised countries the one where there was the least material equality, has become the one in which beyond all question there is most—far more, let us note in passing, than there is in Soviet Russia.

In this respect the Socialists have done no more than complete what the Liberals began and the Conservatives continued. The cause was well served by the two wars : for English patriotism submitted to every sacrifice and there was no resistance worth speaking of to redistribution of incomes. And today it is true to say that the upper and middle classes, well understanding that England must consume less, willingly carry the entire burden of sacrifice.

That there is less to consume in England than before the war leaps to the eye. Professor Roy Harrod has given learned proof of it and his rebutters have not had the best of it in the ensuing argument. Without going into the details of the dispute, how could the possibilities of consumption have been improved, when England's resources are burdened by heavier military preparations and by a programme of building and reconstruction which absorbs by itself alone one fifth of the national income, when, too, government consumption for its civil needs is higher than ever before ? An almost unimaginable increase in national production would be needed for consumption to rise as well.

It is asking the impossible. For all the Aid from abroad, consumption is down. The claim of the government and its supporters

[1] *Financial Times*, 29th November, 1948.

s that the working class is consuming more than before the war. So far as food is concerned, that is not true, but it is true as regards other things. The logical result is that other people are consuming ess. It is a case of restrictions on a minority profiting a majority, and the restrictions are of large extent to give the members of the najority any substantial advance. Large as they are, they are accepted patriotically. The country's morale has not failed it.

If the conclusion could only be that the advantages secured to ome and the public spirit of the others had produced a general climate of satisfaction ! But it has not gone like that. The truth is he opposite : there is a feeling of malaise.

We are all England's pupils in the matter of sports : naturally, oo, in that of sporting literature. It is no surprise, therefore, that ier government, in its declarations and speeches and in the vast burden of propaganda which debouches from its offices at a cost of 4 million books a year, avails itself freely of sporting metaphors. The wheels of the economy must turn at top speed, as though it vere a motor car ; the economy must hit the targets fixed by Sir Stafford Cripps, as though it were an arrow with an ever longer ange. It has been compared to a runner lengthening his stride to pass certain landmarks at specified times, to a jumper who must lear a bar continually being pegged higher and to an athlete autening his muscles to lift ever heavier weights.

This fiery enthusiasm in which official literature wallows at econd hand finds absolutely no place in the attitude of the British vorker, who, if he is concerned in the least with record-breaking achievements, conceals the fact most successfully. His work is narked by an amiable placidity ; he is in no hurry to reach his place of work and does not stay there longer than he can help. He punctuates his labours with frequent and prolonged intervals of ea-drinking, and sometimes he does not turn up at all. It had been aid that there would be no more absenteeism in the coal-mines vhen once they were the nation's property and the miner had no onger the feeling of working for a private employer ; but national- sation has not changed his outlook in the slightest, and the percentage of absenteeism is now twice what it was before the war. The workers nay be scanned in vain for the enthusiasm for work which their ulers preach to them.

In what sense, then, can the nation be said to be fully employed ? The *Economist* itself, which has several times noticed this individual istlessness, talks of an economy stretched to the limit—a statement vhich might be interpreted as meaning that all the factors of

production are so deeply engaged that more cannot be done with the same means, and that, in the absence of a maximum individual effort, there is an optimum deployment of resources. But that, too, is untrue.

Everyone is agreed on the need for more miners : the government planned to increase the number of them from 712,000 to 750,000. According to the *Financial Times* there were still only 724,000 at the date fixed for the full increase to have materialised. Similarly the government planned to increase the number of textile workers from 652,000 to 750,000 : according to the same paper there were at the end of October 1948 only 687,000. As against these increases, the government planned to slow down building operations—that was done—and reduce the number of building operatives from 1,364,000 to 1,200,000 ; but so far from this reduction taking place there is a slight increase to record.

The picture painted officially is that of an economy with fluid resources in which scientifically controlled taps transfer from one sector to another parcels of raw materials, which arrive according to the nation's needs, and squads of workers, who are always champing at the bit. That is also the picture of its army which every general staff tends to paint. But the reality of every army is that the munitions arrive fitfully and inconveniently, and the troops object to changing sectors. And that is just what is happening in England.

Instead of resources being scientifically allocated what happens is that each single claimant puts forward a maximum demand for raw materials, and these demands, the total of which is in excess of the available resources, are in the end adjudicated somewhat haphazardly. And as to troop movements, they hardly happen at all, for economic incentives are no longer operative and the authoritarian powers taken by the government to direct workers from one employment to another terrify their authors who are, happily, cast in a liberal mould.

The true picture of the British economy is that of a people each one of whom is solidly anchored in his locality and his job, and in which the main preoccupation of business enterprises is to convince the government that it is in the national interest that they should continue to do what they are doing, that they should therefore receive the licences and allocations necessary to continuance.

The attitude of the workers can perhaps be illustrated by the following anecdote. An exporting business, regarded for that reason as serving the national interest in the highest degree, needed to expand ; unable to do so where it was, it planned to transfer one of its departments elsewhere and gave its workers eighteen months

notice of the intention. It gave them an option of either transferring to other departments and remaining where they were or remaining in the same department and going somewhere else. The workers stubbornly refused to do either and backed up their refusal with a strike. Their feelings are easily understood. A man's attachment to a particular locality and a particular job is an honourable one ; the sentiment implied in it should not lightly be desecrated—rather indeed it should be encouraged as tending to join together a man and his workshop. But it constitutes a potent obstruction to the plans of the planners. The latter's jargon includes the term ' mobility of labour ': the term is no less barbarous than the thing it denotes. The workers of the West are neither nomads nor cattle. Yet that they would have to be for their disposal in accordance with the general staff's plans to be possible.

They have been made aware of a growth both in their power as a class and in their security as individuals ; they use their power to resist attempts to move them, and their security means to them security in their actual jobs. Only a man of no psychology could have failed to foresee it and only a man of small humanity would be angry at it. But the result is that each group of workers supplying a particular service feels itself entitled to continue in that service and to maintain it just as it is. That, which was the attitude of the mediæval workman, is the natural attitude of every workman. I go further : it is the attitude of all of us. A workman in the nineteenth century was mobile enough, but the reason lay in his weakness ; unemployment and unassisted poverty could easily move him from one locality and type of work to others in which he could gain his livelihood. Now, stronger politically, more confident in his rights, upheld by his union, guaranteed against want by social security and against unemployment by a condition of full employment, he gives his nature rein : he has no care for that shadow of a dream, his share of ownership in the nation's industries, but he defends with the arms placed in his hands what really matters to him—his trade or, as it used to be called, his ' craft '.

But is a static attitude confined to the workman ? By no means. The industrialist, who was in other days called the entrepreneur, goes the same way. To call him ' entrepreneur ' is fast becoming a joke. For how could he possibly be one ? Consider the infinity of steps to be taken and approaches to be made to get together the necessary authorisations and it not seldom happens that, by the time the papers have come through, the favourable occasion has gone by. One entrepreneur I know who succeeds along the lines of a century ago : but the extent of the difficulty can be measured

by the range of his qualities. Nature has provided him not only with an eye for the essential and a power of commanding men, but with gifts as a negotiator, now quite indispensable to the task of coaxing to agreement a crowd of independent agencies. Such a conjunction of talents cannot but be a rarity, and for commoner clay the solution is a renunciation of all initiative.

The energies of an enormous number of industrialists are confined to proving that they were something or other in 1938 with a certain quantity of coal and raw materials : this should ensure them regular allocations in the present, subject only to reductions *pro rata*. Professor Jewkes, author of a book which has had a sensational success,[1] considers the gelding of the entrepreneur to be the most dangerous consequence of the regime. Industrialists, he says, having got used to pocketing their profit in safety by producing in a way which makes no demand on the imagination, are now sinking into a psychological coma.

It may be noted that Sir Stafford Cripps' endeavours to re-deploy the forces of production often come up against the conjoined inertias of employers and wage-earners. Both are safely embedded in their routine. The worker is safe against unemployment, the employer against slump. Why go disturbing things ?

Perhaps because an increase in production is required by the national interest ? But this national interest of yours is something remote and shadowy. A man accepts with real devotion deprivations by which a neighbour benefits and the idea of redistribution has sunk deep roots. I am, however, somewhat at a loss to know why it is so poorly understood that in doing more a man serves the community as well as himself.

In sum, the socialist regime in England has given a tremendous impetus to conservative tendencies. This is the socialism of mediæval Bruges, a regime such as the Florentine *arti* (gilds) built as they went. And it is a strange thing to watch, this struggle of a rationalising spirit seeking to move resources like pawns in a Napoleonic chess with a corporative and routine-loving temper which leads straight to the Middle Ages.

I had in my book left on one side the question of the nationalisations, my reason being that those which had been achieved had not yet had time to show their results, and that praise or blame *a posteriori* was a mere prolongation of praise or blame *a priori* so long as there was no adequate body of sufficiently attested facts from which to form an experimental dossier.

I have been criticised for this omission by some of my socialist

[1] John Jewkes, *Ordeal by Planning*, London, 1948.

readers, for reasons which are undoubtedly good. There is, they say, nothing specifically socialist about directing economic activity by means of every sort of lever of control. Direction of that kind, they continue, did not form part of the socialist programmes of earlier times, nor has it been achieved exclusively, or even mainly, by socialists. The thing which is specifically socialist is the substitution of collective property for private. The nationalisations are, therefore, the hall-mark of the Socialist Party in power. Had the Conservatives won in 1945, it might well have resulted that much the same policy of regulation and control would have been applied : was it not they who began it during the war ? But nationalisations would not have come about, and in them lies the true realisation of socialism. Therefore, it is paradoxical, in discussing a socialist experiment, to omit all reference to its essentially socialist feature.

Thus far the critics—and they have right on their side. It is quite true that planning is not consubstantial with socialism, and there was even a time when the two doctrines were in opposition to each other—during the great controversies between orthodox socialists and the ' neos ' who drew their inspiration from Henri de Man. These ideological disputes are now somewhat forgotten by the socialist movement which does not at the time of writing show much trace of an intellectual vitality comparable to that displayed by it in the past : socialism is now penetrated by planning, which has become its leading idea. It has even been lost sight of that planning is a method which is, as such, indifferent as to its ends. It is being put today at the services of certain objectives which are of socialist inspiration ; tomorrow, perhaps, it may be put, as in other countries it has already been put, at the service of different objectives. Planning is a technique—a technique, as some would say, which meets the needs of the time, but still only a technique. Whereas in socialist thought there was never any ambivalence about the destruction of private property. That was an end in itself, or at the least a first and last means carrying in its womb the expected ethical consequences which were bound to follow automatically. With private property once liquidated, social antagonisms would be unravelled, institutions would no longer create conflict between man and man, and therefore the indispensable arbiter of human disputes, the State, would wither away, its occupation gone.

And yet, when what was involved was such a transfiguration of society as this, I had failed to bring out with meticulous care the stages passed on the road to collectivisation ! If I so failed, this is the reason : a doubt held me back, and the event has confirmed the doubt. I thought it likely that disenchantment would set in on

the subject of nationalisation and that opinion would completely turn its back on the Marxist delusion that the collective ownership of the means of production would have ethical consequences for good.

At the time of writing the two main parties are at issue over a Bill for nationalising iron and steel. This Bill, while hitting at particular interests, gives form to socialist plans of long standing. The Conservatives are trying to arouse opinion against the proposal, but up till now with small success. The Socialists are trying to arouse opinion in favour of the proposal, but up till now with even less success. English opinion feels instinctively that the whole business is not very important. It notes that the nationalisations already achieved have brought no great changes. English railway wagons for the most part still bear the superscriptions of the old companies though some of them have been painted over with ' British Railways '; but for neither the passengers nor the employees has the revolution made any particular difference.

This, I shall be told, is a cynical verdict. ' Is it nothing that private property has become the people's property ?' But it is a misnomer to talk either of the private property that was or of the nation's property that is. Does the phenomenon of private property consist in innumerable shareholders having bits of paper which merely entitle them to receive a dividend if the directors decide to pay one ? Is that the property of the people which gives the citizen no other right than to pay taxes to cover a deficit ?

What is the web of words which obscures from us the fact that the mammoth enterprises of our time, be they public or private, are very much the same thing ? In fact they are economic ' kingdoms ', ruled by their officers and meeting the public's needs. Whether their officers are wicked capitalists or good socialists, the enterprise must still obey a *raison d'état*—that of the undertakings. Slackness is still their besetting sin if they hold monopolies, and the government is perhaps more strongly placed for applying the necessary spur if it stands outside the business than if it comes right into it.

One of the leading members of the Cabinet, Mr. Herbert Morrison, said in the Commons on the 17th November 1948 : ' We cannot go on for all time with the Conservative idea of large-scale, big self-governing economic units, economic Empires within the State, albeit subject to public supervision.' Mr. Morrison was under the impression, no doubt, that he was describing big private enterprises. May I respectfully submit to him that the description perfectly fits big nationalised enterprises ?

Whether they are nationalised or whether they are private, the mammoth structures built by modern economy as best answering the needs of the time, form not so much ' empires ' as ' kingdoms ' over which their owners, whether these are a crowd of shareholders or a crowd of citizens, have absolutely no power at all. The very idea of property is not to be found in them. They are institutions each with its own government, good or bad, applying themselves to their allotted tasks. The political rulers have always means to hand of bringing pressure to bear on the governments of these ' kingdoms '—means which take no accrual from a nominal change of ownership. The Capetian kings of old discovered that. They sought to bring under their rule the independent seigniories whom they found in being by turning them into vassalages : the vassals were soon as independent as their predecessors had ever been, because that relationship between the king and themselves was in the nature of things and changes of name changed nothing else.

The thing that matters in the case of these economic ' kingdoms ' is that they should be subject not to the voting people but to the consuming public. Monopoly frees them from this necessary subjection and nationalisation does no more than make monopoly respectable.

While the public is no better served, the wage-earners, for their part, are for practical purposes just as far from owning anything : nowhere indeed has the anarcho-syndicalist principle (for which there is something to be said) been adopted, that the business belongs to those who work in it; everywhere the Marxist principle, that the business belongs to the State, has been preferred. The wage-earners have, in consequence, the same grievances against nationalised industry as against private : for it is still the same industry using the same methods of government. And the socialists are now reduced to saying that nationalisation, which was for long the stuff of their dreams, is no more than the prelude to the installation of the workers in the business in their own right—they do not yet know how to set about it and they could find no better precedent than the Bata experiment, admirably described by Hyacinthe Dubreuil, which has been operated in a private concern. That way lie reforms that mean something, but nationalisation is not in the least necessary to their achievement. Nationalisation looks, therefore, to be ineffective and illusory. I am not even saying it is bad ; it is a matter of indifference—a red herring drawn across the path of social progress.

The great oratorical tourneys of advocates and opponents of nationalisation are the greatest waste of time : the more so as their

issue is known in advance, the House of Commons having become merely a ratifying animal of decisions taken by the leaders of the majority party. In these tourneys the abstract merits of private and public enterprise are endlessly contrasted, but no regard is had to the real problems posed by the mere existence of mammoth corporations, whether they stay private or become public. Both of them show the same vices, the same inertia, the same bureaucratic embonpoint, and General Motors in the United States,[1] like Imperial Chemicals in England,[2] are seeking a solution in a federal structure—a conclusion towards which the National Coal Board is in its turn moving. In both cases, if a position of monopoly is achieved—monopoly which is the aim of the capitalist in the one, dear to the heart of the socialist in the other, a convenience to governments of whatever political complexion in both, and an infliction only to the disregarded consumer—the result is the same : much less than the swollen profits which are the stock-in-trade of muck-raking politicians, it is the self-satisfied slumber of the unassailably placed and the Lucullan expansion of overheads—vices for which there is no check in the case of public corporations who do not feel the sordid anxieties induced by the profit-and-loss account. In both cases the property of these mammoths is in mortmain, though its administrators are secular enough canons who bring in their train a veritable horde of prebends and minor clergy. The lives of both are lived in autarchic splendour, for they are in the enjoyment of financial independence through their reserves which remove them from all control ; the real control had in the past lain always with those who had lent them money, but the large private corporations have need of these no longer, while the large public corporations, more fortunate still, have but to invoke the public interest to get their deficits covered by the taxpayer. All this constitutes a grave problem and its gravity will one day have to be faced. But it is not the problem now in vogue.

I cannot conclude this summing up of my impressions of the English scene without some reference to the impact of the Presidential Election in the United States. Mr. Truman's victory has had a tonic effect on the Labour Party, who have, I think, a fair claim to feel cheered by it. Without too great a violation of the facts, they can regard it as the endorsement of their own ideas by the world's largest constituency. Nationalisation always excepted—and for myself I can only regard it as a survival into present Labour Party policy of an

[1] S. R. Dennison, *The Problem of Bigness*, The Cambridge Journal, November 1947.
[2] *The Financial Times*, 23rd June 1948.

outworn and irrelevant set of ideas—the main items in the Labour Government's *credo* have now carried the day in the great American Republic.

While Mr. Truman and his associates would certainly disclaim the British experiment as a source of inspiration, they could not deny with any conviction the impact of Keynes upon American economists, or that of Beveridge upon American Trade Unionists and social workers. Nor is that all : the view of the place of the State in Society, which matured slowly in Britain between its first success in the Liberal victory of 1906 and its latest in the Labour victory of 1945, informs not only the President's doctrine but even his terminology. What he advocated in his campaign speeches and what he presented to Congress in his Message of 5th January, is the ' welfare State ' as it has already been worked out in Britain under the same headings as his : social security, housing, control of the cost of living, responsibility of the State for both raising and apportioning the national income. The *New York Times* summoned its readers to look the new fact squarely in the face, when it referred to ' the growth of the welfare state in America.'[1]

Attempts made here and there, as by the *Financial Times*, to write down the importance of ' this Newest Deal ' are unsuccessful. That paper[2] professed itself unable ' to see anything more radical in Mr. Truman's programme than British Liberalism, vintage 1906.' But this is to carry understatement to quite unjustifiable lengths, for in that early stage of the Western Revolution even the redistribution of incomes had hardly begun, whereas in the America of today both progressive taxation and social insurance have already proceeded far. As for planned economy and its attendant controls, not even the socialists had, in 1906, conceived it. The measure of truth in the paper's statement is this, that the United States are not blazing a new trail but catching up their predecessors on an old one.

Were they of a boastful disposition—a vice from which I claim for them a delightful immunity—the British might well take great pride in this position : now for the first time, they might say, since the Thirteen Colonies cut themselves loose from us, their discarded mother has resumed her intellectual empire over the giant offspring which now towers above her. The situation is one which lays on England a great responsibility, for she is the pioneer of the 'welfare state ' which is now being installed not only over the English-speaking world but throughout Western Society. It is a momentous novelty which calls for an understanding of the problems that follow

[1] Editorial in the *New York Times* of 9th January, 1949.
[2] In its issue of the 10th January, 1949.

in its wake: the British must, as the earliest explorers, examine these problems and measure the attendant dangers. During my latest visit to England I received the feeling that this responsibility was understood there and that intellectual activity was, if I may use an expressive neologism, ' zooming.' She is rich indeed in minds both nimble and honest, and the present historical situation needs no less for its probing.

I will now set down in outline the main problems as, with the help of my friends, I have come to see them.

Let us first of all clear our minds of the cant of supposing that the new conception of the State is, in essence at any rate, a new one—any novelty there is in it lies not in the essence but in the mode. The ' welfare state ' is, in essence, the old conception of the State returned after a brief eclipse—an eclipse that corresponds approximately to the nineteenth century. As has been pointed out by Professor Hayek, Professor Röpke and Mr. Jellinek, the ' advanced ' ideas of the British non-marxist socialist stem from the German ' socialism of the academic chair ' which bloomed in the 'eighties. Examination shows indeed the importance of the part played by Germany in the parturition of every twentieth-century doctrine. In this there is nothing to surprise, for all these doctrines—communism, fascism, bread-and-butter socialism, new deals—have one feature in common : the concept of the public authority as an earthly providence. And this is an old concept which in Germany never suffered the overthrow inflicted on it in France and England by the revolt against Authority and the self-assertion of the individual. It sought and obtained sanctuary in Germany, where it remained ready to emerge whenever the adverse nineteenth-century winds should have blown themselves out.

The antiquity of the conception of the public authority as the guide, philosopher and father of the individual is too well known to need elaboration. It is all in Aquinas, and the theme has been taken up by all political thinkers, those only excepted who are acknowledged as the founding fathers of the democratic regime. ' Alms given to a pauper do not fulfil the obligations of the State : for it owes to all citizens security of subsistence, food and clothing in sufficiency and a healthy system of life.' Are these the words of President Truman or Lord Beveridge ? No, Montesquieu wrote them.[1]

This notion of the State being under an obligation to its members is precisely that which is today being affirmed and elaborated anew, till it has become the truism which it was in Montesquieu's day. It

[1] *L'Esprit des Lois*, Book XXIII, chap. xxix.

is, besides, a natural enough notion, arising as it does spontaneously from the contrast between the individual's weakness and the giant's strength of the ruler in whose shadow we crouch. It suggests instinctively to the mind the relation between a father and his child. For this reason it was, perhaps, inevitable that this tie, which was broken in the nineteenth century, should, with all that it implies of help and guidance, have been restored in the twentieth.

Let us now pay attention to the view taken of this sort of paternalism by the progenitors of our modern principles upon which, it is said, the democracies of our day rest. Take the case of Locke: was it merely by coincidence that he directed his first Treatise on Government exclusively against Filmer's conception of the ruler as father? Is not his attack characteristic, rather, of the whole trend of thought that developed in the English-speaking democracies? No more, it went, was the State to be an association with two sides to it, the Father-Power being on one and the children-subjects on the other, but a band of equals, brothers and citizens. And does not the very idea of a society of equals, each sovereign in his own right and master of his own fate, preclude the idea of guidance and assistance, which itself presupposes the existence of a being superior in strength and wisdom? Our political systems may—it is very possible—rest on a basic conception which is at once erroneous and Utopian. But if that is our real view of them—and everything we do suggests it—then it is an intellectual portent which we should do well to consider nearly.

Consider what has actually happened. Universal suffrage, recent though it is, has had already the effects expected of it by Disraeli: it has dethroned the 'new' idea of individual self-dependence and recalled with potent clamour the 'old' idea of paternalism. All that Lord Beveridge has done has been to put back in another dress the storehouse of social wealth for the poor which Thomas Cromwell demolished. Sir Stafford Cripps is Colbert *redivivus*. Burleigh, if he returned today to English public life, would be more at home in it than would John Bright; Filmer, if he came back to the episcopal Bench, would be a left-wing socialist, whereas John Locke would find nowhere to lay his head.

This great transformation is observable in every aspect of our Society and the beliefs which sustain it. Consider our attitude to wealth: it is far different from that still found even a quarter of a century ago in the United States—an attitude fostered, as Tawney and Max Weber tell us, by Puritanism. We think it an attitude both 'old' and absurd, that which regards personal wealth as entitling its owner to respect, as a mark in him of energy and achievement, as a

realised contribution to Society's well-being. But in so thinking it is we who have returned to an 'older' view, that which regards the origin of wealth as suspicious and its possession as corrupting. That was the mediæval view, which even so late a writer as Montesquieu is still found holding. He writes of the tribe of financiers with a fine disdain: 'All is lost when financiers obtain honours as well as wealth. If in the past scandalous fortunes were made, at least they excited mockery, not respect; today we admire them, and in doing so debase ourselves. Wealth should be its own reward. Honour and glory are the perquisites of a nobility which knows and recognises no other good than honour and glory. Respect and esteem are the perquisites of the servants and magistrates of the State who, without respite, labour day and night for the common weal.'[1]

With the substitution of disinterested labourers in every intellectual field for the nobility praised by Montesquieu, we have here, I suggest, the modern outlook. Indeed our view of money-makers goes considerably further than Montesquieu's, who had in mind only the essentially unproductive activities of the tax-farmers;[2] our treatment of the rich has come to resemble the treatment of the Jews in mediæval times—we let them get rich on their unholy devices and then squeeze them dry.

These are the ideas in vogue, which are, arguably, more entitled to respect than those of the nineteenth century—at least their antiquity pleads for them. But whether they will allow of the continuance of political equality is open to question. The position of the minority which is overtaxed for the benefit of the majority is at best an ambiguous one, involving sumultaneously social superiority and political inferiority; in all fields of social achievement it leads the way, but, being in a perpetual minority, is for practical purposes taxed without representation—hardly a democratic procedure. The conception of a commonwealth as a voluntary association logically implies the assent of the higher income groups, as such, to payment of surtaxes, but this device has not found favour with the majority. That majority, on the other hand, while it enjoys through its leaders the benefits of political power, is in the morally inferior position of a protected and assisted class. Viewed from both angles, the position is one which tends to dissolve the spiritual tie of a common citizenship: if the gulf set between classes is not to grow wider, we must somewhere find spiritual concepts wherewith to bridge it.

[1] *L'Esprit des Lois*, Book XIII, chap. xx.

[2] In the France of Montesquieu's time the collection of taxes was farmed out to financiers. This highly profitable form of capital investment largely diverted commercial activity from truly productive objectives and bred a bad tradition in French capitalism.

One striking incongruity in our present outlook is highly suggestive of the Middle Ages : our harshness is reserved for the man who enlarges his income and him we seek to restrain from accumulating wealth, but we view with complacency the accumulation of wealth by corporations that are not subject to mortality—corporations such as throve in the Middle Ages and such as the ' modern spirit,' when it arose, set about destroying as so much ' dead hand.' Under the French absolute monarchy and its ideas based on Roman Law, bodies of this kind were permitted to exist only in so far as they were deemed to embody a public or charitable interest ; yet even so their destruction was advocated by so moderate a man as Chancellor d'Aguesseau (1668-1751), and to the men of the Revolution it was axiomatic that bodies in ' dead hand ' should be incapable of holding property—an institution which became respectable only when it was in the responsible hands of an accountable individual. The bodies then rejected and disabled have risen again, but this time without even the justification of a public or charitable interest necessarily served ; in the form of public companies they earn private profits, in the form of Trade Unions they serve particular interests.

The *societas mercatoria* of the Middle Ages, which was formed as often as not for the purpose of a single voyage and was then dissolved as soon as the ships had returned and their cargoes been sold, evolved, first into the standing company, which at least distributed its profits to individuals, and finally into the large corporation, which steadily piles them up—and can do no other seeing that the impoverishment of individuals increasingly disables them from supplying its needs of new capital. The measures which check individual enrichment check also the entry of new competitors—greatly to the advantage of those born in good time. The power of these corporations, like that of the Trade Unions who can at any time hold the entire nation to ransom, invites the growth of a public authority able to cope with these mammoth structures that have been most imprudently allowed to develop.

We are left in the end with three mammoth structures—the Trade Union, the Corporation and the State. One feature they have in common that in all three the road to success is by way of politics rather than economics. In a society rife with patronage a capacity for intrigue stands at an ever higher premium, and the difficulties confronting the independent venture of the self-reliant libertarian become ever more formidable. His seems to be an almost lost cause in this ' New Society ' in which obedient homage to a powerful ' lord ' will be a first condition of success.

To a mind which is clearly conscious of this vision the political

issues of the day dwindle into insignificance, being as they are merely quarrels as to the respective rights and powers of the three main species of monopolising bodies. The defence of individual freedom lacks all organised political backing against the trend towards Corporatism.

Western Society seems now to be moving, almost unprotestingly, into a condition which might fairly be called ' universal incorporation.' In it, ' persons ' have become functional organs of society, and creatures of flesh and blood are mere shadows which take on reality only on assuming their place in one of these ' organs.' The strength of the forces making for that condition cannot be denied, for the more dependent a man becomes upon the services rendered him by Society the more will he come to regard the organs which perform these services as having a ' real ' existence. The organised Coal Industry, the organised Transport Industry, then become as gods whom we must propitiate, and the lofty exhortations of a ' highly respectable ' Chancellor may be conceived as addressed to the deities of an economic Pantheon.

But our salvation lies in the fact that they are addressed elsewhere, for he, like most of us, is a christian in the Christian tradition. We cannot, therefore, worship these various *personae fictae* : men are the realities and organised bodies the fictions. The force that launched the attack on the individualist society of yesterday was the force of Christian feeling, for such a society, it was felt, whatever its merits, inflicted too much suffering on the unsuccessful. The same force that overthrew much that was unworthy can now save us from a no less formidable bondage.

An outworn humanism sought, in the manner of Mandeville, to rest the ordering of Society upon the nature of man self-organised apart from God. The theory of the Individualist Society was that the unchecked interplay of interests and passions would increase material prosperity—this it did—and satisfy the desires of men—this it did not. It was a society based upon the very impulses which no moralist has ever been found to approve. It was a viable society but brought no spiritual happiness. Its viability was, in fact, at its greatest where those spiritual restraints which had been relegated to a disregarded appendix were still present most strongly. The Society now being built would be an *Inferno* indeed with no other outlook than that of the Utilitarians to guide it. For in an individualist society, where power is disseminated, the self-interest that moves a man may be held in check by another's ; but in this New Society, in which leadership is concentrated, then, if self-interest is the guide, it must work havoc, for there is now no equilibrium of interests. There

is need in such a society, more than in any other, for the restraints and guidance given to the spirit by Christian beliefs. There is no other protection against the otherwise omnipotent.

In England, I dare swear, there is much understanding of this truth, and the result is seen in the small advance of the evils which are the logical counterpart of the social developments taking place.

This she owes to no institutional excellence but to the deep-seated feeling for religion which still marks her. That she may prosper must be the prayer of all who would learn from her to cope with the problems of the present time.