UNIVERSAL
LIBRARY

OU_150087

UNIVERSAL
LIBRARY

OSMANIA UNIVERSITY LIBRARY

Call No. 320/P43G Accession No. 20023

Author Percy, E.

Title Govt. in Transition.

GOVERNMENT IN TRANSITION

GOVERNMENT IN TRANSITION

LORD EUSTACE PERCY

METHUEN & CO. LTD.
36 Essex Street W.C.
LONDON

First Published in 1934

PRINTED IN GREAT BRITAIN

CONTENTS

CHAPTER		PAGE
I	MODERN GOVERNMENT : AN INTRODUCTION .	1
II	WORLD ECONOMICS : A PRELIMINARY SURVEY .	16
	The Money Superstition.	
	The Economics of Expansion and Decline	
	Some Objections	
	Some Modern Prophets	
III	THE EBB AND FLOW OF POPULATION	41
	Population in the Nineteenth Century	
	The Turn of the Tide of Population	
	The Contraction of the Civilized World	
	The Future Ebb of Population	
	The International Policy of the Future	
IV	NATIONAL POLITICS : THE DEMAND FOR EQUALITY	68
	Capital and Labour : ' Equality of Sacrifice '	
	Tendencies towards Economic Equality	
V	THE TASKS OF PARLIAMENT	90
	The Resurrection of the Individual and the Simplification of Government	
	' The New Despotism '	
VI	THE REFORM OF PARLIAMENT . . .	106
	The Procedure of the House of Commons	
	Fixed and Planned Sessions	
	The House of Lords and the Privy Council	
VII	SOCIAL ADMINISTRATION	125
	Housing and Town Planning	
	Education	

CONTENTS

CHAPTER		PAGE
VIII	UNEMPLOYMENT	154
	Relief of the Unemployed: The Insurance Superstition	
	The Idea of Direct Relief	
	Re-employment: A Census of Effective Capital	
	Re-employment through Ownership of Property	
IX	THE INTERNATIONAL SOCIETY OF THE FUTURE .	188
X	THE SPIRIT OF THE NEW ERA . . .	215

CHAPTER I

MODERN GOVERNMENT: AN INTRODUCTION

THIS is a book about government. Its study of human affairs is frankly confined to such facts as appear to have a direct bearing on political action. This means, of course, that it is limited, not only by the personal defects of its author, but also by his personal judgement which is often no more than an instinct, as to the possible scope of wise political action. Because it seeks to 'drive at practice,' at the practice of statesmanship, it will inevitably appear superficial to the scientific students of economics or sociology, and still more so to the philosopher. In other words, besides the superficiality of imperfect knowledge and faulty judgement, it has the inevitable superficiality of all statesmanship. On the other hand, practical men will probably complain that it is not practical enough; but that risk is inherent in its purpose.

Unemployed politicians are notoriously prone to think that the government of the world is going wrong, and, at this moment, they seem to be supported in this view by an army of independent commentators. These gentlemen —Mr. Alderton Pink and Professor Laski, for instance— appear to be particularly exercised just now about the health of a patient who is vaguely known as Democracy. It was, until only recently, the fashion to invoke this ambiguous lady as a kind of supreme goddess of morality and modernity; now, on the contrary, though her identity remains as obscure as ever, she is perpetually being summoned to describe her symptoms and, indeed, to account for her existence.

Yet, truth to tell, all this flutter has an increasing air of

futility. It cannot have escaped the attention of these commentators that, in our day, events have an uncomfortable way of overtaking commentaries. For instance, the present author had hardly placed Democracy in the dock in the spring of 1931[1] before she escaped from it in the General Election of that autumn. However we may differ about her behaviour at the time, at least she showed a readiness to consider her duties rather than the delicate state of her health; at least, after that election, politicians, for the first time for many years, came to Westminster commissioned to offer their constituents' services to the nation, not to exploit the nation in their constituents' interests. And it is not only the election that has convicted us of being behind the times. It is already evident that the National Government, which emerged from that election, together with the civilized world as a whole, has been overtaken by an unexpectedly rapid development of the economic crisis, and is already facing a new situation which can accurately be described as a new era. Some of the factors which are creating this new era had been indeed, foreseen and foretold, but their intensity and the rapidity of their growth had been under-estimated.

The result can be seen in a curious political paradox. The National Government in 1934 is certainly not as strong as it was in 1931; it has, in some degree, lost reputation; created to deal with an immediate crisis, which it has surmounted with great presence of mind and considerable skill, it is avowedly unprepared as yet to deal with the much graver and more long-drawn crisis which lies in wait for it. Yet, while the Government has grown somewhat weaker, the alliance between different schools of political thought which brought it into being has become quietly and steadily stronger, in spite of a Liberal secession. The allies at first regarded the emergency which brought them together as a mere interruption of normal conditions; they are beginning to recognize it now as the end of an era. Old policies which they had been willing to suspend as temporarily inapplic-

[1] *Democracy on Trial.*

able, they are now inclined to write off as fundamentally obsolete. They are no longer content with the 'doctor's mandate'; they want a new school of medicine. And if any of them feel some doubt whether the National Government, as at present constituted, can found such a new school, they are at least sure that it cannot be founded by any of the old political parties acting on the old lines.

All these considerations are obvious enough, and they might well deter any one from attempting yet another political survey on paper, doomed to be brushed aside by the ever-accelerating march of events before the ink is dry upon it. But the purpose of this book is somewhat different. It may be useless to attempt to sketch a practical programme for an energetic Government during a few years of office. Five-year plans, whatever their worth, can only be drawn up by those who have themselves the responsibilities and the powers of government. But it is not useless—at least one hopes not—to seek to express in words the almost inarticulate feeling that seems to be in all men's minds at the present day—a sense of the powerlessness of any programme, based either upon existing political faiths or upon present immediate necessities, to prepare the world for a wholly new era in its history. That, at any rate, is the purpose of this book. The author has been moved to write it by a conviction which can only be described in somewhat melodramatic terms: a conviction of the imminence of cataclysm and of the world's unpreparedness for it.

The cataclysm does not necessarily spell disaster, but the unpreparedness does; yet it is an unpreparedness of speech and action rather than of underlying thought. The underlying thought of mankind is a subject which defies generalization, but it is probable that never, for many generations, have men been less attached to old paths or more expectant of change. Yet, at the same time, never has speech seemed so clogged with old phrases; never has action seemed to grope its way so stumblingly through the labyrinth of old institutions.

Political thought wastes itself in terms that are

indeterminate and definitions that do not define. The worst of these is ' democracy.' That word has stood for many ideas in the past. At the time of the American Declaration of Independence, it stood for a studiously moderate conception of government, almost identical with the political philosophy of Burke, the conception of authority limited in the exercise of its ' just powers ' by popular consent. In that sense, England before the Reform Bill of 1832 might lay fair claim to be called a democracy. But the revolutionary era, inaugurated by the American War of Independence, gave the phrase a much more extreme meaning. Governments were no longer required merely to limit the exercise of their authority; they were summoned to acknowledge that their authority itself was solely derived by delegation from the governed. At that point democracy emerged, for a moment, as a coherent and satisfying philosophy. It was based, indeed, on a historical fallacy, the fallacy of the ' social contract ' ; but history has never been an effective weapon against human idealism, and it could easily have survived the shock of Maine's *Ancient Law*. What it could not survive was the test to which it was subjected in the years preceding the American Civil War. For it was based on a deeper fallacy than any mere historical error : the fallacy that men can delegate what, by the common agreement of the conscience of mankind ever since the Sermon on the Mount, they do not individually possess—an inherent right to coerce their fellows. It therefore inevitably collapsed at the point where that right came to be asserted in the form of a claim to self-determination. Self-determination was a phrase coined in the fever of the Great War and eagerly snatched at by those politicians whose business it is to deal in second-hand phrases; but the claim itself had been urged sixty years before by Douglas in his debates with Lincoln, under the title of ' popular sovereignty.' Indeed, the claim had been urged repeatedly before then, ever since the French Revolution, but, for the English-speaking world, the issue was focused in this American controversy. From that

controversy ' government of the people, by the people and for the people ' emerged with a new lease of life, but only by undergoing a new metamorphosis. It emerged as the handmaid of Mazzinian nationalism, the dogma of the pre-existent and indestructible national unit, from which secession was as much a crime as rebellion against a monarch by divine right. In outward form, that dogma received the final assent of the world in the European settlement of 1918—but with what results ! The saddest example of thought corrupted by old phrases was surely President Wilson's *naïveté* in not realizing that ' a world made safe for democracy ' could mean nothing in Europe but a world subjected to nationalism. It is that subjection which has, ever since, crippled the civilized world, politically and economically ; it is that subjection which is to-day the perpetual menace to peace, the ominous forerunner of the next war.

But democracy in the mouth of a modern politician or a modern writer means none of these things ; what it does mean is less certain. Sometimes it appears to mean universal suffrage, by which standard Bismarck in 1867 was a democratic pioneer in Europe. Sometimes it means simply responsible government, as when ' realists ' like Mr. Winston Churchill stigmatize responsible government in India, combined with a narrowly restricted franchise, as ' Western democracy.' By that standard, eighteenth-century England was a democracy. Fundamentally perhaps—if one can speak of foundations in such a morass of muddled-headedness—it means no more than the eternal aspiration to found a government which will really be the servant of its people, to give real validity to that immemorial claim to be ' the servant of the servants of God ' which Hildebrand could make with as much and as little justification as the President of the United States.

What is true of the speech in which modern political thought is expressed is true also of the phrases used by modern economists. The classical economists of the nineteenth century constructed a language which has, it is true,

since been modified and expanded in many directions, but which still broadly limits economic thought. That language was constructed to express an interplay of forces and an order of human relationships peculiar to the rapidly expanding economic civilization born of the industrial revolution. The conditions thus created were unprecedented, but they were not eternal. The classical economists themselves did not think that they were eternal. They foresaw an end to this expansion, most of them with apprehension, Marx with eager anticipation, John Stuart Mill with comforting assurances. Yet, as expansion has slowed down, as the ' stationary state ' has come perceptibly nearer, the economist of to-day still strives to speak to us in the language that he learnt at his professor's knee, a language wholly unadapted to deal with current phenomena. This is surely the real explanation of his failure to give coherent advice to a world in transition. The modern physicist, seeking to express the new universe of his thought, knows how useless it is to do so in the language of the physics of yesterday. He knows that new ideas require new language. Mankind learns a new language slowly, and the consequent obscurity of modern physics to the ordinary mind has enormously increased the time-lag between the birth of new thought and its incorporation into the accepted body of human knowledge. But any time-lag is better than the distortion of new thought from its inception by out-worn language. This the economist has failed to realize. He has sought vainly to offer advice to the mass of mankind in language which has hidden his new thought even from the instructed few whom he might otherwise have converted.

But if articulate speech has failed us, action has failed us even more. History shows us, even if common sense did not, that there is a tendency to degeneration in all systems of government. The degeneration almost always takes the form of hardening of the arteries. Any administrative system must establish a more or less elaborate machinery to carry out its work. Every such system has

a tendency to expand; it therefore establishes new machinery, but it seldoms scraps old machinery which has worked reasonably well for earlier and more restricted purposes. Every such system, therefore, tends to get entangled in its own machinery; the lag between decision and execution becomes greater and greater; until finally the whole machine sticks. When the process has gone too far, not even a Turgot can reform it, and no remedy is possible but revolution. This is, indeed, the fundamental cause of all revolutions. A revolution, like the Fascist revolution in Italy, may be apparently caused by the decay and corruption of the legislature, but such decay in highly civilized countries is usually the effect of executive congestion. A strong executive with a positive policy can nearly always find a majority for its measures even in the most faction-ridden of parliaments; it is when the executive is forced, by the complexity of its problems, to live from hand to mouth, that faction has free play. In governments, as in individuals, mere feeble-mindedness, such as one may see in less civilized countries, often seems to be a guarantee of long life, in the absence of violent attack from without; but hardening of the arteries ends in apoplexy.

In all countries to-day we seem to be approaching very near to the stage of apoplexy. After all, the first essential in government is not the striking of any precise balance between legislative and executive power; it is that the legislature should be physically capable of legislation and the executive of administration. But to-day there is hardly a country where even an overwhelming parliamentary majority will enable the government to pass through the ordinary procedure of the legislature one-half of the measures necessary to bring the law up to date or where the civil servant is not constantly aware of his inability to take administrative action which he knows to be essential to real efficiency. In such circumstances, national executives have everywhere tended, since the war, to live from hand to mouth on what certain German biblical critics have called an 'interim ethic.' And the vested interests which

have thus impeded national action are not, for the most part, those of private citizens and corporations. These exist, but they are, at most, stumbling-blocks on which administration may trip, but which do not block its path. The real barricades in the path of administrative action are public statutory institutions. Government is being choked by its own creations.

This combined inarticulateness and immobility has surely never been more strikingly exemplified than in the government of this country since the General Election of 1931. We have had almost every advantage which a government could have. We do not suffer from those damning constitutional defects which have reduced the United States and France (for instance) to impotence. We have not, like France, a sovereign legislature responsible, almost directly, for the conduct of executive government, yet incapable of conducting that government except through a succession of short-lived ministries. Neither have we, like the United States, a rigid separation between executive and legislature which makes the combination between the two for positive action almost impossible. Through our peculiar doctrine of responsibility we have almost succeeded in reconciling executive independence with popular control. Our party system, with all its faults, has proved itself infinitely more flexible and adaptable to a coalition government than either the group parties of Continental Europe or the over-organized two-party system of America. Our National Government obtained from the electorate in 1931, not a mandate to do certain things and to refrain from others, but a *carte blanche* to do what it liked. It has shown itself capable of strong and even revolutionary action in the establishment of a tariff system practically wholly independent of parliamentary control, and in the inauguration of still more dictatorial methods of organizing the production and sale of agricultural commodities. Yet, with all its advantages and with all its strength, it has remained, up to now, almost silent and almost motionless in its attitude towards the

central problem of modern government—that whole range of phenomena commonly lumped together under the name of unemployment.

Administratively, it was, from the beginning, almost inconceivable that an evil so unprecedented in its nature and so vast in scale could be adequately treated by the use of old and traditional administrative instruments. Yet for two years the structure of the central government and of local administration remained the same. After the flurry of the 1931 crisis we returned to our immemorial system of a large Cabinet and multifarious and overlapping departments. The Economic Advisory Committee is an advertisement of administrative incoherence, not a cure for it. Created to give united advice to half a dozen ministries, it can give them no united direction. In local administration our one idea has seemed to be—at least until the introduction of the Unemployment Bill—to pass on fresh responsibilities for dealing with fresh problems to the county and county borough councils—public assistance responsibilities, town planning responsibilities, and so on *ad infinitum*. By such transfers we have often been merely tightening the blockade against strong administrative action. Already no far-reaching change can be carried out by the National Government in its educational or public health policy without the assent of these great local bodies, and the blockade is all the more effective because its nature is public spirit, not private interest. Moreover, it is not merely the public spirit of appointed officers with certain statutory responsibilities; it is the public spirit of popularly elected bodies. It is an old criticism of the American Constitution that the American President and the American Congress have an equal authority in popular election; but, while criticizing our neighbours, we have surely strayed into precisely the same deadlock.

What is even more significant, there is no sign of change in the structure of trade unionism or of employers' organizations. We all know that of all old institutions the most

cumbrous and the least adapted to deal with new situations is the structure of trade unionism. We all know that the unplanned operations of the great trade unions, each independent of the other in its handling of the practical questions of wages and conditions of labour, each loosely associated with the rest only for the purpose of academic enunciations of policy, have resulted in the establishment of a wage structure which no longer even remotely represents the relative prosperity of different industries, or the relative value of different services to the community. There is much talk of economic planning, both in the direction of public works and in the direction of amalgamations of capital for more efficient production and distribution, but we hear little or nothing of economic planning in the sense of those fundamental changes in the relation between worker and employer, with which neither workers' organizations nor employers' organizations, in their present form, can possibly deal.

If we turn from administration to policy, no one any longer regards unemployment as a passing phenomenon. No one any longer believes in protective duties as anything more than incidental aids. No one any longer relies either on private enterprise or on socialization of the means of production, distribution and exchange, as offering a remedy for the evil. Yet discussions of policy on the floor of the House of Commons and outside are still restricted within the exasperating limits of a comparison between the merits of public works and all-round economy. Both alternatives rest on tacit assumptions as to 'better times to come,' which most of their advocates would disavow if pressed for their explicit opinion, and for which the rest would find it hard to give a reasonable justification. If one or two new proposals emerge from time to time in a tentative form, they are discussed with the same dreary lack of imagination. The proposal to reduce hours of labour is urged, not as a necessary makeshift, but as a sort of new gospel, with apparently no consciousness of the absurdity of the implied proposition that no 'working' man, however intelligent

and active a member of society he may be, can acquire any share in the wealth of the community unless he is physically attached to a factory or a farm belonging to some one else. The new gospel is, moreover, dressed up in one of our latest catch phrases, ' the extension of leisure,' as if leisure could, beyond certain narrow limits, be used except as an opportunity for work, as if activity engaged in for its own sake was any less work than the labour which a man performs for his living, and as if there were some peculiar social virtue in drawing a distinction between the two. At the same time, government is urged to educate the people in the ' use of leisure,' as if a government which cannot set all men to work for their living could set all men to work for their pleasure. On the other hand, the same proposal is met by opponents or sceptics with no argument more novel than the obvious bugbear of a reduction in wages, as if an overt and deliberately planned modification of wage rates, designed to increase the total amount of wages paid out and the number of persons receiving wages, were not preferable to the steady but concealed depression of wage rates and of total wage payments resulting from the dole system.

This is, no doubt, little more than a merely temperamental view of the problem and action of government at the present moment. But such a view, though unreliable as a basis for determining policy, has its value as an introduction to more practical study. If we are faithfully to express in words the inarticulate feelings of the mass of mankind, we must not make the mistake of over-rationalizing such feelings at the outset. It is, indeed, almost the worst fault of old phrases that they fail to express the temper in which the mass of mankind approaches the problems of to-day and the possibilities of to-morrow. That temper is surely evident enough from the experience of Europe in the last few years. It is a craving for two things—authority and equality. The current talk of democracy ignores the first and distorts the second.

The idea that the people themselves should rule was never anything more than an artificial assumption, a kind

of legal fiction, and to-day that idea is dead. The mass of mankind has realized what has always been the truth, that the motive power of government is, not popular desires, but administrative initiative, and the source of that initiative will always be found in the conviction of the governor that he has a mission and an authority to govern, a mission far more active and an authority far more imposing than can be drawn merely from a study of the wishes of the governed. Popular desires may be explosive enough, but, if 'we want,' as Mrs. Browning and all good democrats have wanted, 'not popular passion to arise and crush, but popular conscience which may covenant for what it knows,' we shall always find that the popular conscience is an intensely conservative thing—conservative, that is to say, in the action which it is prepared positively to authorize at any given moment, and in its reliance on those who govern to show an originality of which mankind in the mass must always be incapable. The first thing that the politician must grasp at the present moment is that there is a popular demand for active government almost for its own sake. Such a demand may seem unreasonable, it may be very repugnant to persons of ordinary conservative temperament, it may be dangerous; yet, if the estimate of our present problems attempted in this book is anywhere near the truth, it is impossible to say that the demand is not sound.

And the second thing which the politician must grasp is that men to-day are demanding a recognition of human equality, far more real than anything which has ever been covered by the phrase 'democracy.' We have already said that the conditions of the nineteenth century were wholly unprecedented. Capitalism and socialism are, next to democracy, the most thought-extinguishing of all modern phrases. The capitalism against which the nineteenth-century socialist revolted was a peculiarity of that century, and the socialist attack upon it has been enormously weakened by pseudo-philosophical attempts to identify it with all forms of property-owning in all ages. Capitalism,

in its peculiar nineteenth-century form, was inseparable from an economically expanding civilization. Its characteristic was that, in such a civilization, trading profits took on a new form, a form which they had increasingly tended to assume ever since the international trading ventures of the later Middle Ages, and especially since the age of discovery, but never on such a scale or with such far-reaching effects. The accumulation of wealth was, in fact, swollen out of all recognition by a factor which can most properly be described as the increment of expansion. If Malthus was wrong in supposing that population increases in geometrical progression, it would not be far from the truth to say that, under certain conditions, human desires do so. Such conditions arise when old civilizations like India are first brought into close association with newer and very different civilizations ; when exploration opens up vast tracts of new land to civilized settlement ; when man, having acquired by patient research over long periods the keys to the ante-chamber of natural science, finds suddenly that they are the master keys to a succession of doors opening up to him almost unlimited opportunities for the control over vast natural forces ; and when population in civilized countries, no longer limited by imperfect command over the means of subsistence, begins rapidly to increase. Under such conditions, wealth is accumulated at an unprecedented rate in the hands of the owners of capital. Capital is, indeed, more widely distributed than in an earlier state of society where land is the chief form of capital ; but it is still held by a relatively small minority, and its wider distribution among this minority tends merely to enhance the contrast between wealth and poverty by multiplying examples of it.

When this happens, the kind of equality offered by democracy, the equal right to a vote, is eagerly sought after as a sort of protest against glaring inequalities of wealth. But it is sought under a misapprehension, on a false analogy with other and simpler forms of civilization. The early type of democracy which existed in the American colonies,

based on the real equality and real self-government of a New England town meeting, the nearest approach which the modern world has seen to the democracy of the Greek city state, must fade away as a community becomes more highly organized; but that is the type of equality which mankind really desires. A democratic form of government in a highly organized state offers, as a matter of fact, a peculiarly unfavourable atmosphere to the development of any equality of this kind. Democratic government is a process of perpetual contention. Some form of party system is inevitable under it. Such a system can only work by perpetual exaggeration of divergent interests and perpetual over-statement of differing opinions, and under it the relations between man and man tend to be always slightly out of focus.

Moreover, mankind will not be content with a mere protest. Equality of voting rights ministers to self-respect; but the equality of status thus asserted is only consciously enjoyed at general elections, and these flurries are separated by long intervals when the voter, unconscious of his vote, is conscious only of inferiority in income, in opportunities and in the kind of work he is called on to perform. A share in government is a remote conception and not, if the truth be told, particularly attractive to most men. Most men have no itch for regulating the affairs of other people, and little liking for that type of responsibility. What they desire is an equal share, not in the exercise of authority, but in actual common work for common ends. It was to this desire that socialism made its real appeal, the appeal of the co-operative commonwealth. It promised an equal distribution, not of capital, but of work and opportunity—an all-round increase for the ordinary man, not of income, but of intelligent activity. Socialism failed in its appeal at the point where it deserted these ideals. One school of socialist thought sank back to the level of advocating a mere redistribution of wealth, after the fashion of the later Victorian radicals, under the control of an efficient bureaucracy. There was no sentimental nonsense

about a co-operative commonwealth in the Fabian conception of the Socialist State. Another school sacrificed the ideal of equality to the ideal of power and set out on the road which has led to the oligarchic imperialism of Lenin, where the enthusiasms of the co-operative commonwealth are, indeed, realized, but only within an elect company of communist saints who are to rule the earth.

The ideal of equality which democracy and socialism have both thus failed to realize, has now been offered again by Fascism. There is nothing in common between Mussolini and Primo de Rivera, any more than between Hitler and Hugenberg. A dictatorship which, like the Spanish experiment, is fundamentally a reaction towards old aristocratic ideas and is based on social inequality, has no chance in the modern world. But Mussolini is a leveller. The real significance of the revolutions in Italy and Germany and the secret of Mussolini's real success is the revolt of equality against both democracy and socialism. Men have asked for the bread of fellowship ; democracy and socialism have both offered them a stone. Instead, they turn, as all revolutions turn, to an older ideal, but to an ideal much older than aristocracy, the ideal of an equality in common work and common hopes expressed in, and guaranteed by, the active and impartial exercise of an authority superior to all social classes and economic interests.

A vague idealism, unrealizable in practice ? Perhaps, but at least let us recognize that it is in the atmosphere of that idealism that we have to-day to approach the practical problems of government.

CHAPTER II

WORLD ECONOMICS: A PRELIMINARY SURVEY

BUT, having got our atmosphere, let us tackle our practical problems in a really practical spirit. Let us be sure, above all, that when we examine the ills of society we are really trying to diagnose the nature of the disease, not merely to give the disease a name. Let us be sure that we are discussing things, not words; that what we are looking at is the substance, not the shadow which it casts. That is surely where our reformers have hitherto failed.

To say that human judgement and human foresight have failed fundamentally since the war is to repeat a platitude. All the policies of statesmen and business men, and all the anticipations of thinkers, have shared this common failure. On the face of it, it would appear probable that miscalculations so universal must have been based on a fundamentally wrong diagnosis. No one, however, seems as yet to be prepared to make such a confession of error. This refusal to go back, as it were, to the first stages of economic reasoning, and to test basic assumptions, is, perhaps, due to two very human failings.

In the first place, there is the old reluctance to believe that society is really very ill indeed—in other words, the old distrust of any man who raises the cry of 'wolf.' Over and over again, in the last hundred and fifty years, men have anticipated cataclysm and the downfall of the existing order of society; therefore similar fears to-day must be baseless. Over and over again, since the industrial revolution, men have fallen into paroxysms of fear about the

displacement of human labour by machinery; therefore similar fears to-day must be equally exaggerated. Over and over again, politicians have decided that the country cannot continue to bear so crushing a load of taxation; therefore the 'economy-mongers' of to-day must be wrong. Such arguments are a perfect illustration of the old fable, but they are also a confirmation of its real point. Its real point, be it remembered, is that there are such things as wolves, and that their eventual arrival is a serious possibility to be borne in mind by every sensible shepherd.

The other failing is an equally old story: the story of the scapegoat. Society is subjected to an extraordinary strain; the particular piece of social mechanism on which the strain bears most heavily buckles or even snaps; and the strain is thus passed on to other pieces of mechanism until it is crushingly felt by society as a whole. Man's reaction to such an experience is always to shout that the piece of mechanism which has failed is itself the cause of the strain. In public affairs, such a conclusion is all the more tempting because the piece of mechanism in question always consists of human beings, and a human scapegoat is notoriously the most satisfactory.

THE MONEY SUPERSTITION

The particular piece of social mechanism which has most obviously buckled under the strain of post-war conditions has been the currency and credit system. In America, that system has been largely regulated by men who have, as a class, been the object of popular attack almost continuously ever since the Civil War, and during the whole of that period there have been a sufficient number of unfortunate incidents to lend point, from time to time, to these attacks—as quite recent incidents have lent special point to certain strong phrases used by President Roosevelt in his inaugural address. In England and other countries, there have been similar incidents, but not in those inner circles which are the real object of popular criticism. When Englishmen look

for scapegoats they do not trouble their heads much about Hatry or even Krueger. What rouses their suspicion is not dishonesty but secrecy ; and the Governor of the Bank of England has, unfortunately, succeeded in enveloping himself in an atmosphere of mystery which, in the public mind, becomes too easily a fog of suspicion. Next to a jail-bird the most satisfactory kind of scapegoat for the ordinary man is a mystery potentate.

The result has been the growth of what can only be called the Money Superstition. Of all influences which have tended to distract men's attention from substance to shadows, this superstition has been the most pernicious. It has tended to extinguish thought even in the most thoughtful minds, because it has tended to tie thought down to a region where exact thought is, in the nature of things, impossible.

Money is, after all, nothing but a token of credit, and credit is nothing but a state of mind. Fundamentally, credit means the confidence felt by A in B's power of producing material wealth or performing useful services. In a small community credit mainly takes this individual form ; as communities grow larger, credit becomes more and more impersonal until, in modern society, the confidence for which money serves as a token is largely a generalized confidence in the power of the community as a whole, either itself to produce the goods and services which it requires, or to acquire them from other communities—and consequentially, of course, confidence in the power of the community to maintain itself as an organized entity with a settled government. The function of money is to represent that confidence where it exists, which means, of course, that it must not pretend to represent it where it does not exist. Consequently, public confidence in the fundamental capacities of the community must be accompanied by a public faith in the mechanism by which that confidence is supposed to be expressed. This means that a slump in the credit system of a community or of the world as a whole may be due to one of two causes : either to a

failure of confidence in the real capacities of the community or of the world, or a failure of confidence in the money tokens themselves. The conclusion that such a slump is due to failure of confidence in money tokens presupposes a previous conclusion that there is no lack of confidence in the capacities of the community. If we have not sufficient grounds for reaching this preliminary conclusion, we may be blaming the money token system simply for fulfilling its real function—the function of indicating a lack of confidence in the capacities of the community.

Now, it is surely true to say that none of our monetary reformers have really sufficient grounds for reaching a preliminary conclusion of this kind. Though it may appear inconceivably presumptuous to say so, they have never really taken the first steps towards a survey of community capacities as they exist at the present day. They have most commonly been content with satisfying themselves that there is nothing wrong with 'productive capacity' or, in other words, that in the mere mechanics of production mankind is more efficient than it ever was before. Having noted this fact, they have immediately summed up the situation in some such phrase as that 'mankind is starving in the midst of plenty,' and have jumped to the conclusion that the only thing that can possibly be wrong with the world is the stupidity or wickedness of those who control the issue and circulation of money tokens. But in doing so they have, after all, been flying in the face of patent facts. The *rentier* at the present time who hesitates in what business to put his money and decides, perhaps (illogically enough), to put it into British Government securities, hesitates because he feels no confidence in the continued power of any particular industry to sell its goods ; and this lack of confidence is not, in fact, a lack of confidence in the mere monetary mechanism of exchange. The investor may be wrong, but his rightness or wrongness is not the question at issue, for the money token does not, and cannot, represent the capacities of the community themselves ; it can only represent the public state of mind about these

capacities. Apart from the public state of mind, money has no real existence at all.

Hence the unreality of all those schemes of currency reform with which 'we are so industriously plied and belaboured' at the present moment. Any currency system will work if the great mass of the public who are to use it feel the necessary confidence in it. Granted that confidence, any one of a dozen alternative systems will be equally satisfactory. This is not, of course, to say that currency systems in themselves are not subject to mechanical defects which may seriously vitiate their usefulness. In this imperfect world, public confidence, however implicit, cannot be expected to adjust itself immediately to rapid changes in the number, and therefore the value, of the tokens in circulation at a given moment. Theoretically, in 1925, the confidence of Englishmen in the £ might have responded so rapidly to the prospect of falling prices after our return to the gold standard that all workmen would have been willing to agree to a reduction in their wages, offsetting the rise in the international value of sterling. But, in practice, we know that this cannot be expected, and still less can a complex economic civilization be expected to carry on its business on a basis of week-to-week contracts. Long-term contracts, whether for loans or for the supply of commodities, depend for their fair operation on monetary stability. It is therefore of great importance to invent the type of money token, and make the arrangements for its issue and circulation, which will most nearly ensure that it will not change its value in relation to goods and services. Nevertheless, the final test of any currency scheme is its popular acceptance and, therefore, the creation of a popular state of mind. The supporters of the Douglas credit scheme have, therefore, been perfectly right in devoting themselves to popular propaganda rather than to more intellectual disquisitions. What Major Douglas, as well as less heretical reformers, seems to forget is that public confidence in a monetary system is no substitute for public confidence in the capaci-

ties of the community, and that this latter kind of confidence cannot be so easily created by mere propaganda. Unlike the first kind, it is not a mere question of confidence in a set of symbols regulated by certain recognized government or banking authorities. It is far more a question of judgement as to the actual facts of community life. If the judgement is wrong, it must be changed by argument based on better knowledge of the facts. If, on the other hand, it is right, the facts themselves must be changed ; in other words, we must pass from propaganda to positive administrative reform.

THE ECONOMICS OF EXPANSION AND DECLINE

The best instance of the befogging effect of the Money Superstition is, perhaps, to be found in Major Douglas's fundamental thesis that, under the existing currency system, purchasing power must chronically be insufficient to liquidate the costs of production of consumable goods. On this thesis, Major Douglas has erected a whole structure of ' social credit,' and round this structure his enthusiastic followers wage a Trojan war of words with critical economists. But, stripped of the mystification of its monetary terms, what does this thesis amount to ? Surely to nothing more than the platitude that, in an expanding civilization, every producer must necessarily produce more than he consumes. To take the facts at their simplest : the peasant who, by working ten hours a day, can produce from his holding just enough wheat and wool to feed and clothe himself and his wife must add to his hours of labour if he wishes to bring up a family. Even before his children are born, he must look ahead, spending additional time in fashioning more efficient tools or clearing new ground for cultivation. And if he contemplates a continuous increase of his descendants for generations to come, he and his children as they grow up will be continually increasing the accumulation of these ' savings.' Moreover, these accumulations will increase more rapidly than his descendants

multiply, for the standard of consumption of succeeding generations tends steadily to rise, and the more the expected *per capita* consumption, the larger will be the savings required to provide for it. Translate this parable into terms of the investment of English wealth in steel rails and rolling stock for the development of North American and Argentine prairies, and you have the fundamental feature of the nineteenth-century economic civilization which we inherit.

But is our inheritance an asset or a liability? If our peasant is disappointed in his hopes of children, he will be left with a power of production in excess of his power of consumption. That will not do him much harm; it will leave him only with a regret for work wasted. But suppose the disappointment is deferred for three or four generations. As his descendants multiply and as they improve their standard of consumption, a new factor will emerge: they will soon arrange for a division of labour. The excess of production over consumption will no longer be expressed merely in so many hours of extra labour; it will be expressed in an exchange of goods, and probably in the invention of some money tokens to measure the relative value of ploughshares and loaves. Consuming power will then begin to be expressed in terms of purchasing power. The fundamental character of the society will remain unchanged; it will still be a society in which men produce more than they consume, partly in order to provide for a future increase in population, and partly in order to provide for a future rise in their own standard of consumption; but it will be much less able to stand the strain resulting from the failure of one of these two prospects.

Suppose that, in such a society, the fertility of its women begins gradually and steadily to decline. Suppose, too, if you wish—though it is not necessary to the argument—that, at a particular point in this process, the society passes through some intense crisis of war or pestilence, which profoundly disturbs the settled habits of its members and results in the premature death of a substantial proportion of its men of marriageable age. The decline in fertility will

make it more difficult for the society to replace this loss ; and the disturbance of habits may have the effect of accelerating the decline itself. In such circumstances, consuming power will *pro tanto* be weakened, though productive power may be greater than ever before. It will be weakened, not only because there are fewer new mouths, but also because the existing mouths are conscious of fewer needs. Men plan a rising standard of living more for their children than for themselves, for the standard of living is a family standard and centres round the nursery. If, further, the decline in the birth-rate is accompanied by a corresponding decline in the death-rate, the age distribution of the population will begin to be affected, and middle-age tends to have fewer new desires than youth.

But meanwhile the community has got into the habit of working as a community. The producer is not producing loaves or ploughshares merely for himself, but for purposes of exchange. If his personal calculations as to his rate of family consumption become more modest, he will not, at least at first, reduce the rate of his own production ; for he has been brought up in the ' expansionist ' tradition. He believes that his surplus will always be saleable and that he can in some way store up the proceeds of its sale in a form which will be of value to him. Accumulation, in other words, has become an end in itself. What he will reduce is his demand for the goods which used to be supplied to him by other members of the community, to meet his calculations of (so to speak) to-morrow's consumption. He will still wish to accumulate for the possible needs of the week after next, which he has never tried to foresee ; but his desires for to-morrow, which he has been accustomed to estimate, will become more modest. The community as a whole will then be producing not only, as always before, more than it consumes, but more than the sum of the expectation of its members as to their consumption in the more or less immediate future. The glut will accumulate for some time by imperceptible degrees, but a little later with alarming rapidity.

Translate this into terms of the economics of western Europe and North America to-day, with the long and steady fall in fertility rates which has been traceable for the last fifty years, with war mortality and with the sudden realization in the last two or three years of the existence of an unmanageable glut, and you have the conditions of our modern problem, uncomplicated by any obscure currency theories.

More than this, you have a state of society which has not yet entered its most dangerous stage. Its present may be difficult enough, but it is one of comfort compared with its future. As yet, its population will still be increasing owing to the high birth-rate of the past, and owing to the still falling death-rate. Indeed, its population between the ages of twenty and forty-five will be increasing, although its population under twenty may be falling, and this increase will, to some extent, compensate for the decline in the fertility rate, even in spite of the exceptional mortality experienced during the crisis. But the point will be reached, and reached soon, where, as it were, the bottom will suddenly fall out of the population. A declining birth-rate will begin to produce a growing effect on the twenty to forty-five age group, and will combine with the decline in the fertility rate to produce a positive and progressive decline in population. At the same time, the death-rate will begin to rise again as the age groups over fifty come to include a larger proportion of the total population. The relative suddenness of this development is its most alarming characteristic. As we know from our experience, men will continue to talk of the desirability of birth control almost up to the very edge of the catastrophe. They will be impressed by the danger that the 'lower' classes are increasing more rapidly than the 'upper' and 'middle' classes, but they will ignore the fact that even the birth-rate of the 'lower' classes is insufficient to stabilize the population. The economist or statistician, though perfectly aware of the danger on paper, will long continue to leave it out of account in the practical advice which he

tenders to the statesman and the business man. The producer will continue to produce on over-sanguine assumptions, and society as a whole will fail to make the social adjustments essential to salvation. When the bottom does fall out of the population, the peasant community we have imagined could probably only preserve itself in decent comfort by reverting to the primitive communal organization with which it started. In an intensely highly organized community like our own, such a reversion could only be effected by the most cataclysmic of revolutions. Yet, if we are taken unawares, that may well be our inevitable fate.

SOME OBJECTIONS

Now, of course, this account of economic tendencies will be dismissed with contempt at first sight, both by orthodox economists and modern humanitarians. The first still rule out the possibility of over-production as a contradiction in terms. They point out that over-production has been the 'wolf' bogy of all pessimists for the last hundred years, and they still dispose of that bogy as the classical economists always disposed of it. To quote one of them: 'Men produce only because they desire to consume; the idea of over-production involves the absurdity of supposing that men will labour to produce that which they have not the desire to consume; any civilized community could instantly double, quadruple or decuple its consumption of wealth, were the wealth provided.'

But if this statement be examined, it will be found to rest on a whole series of abstract assumptions of very doubtful validity. As a matter of human experience, it is probably more true to say that, except in a state of physical and mental decay, men consume in order to produce, than to say that they produce in order to consume. Moreover, under the complex economic system of the modern world, it is obviously no longer true to say that the volume of production of material goods bears any direct relation to the individual's desire to consume those goods. The

productive capacity of a repetition machine in an English boot factory and of a combine harvester on a Canadian farm can obviously not be regarded in any real sense as an index of the capacity of those concerned in manufacturing and operating these machines to consume wheat and boots or any other staple commodity to which mass production methods can be applied. The truth is that the distinction commonly drawn by economists in this matter tends to become increasingly unreal. They admit that there may be maladjustment between the supply of particular commodities and the demand for them, but they deny that there can be, over a sufficiently long period, any absolute limit to man's capacity for consumption. But, even if the latter proposition be accepted, it is still extremely doubtful whether a system of mass production by extreme division of labour can ever, in practice, adjust itself to the changing demands of the individual, especially when the mass demand which that production is intended to satisfy is spread over a number of remote markets, each subject to a different set of changes in the individual's mode of living.

But the words we have quoted contain a more dangerous fallacy. Even on the economist's own ground, it is not true that men produce only because they desire to consume ; on his own assumption, the economist is not justified in saying more than that men produce only because they desire, either to consume, or to save for future consumption. If it be asked why, in our peasant community, the producer of wheat should continue to produce that part of his crop which he used to exchange for new implements or nursery furniture, when he no longer needs these things, the answer is that, when once a habit of saving has been created, that habit will persist. A man whose traditional desire it is to leave wealth to his children will not much reduce his savings because he has one child instead of three. This saving habit appears, no doubt, to be accentuated by a currency and credit system which gives a man the feeling that he can put away wealth in a safe form, but in reality this sort of

comfortable optimism is based fundamentally on the system of divided labour, not on the currency and credit mechanism which that system has made so necessary. It is the ordinary man's touching faith in the prosperity of specialized businesses about which he knows nothing that encourages him to invest confidently in them even when his own business is beginning to go downhill. But, indeed, the same sort of optimism may exist strongly under much more primitive social conditions. A daughter's dowry may be hoarded in the form of cattle or wedding garments or bracelets, according to social tradition, as well as in gold coin or a banking account. But where, as in the modern world, the habit does take the form of investment in supposedly safe securities, we get the phenomenon with which we are familiar enough to-day—a great mass of frozen savings which are no longer represented by present earning power, and may well become an intolerable dead-weight burden on the community.

The economist is, however, so far right that it is very doubtful how long the producer will continue to produce more than he immediately expects to consume. It is a curious fact that, between 1925 and 1929, production of foodstuffs and raw materials in America does not seem to have much more than kept pace with the increase of population. That fact by itself proves nothing ; but it indicates possibilities which we shall examine later. For our present purpose, however, it is obvious that a slowing down in the rate of production of consumable commodities will not of itself cure the ills of our imaginary community. Here we come to the second objection which may be urged against our general argument—the humanitarian objection.

This objection is more difficult to answer. If our peasant community has carried division of labour and social differentiation to the extent to which we have carried it in the modern world, it cannot apparently be true that the majority of the members of the community, many of whom are living actually below a minimum subsistence level, are unable to increase their demand for commodities, even

apart from any increase in their numbers. So long as elementary human needs are so little satisfied, how can any one say that there is absolute over-production? It is true that people who argue like this often greatly exaggerate the capacity of the individual to increase his own consumption. It is obviously futile to talk of the capacity of the Hottentot to consume as much as an American millionaire. The habits on which a standard of living are based change greatly from generation to generation, but comparatively slightly within any one generation. Experience since the war—for instance, the American experience just referred to—tends to show how rapidly an increase in real wages may outstrip the worker's capacity for material consumption, and how soon it may express itself in a demand for services rather than commodities—for cinemas, bus routes and greyhound racing tracks, rather than for more food and better cookery. Nevertheless, it is obviously true that much of the under-consumption which we have seen arising in our imaginary community is not voluntary but enforced under-consumption. It is a reduction in the surplus consumption (so to speak) of the well-to-do which starts the slump; and this reduction begins to throw out of work the poorer members whose labour is no longer required. But the point is that this enforced under-consumption has nothing whatever to do with any monetary factor. It would happen just as much, and just as disastrously, under a system of barter. It is perfectly true that, in such a situation, the purchasing power of the community is depressed below the level both of human needs and of productive capacity, but the factor that produces this evil is not a monetary system but division of labour—the individual's dependence for his share in the community's wealth on his skill in producing something which he himself cannot consume. Of course our currency mechanism does not provide us with the means of correcting the evil results of extreme division of labour; that is merely to say that a mechanism whose function it is to facilitate exchange will not help men who have nothing to exchange.

The point is that they have nothing to exchange because their labour is over-specialized.

It is, be it noted, no part of our present argument that the slowing down in the rate of increase of civilized populations is the sole, or even the main, cause of the world crisis as it has hitherto developed. There are obvious difficulties in the way of accepting such a diagnosis of the world crisis. However dark the future may be, we have not, in fact, yet reached the time when population is declining, and it seems difficult, at first sight, to reconcile the hypothesis of over-production with the continued large growth in world population, even in western Europe and America, during the last few years, even apart from the fact that there is as yet no sign of approaching decline in population in India, China or Japan. Still less are we arguing, at the present moment, that greatly increased production is necessarily incompatible with a stationary or declining population. Here again there are obvious difficulties in the way of accepting so depressing a conclusion. Production in the Western world, ever since the industrial revolution, has been increasing so much more rapidly than population that there may seem, at first sight, to be little necessary relation between the two. We shall examine these questions in a later chapter ; but at this stage in our argument, we have merely been examining in what way our existing social system might be expected to break down under a given strain. We have taken the hypothesis of strain resulting from changes in the movement of population, but we might have taken any of a number of alternative hypotheses with the same result. The conclusion we have drawn is, after all, little more than the accepted conclusion of the biologist : that over-specialization weakens the resistance of a race to any sudden change in its conditions of life.

All the same, the hypothesis of change in the movement of population has one great advantage. Alone of all the hypotheses advanced in explanation of the world crisis, it represents, not opinions based on deduction, but concrete and ascertained facts. And, though views may differ as to

the weight to be attached to these facts, there can be no doubt as to their magnitude. There can be no doubt, for instance, about the magnitude of the fact that, in the last thirty years of the nineteenth century, the population of England and Wales was increasing at the average rate of about 1·4 per cent. per annum, while in the first thirty years of the twentieth century it has been increasing only at the average rate of about ·76 per cent. per annum, and in the year 1930 at the rate of only just over ·5 per cent. When similar figures can be quoted for the United States (3 per cent., 2 per cent. and ·76 per cent.); when it is realized that over the last thirty years the rate of population increase in India has been actually less than in England and Wales, and in Japan much less than in the United States; and when we find that the birth-rate over the whole of western and northern Europe, excluding from consideration the abnormal fluctuations between 1914 and 1921, has tended to fall at a steadily accelerating rate for the last fifty years—we must at least ask whether it is conceivable that changes of this magnitude should not have produced some marked effect on the communities in which they have occurred. We can also, at least, see the possibility of collecting a set of facts by which other hypotheses as to our present social ills can to some extent be tested.

This test can, at any rate, be applied with destructive force to one of the commonest assumptions of the present day: that the world crisis is due to some economic 'cycle,' and that, therefore, our ills are merely temporary, the expression of some obscure rhythm in human affairs. Here, if nowhere else, we are confronted with positive change. If there is a rhythm in such change, it is spread over centuries, not over decades; its completion requires, not a new generation, but a new civilization. For practical purposes, for the purposes of the biological survival of our own race, such change must be faced as a permanent change in the conditions of life of ourselves and our children.

SOME MODERN PROPHETS

From this point of view, and subject to these reservations, it may be worth while to carry our apologue a little further. In what sense can our imaginary community be regarded as 'living in a world of plenty'? It can satisfy the demand of its members for the necessaries of life more easily than ever before, partly because of its increased command over natural resources, and partly because the fall in the birth-rate puts less strain on those resources. But this very facility tends to deprive of their value many articles which have previously been regarded as staple forms of wealth. Consequently, it tends to deprive human labour of some of its value. If plenty consists in the maximum supply of necessaries, then the phrase may be true; but if it means the maximum variety of desirable things produced in sufficient quantity to bring them within reach of a continually increasing number of people, then the phrase tends to encourage a dangerous fallacy. In a community organized for expansion, a very large proportion of its production will take the form, not of things which are desirable in themselves, but of things which are desirable only as a means to the end of further production; in other words, not consumable goods, but capital goods. Since, in such a community, based on division of labour, wealth is necessarily expressed in terms of value for purposes of exchange, a diminution in the range of variety of man's needs can only be called 'plenty' in the language of hyperbole, and such language obscures thought instead of expressing it.

The community should therefore hesitate to follow prophets who, on the strength of this phrase, urge it to increase the purchasing power of its poorer members by encouraging them to produce a still larger quantity of the very articles whose value is already declining. Such a prophet, it will be observed, would be assuming that the community is confronted by no permanent change in its conditions of life, and can save itself by returning to precisely the same policy that it has been accustomed to pursue

in the past. Its members can, according to him, continue to acquire food and clothing by manufacturing the means of producing more food and clothing for new consumers, even when the new consumers have ceased to arrive. The advice, so often urged upon us recently, that we should increase the production of capital goods seems to be invalid precisely in proportion as the goods which it is proposed to produce can properly be regarded as capital goods. A vast new housing programme is justifiable because men do want, as it were, to consume better housing accommodation, and not at all because a house has a longer life or is more 'productive' than the bread and meat which the building labourer will buy with his wages.

Such a prophet will, indeed, only be intensifying the confusion of mind which probably already exists in the community which he claims to advise. Since the war, all Europe has suffered from a common craze, the craze to construct great public works and to produce 'staple' manufactures. This craze seems to work as follows: Prague borrows money from England to build municipal waterworks. A Czech industrialist borrows more money from the same source to construct a great boot factory. In order to secure the favourable balance of trade necessary to pay the interest on these loans, imports into Czechoslovakia have to be restricted and Czech boots have to be forced on foreign markets. Foreign nations proceed to raise their tariffs against Czech boots—and so *ad infinitum*. In other countries, the effort to pay interest on such loans may take the form of an increased export of primary commodities. Eventually each nation is driven into an attempt to 'rationalize' its own staple industries and to exclude, by tariffs or otherwise, the staple commodities produced by other countries. To inveigh against tariffs is to quarrel with the policeman instead of the criminal. The real evil lies in misdirected production, not in the rough and ready measures which the elders of the community have been driven to adopt in order to limit the effects of such misdirection.

But perhaps an even more dangerous adviser for such a community would be one who should urge it to check the growth of unemployment by still further checking the growth of its population. If the community has grown in the past, not merely by the natural increase of its own population, but by a continual flow of immigration from outside, the cutting off of that flow will merely hasten the time when, as we have expressed it, the bottom will drop out of the population. The crash in the United States was probably largely due to this error. Her post-war attempt to combine an immense increase of production with a drastic restriction of immigration was, in fact, a contradiction in terms. This blunder may be essentially the same as the tariff blunders of Europe ; but it is much more inexcusable. A nation which erects a high tariff may be restricting the number of consumers to whom it can sell its goods, but it has the excuse that it cannot control the production of its neighbours as it could control the production of its own immigrants. In either case, however, the real seriousness of the blunder is that it is so difficult to retrieve. Once the expansion of production has been arrested by restrictions on immigration, an increased flow of immigrants will, for a long time at least, only increase unemployment. Once establish a new industry producing for home consumption behind a tariff wall, at the expense of an existing industry producing for export, and the demolition of the tariff wall will be likely, for some time to come, to create more unemployment in the new industry than it cures in the old. But here again, of the two blunders, the excessive restriction of immigration is the more obviously difficult to retrieve.

Hitherto, we have been examining the advice of essentially conservative prophets. It may seem peculiar to class Mr. Keynes with the conservatives, but, indeed, as we have seen, the doctrine of capital expansion is conservative in the most exact sense, because it assumes an unchanged continuance in the future of the conditions of the past. But perhaps Mr. Keynes is less conservative

than the orthodox Socialist. This gentleman has long resided in our imaginary community, and has been constantly urging that all the farms producing wheat and all the factories producing ploughshares should be managed by committees elected or appointed in some way by the community as a whole. He has urged it for so long that he has forgotten why he originally conceived the idea. As a matter of fact, the original ground for his policy was that he obscurely felt what we have seen to be the truth, that the community was in danger of thinking too much of, and attaching too much value to, the means of further production. He foresaw, indeed (though he was not alone in foreseeing), that this could not go on indefinitely; that, at some point, expansion of production must slow down, and that therefore the community was in constant danger of sacrificing present goods in order to accumulate wealth in a form which would lose its value before it could be used. He proposed, therefore, to counteract this danger by (to put it in its simplest form) exchanging nine ploughshares out of every ten for loaves, instead of exchanging only seven for loaves and the remaining three for the tools required to make more ploughshares. In a community where division of labour has resulted in a capitalist system—that is, where, out of fifty men engaged in making ploughshares, it rests with one to decide how many ploughshares shall be 'saved' and how many shall be 'spent'—this means that our Socialist wished more money to be distributed in wages, and less to be 'put back into the business.' In his view (and not in itself an unreasonable view) the only way to bring this about was to substitute some wholly disinterested authority for the capitalist. This policy he called 'production for use and not for profit'—a phrase which had its usual effect of obscuring the real reason for the policy. The real reason for the policy, be it observed, was that the business of making ploughshares was not only an agency for producing wealth, but also an agency for distributing it. The Socialist's main object in controlling such a business was to enhance its efficiency, not as an agent of

production, but as an agent of distribution. Now, however, that the expansionist system has begun to break down, as the Socialist had foreseen that it would, such a business is already rapidly approaching the point where, if its workmen are not to starve, it must give them the equivalent, not of nine, but of nine and a half or even the whole ten ploughshares, and even so the employer has to reduce the number of his workmen. In such circumstances, the business is actually producing mainly for use and not for profit, and it is, moreover, only able to function as an agency for distributing wealth to a constantly diminishing number of people.

In the world of to-day, therefore, the Socialist prophet has less to offer than any other conservative adviser, for he has always assumed that the whole wealth of the community could be distributed in the form of wages. Other conservative schools of thought have always recognized, at least in theory, the desirability of a wider distribution of private property and the creation of an increasing number of small capitalists, who would, to some extent at least, be able to decide for themselves how much they would 'spend' and how much they would 'save.' The Socialist alone has put all his trust in the capitalist factory and the capitalist farm as the means of distributing wealth in the form of wages, provided only that the government was the only capitalist. Confronted now with the phenomenon of unemployment—the detachment, that is to say, of an increasing number of individuals from the factory and the farm—he can only desperately suggest that, however little their labour may be needed, they must be somehow attached again to these institutions. Like the kings of England after the Black Death, he clings pathetically to the belief that unless a man is *adscriptus glebæ* he must be a danger to the community.

Where all conservative advice has thus broken down, it is natural that our imaginary community should turn to less orthodox prophets. These heresiarchs have various gospels, but they all belong to one broad school: the school

which believes that the community can cure its ills by forcing or cajoling its members to give away the goods which they cannot sell. The original founders of this school started from the obvious fact that the community must preserve its poorest members from starvation. The elders of the community had already adopted the policy of requiring the farmer to give to the destitute as many loaves as were necessary for a bare subsistence. In order to equalize the burden of this service over the community as a whole, they had done this in a roundabout way through a system of taxation ; but this was the essential character of the transaction. Our heresiarch proposed that this system should be extended ; that all workers for whom the elders of the community could not find work should be given as many loaves, boots, etc., as they would have been able to acquire for their wages. The next step was to propose that similar gifts should be made to persons, such as school-teachers, doctors and the like, who performed services for the poorer members of the community for which they were themselves unable to pay. This was called ' redistributing wealth by taxation.' By this time, the school of false prophets had grown mightily, and included, curiously enough, almost all the Socialists. It was not until the economic crisis had actually arrived that the Socialists began to realize that this policy of redistributing wealth by taxation was utterly incompatible with their own orthodox doctrine. By forcing the capitalist producers to hand over an increasing number of ploughshares and loaves to the elders of the community, they made it less, instead of more, probable that the workers employed by these producers would receive a larger proportion of ploughshares and loaves in return for their work.

At this point the school produced a new and really original prophet. Why, asked this prophet, should not every member of the community, without exception, have a right to a certain number of gifts of this kind, varying according to his tastes, and sufficient, at any rate, to keep him in reasonable comfort ? Clearly, the gifts could not

be made at the expense of the individual producers of the community, either directly or through taxation ; but could they not be made by the elders of the community in the name of the community as a whole ? Owing to the efforts of previous generations and the long habit of living together as an organized society, the community had acquired a tremendous productive power, sufficient to satisfy the needs of all its members. Relying on this power, why should not the elders issue to each of the citizens a book of blank order forms for goods, to be filled in by each in pencil according to his tastes ? As each order form was exchanged for the goods required, the receiver would rub out the writing on it and fill it up again according to his own wishes. Each order form might represent a certain output of human energy—so many man-hours of work, for instance. The number in circulation at any given time would consequently be limited only by the productivity of the community. An increase in productivity, representing man's power of producing more goods for a given output of energy, would result in an increase in the number of order forms. This, reduced to its simplest terms, seems to be the ' social credit ' scheme propounded in different forms by Major Douglas and the American ' technocrats.'

Now, it will be observed that this scheme is essentially a currency scheme. Hitherto, in all our considerations of our imaginary community, we have been able to use terms which would be applicable to a system of barter no less than to a monetary system. Major Douglas's scheme, on the other hand, would make the whole economics of the community essentially dependent on a particular monetary mechanism. The scheme is, therefore, extraordinarily difficult to criticize, for the reasons indicated at the beginning of this chapter. Every monetary system is a confidence trick ; any such system can work if the confidence is there. The only way in which such a system can be criticized is to ask whether its theoretical foundation is one which will stand analysis. As you cannot fool all the people all the time, if your confidence trick is based

upon a fallacy or even an improbability, some one will sooner or later begin to lose confidence in it. And the trouble about Major Douglas's trick is that it is based precisely on the assumption which we have seen reason to doubt, that the real capacities of the community, as the result of its experience and its highly developed organization, are greater than ever before. It is based on that unanalysed phrase about 'the world of plenty' which we have seen disintegrate under analysis. It seeks to capitalize as a community asset the very things which we have seen some reason to regard as liabilities—an almost unlimited power of producing capital goods and extreme specialization of labour developed for the purposes of that production. If the citizens find that too little human energy is being put into the production of the particular kind of goods that they most want, with the result that ten of them present orders for a house when there are only nine houses available, they will begin to wonder whether an order form filled up six months hence may not, in fact, prove to be exchangeable for a less quantity of goods than at present. In that case, the order forms will begin to go the way of Rathenau's paper marks.

Major Douglas has proposed elaborate arrangements for ensuring that this shall not happen. He proposes to legislate out of existence the quantity theory of money, much as a Mexican Congress is said to have repealed the law of supply and demand. The difficulty about such arrangements is, of course, the old one: they presuppose in the last resort, in the absence of universal public confidence, that some members of the community will be prepared to shoot the shopkeeper who raises his prices or closes his shop. But the real basis of Major Douglas's scheme is not the arrangements he proposes for preventing a fall in the value of his order forms; the real basis is his assumption that there can be no fall in the productive power of human energy. He assumes this because he is thinking only in terms of the existing glut of such necessaries of life as bread and boots. Even here he is on unsafe

ground, for, as population becomes stationary, the mechanization of production may begin to lose its attractions. But in any case, under such conditions, a continually increasing proportion of human energy will be diverted to occupations in which it cannot to any great degree be artificially reinforced by the power of the machine. In such occupations, from bricklaying and plumbing to fancy dressmaking and school-teaching, the public is by no means at present inclined to believe that the productive power of human energy is greater than it used to be. The whole 'technocratic' belief that the progress of mankind to a higher standard of living is expressed in the sailor's desire, when introduced to liqueur brandy, to have 'some more of that in a mug,' is, indeed, a fundamental fallacy. The moment a consumer, having used two of Major Douglas's order forms in acquiring two new pairs of machine-made trousers, begins to use the others, not for the purpose of acquiring an indefinite number of additional pairs, but for the purpose of enlarging his house, or adding to his library, or ordering something out of the common in the way of a hat for his wife, he upsets all these assumptions and enters a region where he feels no instinctive confidence in the continually growing efficiency of the human labour which he employs. Major Douglas, realizing the overwhelming importance of public confidence, has elaborated his theory of the great communal capital fund precisely in order to enlist that confidence. If that theory is unsound, the whole of his plan becomes a dream.

We have carried our apologue far enough—perhaps too far. Its purpose has been to subject to a sort of laboratory test some of the arguments most commonly advanced to explain our social ills, and some of the remedies most commonly recommended for their cure. Arguments and remedies which cannot stand that test will certainly not stand the test of the complex international trade conditions of the modern world. If a self-sufficing community cannot, in a given set of circumstances, be regarded as living in a world of plenty, much less can two communities be regarded

as doing so, one of whom can produce only one-quarter of the bread it needs and the other only 10 per cent. of the ploughshares required to produce the remaining three-quarters. If the self-sufficing community cannot generate sufficient public confidence to work a system of 'social credit' expressed in inconvertible paper money, much less will such confidence be simultaneously generated in a number of interdependent communities. We must now turn from parables to the actual world of to-day.

CHAPTER III

THE EBB AND FLOW OF POPULATION

IN the last chapter we have tentatively advanced a hypothesis which may now be briefly restated. Conditions of life in the civilized world during the past hundred years or so have been wholly abnormal; that is to say, they have been unprecedented in the history of the world and cannot be expected to continue indefinitely. A rapid expansion of population and a still more rapid expansion of the volume and variety of human desires, coupled with continually increasing control over natural resources, have created a society based on extreme specialization of labour. The expansion of human desires, though much more rapid than the expansion of population, has been fundamentally related to it. It has consequently been already affected by the slowing down in the expansion of population and, other things being equal, will be much more acutely affected as population becomes stationary or declines. Under such conditions, human desires may continue to expand both in volume and variety, but their direction will tend to change. A contraction may be expected, and has already begun, in the demand for staple consumption goods, but an even greater contraction will take place in the demand for capital goods; and it is precisely in the production of these goods that a large body of highly specialized labour has been employed. This system of specialized labour, not any monetary mechanism, is the real weak link in modern civilization; it is this link which has buckled most under the strain of population changes, and it may be expected to snap altogether under the greater strain which must be anticipated in the future.

This hypothesis is not, of course, susceptible of exact proof. However efficient research may become, sociological reasoning will always depend less on facts than on judgement of facts. Nevertheless, we must now test this hypothesis by applying it to the known facts of the modern world.

At the outset, it is necessary to insist on one fact which is so omnipresent and so embedded in our very language that it tends to be overlooked. The whole of modern economic life is based, not on absolutes, but on relatives. Highly organized production does not so much depend upon an absolute increase or decrease of demand as on the rate of that increase or decrease. This, no doubt, is true to some extent of all productive activity, but it is not true in the same degree of simpler societies and simpler forms of production. To a man using his own labour to produce crops from the soil, an absolute increase in yield, however small, may be a justification for the extra hours' labour which it requires. Even in the world of to-day, the village blacksmith who produces wrought ironwork has to be carefully educated by rural community councils into the mysteries of costing his own labour. As soon, however, as production comes to be conducted with labour hired at a rate per hour and capital borrowed at a rate per cent., the producer must always be acting on some assumption as to the percentage increase in saleable production which he can secure as the result of the addition of so much per cent. to his wages bill and to his liabilities for interest on borrowed money. Moreover, his calculations will be based on assumptions as to the percentage increase of saleable production within a given time. The labour and capital which he would be prepared to invest in production to meet a 5 per cent. increase in demand in four years' time will not be the same as the investment which he would be prepared to make to meet the same increase in demand in ten years' time. If, as was stated not long ago by an American statistician, many American industrialists had been basing their policy on the assumption that the

population of the United States in 1940 would have risen to 142 millions, that policy must be profoundly affected when they discover, as is now calculated, that that figure of population will not be reached until 1960, when it will probably represent a peak to be followed by a decline. Our economic civilization does not, indeed, depend upon any particular rate in the expansion of population or of human desires; there is no theoretical reason why it should not adapt itself to any rate, however low. But it will have to adapt itself. Every assumption and expectation on which each individual in such a civilization bases his life will have to be modified. A slowing down in the rate of increase of saleable production must be reflected in a fall of rates of interest and wage rates, with repercussions on every payment made by one individual to another for services not directly connected with material production. If these adaptations are not made, or are not made in time, the result must be dislocation.

POPULATION IN THE NINETEENTH CENTURY

The first step in testing our hypothesis by the facts must be a consideration of the degree of abnormality in the population conditions of the nineteenth century. It is extraordinarily difficult to draw any precise conclusions from the available population statistics. Those experts, like Dr. Gini, who propound theories of the cyclical rise and decline of population, have to rely largely on guesswork. Even from the scanty records which we possess, we can see that certain things happen at certain times, but to find a rhythm in these changes and to draw conclusions as to the birth and death of nations is a hazardous adventure. The wise man will content himself with noting the different ways in which populations appear to have behaved at certain times, though even here it is impossible to be precise.

Roughly, the facts we have seem to suggest that population has a tendency to double itself in about a century.

This is about the present rate of increase of the population of India (·9 per cent. per annum), and the rate appears to have been more or less stable over the last eighty years, apart from some years of abnormal mortality—notably 1892, 1897, 1900, 1907–8 and 1918. It is impossible, however, to call this a normal rate of increase, for, quite obviously, it has not been the world's rate of increase in the past. The population of the world to-day is probably rather less than 2,000 million, and, obviously, if population had even tended to double itself every hundred years, the population of the world at the beginning of the Christian era could have numbered only a few thousand people.

In fact, under the sort of conditions of war and disease under which Europe lived for centuries, population may apparently remain almost stationary over long periods. It has been guessed that, after the close of the thirteenth century, which may be taken as the peak of medieval civilization, the population of Europe was halved by the Black Death, and that, during the three hundred and fifty years following that disaster, it only increased by about 10 per cent. That fact may serve to emphasize what Englishmen particularly tend to forget: the agonies of Europe during the whole period from the Hundred Years' War to the wars of Louis XIV in the west, and from the battle of Kossovo to the peace of Carlovitz in the east. Except in England, where the population probably doubled itself between 1500 and 1700, Europe after the Peace of Utrecht was emerging from a condition of violence and pestilence as chronic and as intense as any which has afflicted any part of the world in any age.

Even apart from such violent disturbances, it would seem that population often increases at a much slower rate than the present rate of increase in India. Between 1701 and 1801, the population of England and Wales increased by no more than 62 per cent., which is exactly the same as the estimated rate of increase in India between 1650 and 1750. Probably the population of Europe as a whole increased at much the same rate over the eighteenth century.

Indeed, even in the nineteenth century, its rate of increase was hardly faster than the present rate of increase in India, for it appears to have just doubled itself in the ninety years 1800 to 1890.

There are, however, times at which population increases much faster. The rate may be very fast indeed. For instance, it has been guessed that the population of Russia, having doubled itself between 1680 and 1780, more than trebled itself between 1780 and 1880. Certainly, the population of fifty European Provinces of Russia increased by over 98 per cent. in the forty-seven years between 1867 and 1914. There is no doubt, too, that the population of the United States more than doubled itself in the thirty years 1840 to 1870, and very nearly doubled itself again in the thirty years 1870 to 1900—the total increase in these sixty years being no less than 340 per cent. The rate of increase in England and Wales has been slower, but even here the population doubled itself in the fifty years between 1801 and 1851 and again in the sixty years between 1851 and 1911.

Probably rates of increase of this magnitude are to be regarded as definitely abnormal, but it will be observed that they are not necessarily identified with the coming of the machine age. This is true also of more regular upward curves of population which may extend over long periods. It has been calculated,[1] again subject to a considerable amount of guess-work, that the rate of increase of the population of China in the hundred and twenty years between 1715 and 1835 corresponded very closely with the rate of increase of the population of certain European countries (i.e. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Portugal, Serbia, Spain, Sweden and the United Kingdom) and of the United States and Australia, taken together, in the hundred and twenty years 1800 to 1920. According to this calculation, population in each case trebled itself in the hundred and twenty years. The rate of increase in the six periods of twenty years may be expressed

[1] Sir George Knibbs: *The Shadow of the World's Future.*

roughly in the following index numbers: for China, 100, 115, 140, 175, 215, 260, 300; for Europe, etc., 100, 110, 143, 170, 204, 253, 306. The rate of increase for each of the six periods was thus as follows: for China, 15, 21, 25, 22, 27 and 15 per cent.; for Europe, etc., 10, 21, 18, 20, 24 and 20 per cent. It will be observed that these figures finish with a slight downward curve in the rate of increase. In the case of China, the downward curve is marked: the rate of increase in the last twenty years being the same as in the first twenty. In the case of Europe, etc., the decline is not so marked, since the rate of increase for the sixth period is the same as that for the fourth, actually greater than that for the third, and much greater than that for the first. This brings us to a consideration of our present position.

THE TURN OF THE TIDE OF POPULATION

There is no doubt, as we shall see later, that the whole population of northern and western Europe, that is to say, roughly speaking, all the non-Slav countries except Finland and Italy, are no longer reproducing themselves fast enough to maintain their populations at the present figure. Within the next ten years or so, all these countries will begin to show a decline in population. The United States is in a somewhat better position, but she may expect an increase of population of no more than about 16 per cent. in the next thirty years, and thereafter she, too, will enter upon a period of decline. These facts have been accurately ascertained, and are subject only to the assumption that there is no substantial rise in the birth-rates. It is a curious fact that, if the official statistics published by the Chinese Government in 1931 are comparable with those used in the above calculation, the population of China has only increased by 17 per cent. in the ninety-five years since 1835. But, though Europe and the United States have thus undoubtedly reached the stage when, as we expressed it in the preceding chapter, the bottom will

drop out of their population, is it possible to say that the rate of increase of those populations has already been so materially reduced as to affect their economic life?

On the figures hitherto given, the answer would have to be 'no.' But those figures conceal the present position for two reasons. In the first place, they omit the decade 1920 to 1930. If the thirty years 1870 to 1900 are compared with the thirty years 1900 to 1930, the contrast is much more striking. We cannot make this comparison for all the countries concerned, but we have already made it, in the preceding chapter, for the United States and for England and Wales, which together accounted for more than one-quarter of the population in all these countries in 1880 and more than one-third in 1920. This comparison shows a drop in the average annual rate of increase between the two thirty-year periods, not from 1·2 to 1 per cent. as in our comparison with China, but from 1·4 to ·76 per cent. for England and Wales, and from 3 to 2 per cent. for the United States. For each of these six decades the average annual rate of increase was: for England and Wales, 1·6, 1·1, 1·2, 1, ·51, ·56 per cent.; and for the United States 3, 2·6, 2, 2·1, 1·4, 1·6 per cent. The slight upward trend in the last decade indicates the abnormality of the war decade which preceded it, but indicates, too, how slight that abnormality was in relation to the general population trend.

But, in the second place, these figures suggest that 1900 is not the true dividing line. The contrast is still more striking if we compare the twenty years 1890 to 1910 with the twenty years 1910–30. As between these two periods the average annual rate of increase dropped in England and Wales from 1·2 to ·5 per cent.; in the United States from 2·3 to 1·6 per cent.; and in Belgium, Switzerland, and the present territories of Germany and Austria it fell by one-half or more. Sweden and France had already reached so low a rate of increase in the twenty years before 1910 that there was only a slight downward change between the two periods. Spain, with the same low rate of increase

as Sweden, showed a slight upward change. Italy, with a rate of increase of ·7 per cent. in 1890 to 1910, increased this to about 1 per cent. between 1910 and 1930. Of all the other non-Slav countries of Europe, Holland, Denmark and Finland are the only ones which maintained a relatively high rate of increase in the period 1910 to 1930. In Australia the rate of increase, which had been as high as 5 per cent. per annum between 1870 and 1900, was still nearly 2 per cent. between 1921 and 1931.

In order to judge the effect of these changes, we must, so far as possible, extend our calculations to cover all peoples of European stock. Our comparison between Europe, etc., and China did not cover certain European countries, i.e. Russia in Europe and Turkey in Europe, Bulgaria, Rumania and Switzerland, nor did it cover Canada and New Zealand and the European population of South Africa. With the exception of Switzerland, these are all populations with a rather exceptionally high rate of increase prior to 1910. Including these, the European population of the world numbered about 550 million in 1910, and about 625 million in 1930, or an average rate of increase of about ·66 per cent. per annum. The average rate of increase in the preceding twenty years 1890 to 1910 was probably not less than 1·25 per cent. per annum, so that we might say that from 1910 to 1930 the increase of population had been almost 50 per cent. below expectation. To complete the picture, however, we ought to include the populations of South and Central America. Unfortunately there are no reliable statistics of the movement of these populations between 1890 and 1910, and it is also difficult to judge what proportion of the population is to be regarded as of European stock. It is probable that the total population of South and Central America increased from about 80 million in 1910 to about 115 million in 1930. This is a high rate of increase. Part of it is almost certainly due to immigration, but the natural rate of increase by excess of births over deaths is still high in several South American countries: for instance, 1·65 in the Argentine in 1929

and 1·5 in Chile in 1930. Including the whole of these populations in our calculations, we should get a total increase of population of European stock between 1910 and 1930 from 630 million to 740 million, or an average rate of increase of about ·85 per cent.[1] per annum. Even supposing that the rate of increase between 1890 and 1910 was no greater for the whole population than we have already assumed for Europe—1·25 per cent. per annum—the rate of increase between 1910 and 1930 would still represent a deficiency, in what may be called the expected increase of population, of about 30 per cent.

Such a figure is by no means insignificant, even though the annual loss of expected population is no more than ·4 per cent. of the total population. Its significance may be judged if we bring it into relation with calculations that have been made as to the annual rate of increase in the world's material production. One American economist, Dr. Carl Snyder, has calculated that, in the three years before the war, the world's material production was increasing at the annual rate of 3·15 per cent. Supposing —what seems probable but cannot be proved—that increase in production is related to increase of population, though in advance of it, a fall of one-third in the rate of increase in population would mean at least a proportionate fall in the rate of increase of production, and a fall in the rate of increase of production from 3·15 to (say) 2 per cent. might be expected to produce considerable changes in the economic life of the world. In fact, there are indications that countries which have, since the war, attempted to maintain the pre-war rate of production have found it difficult to do so. Thus, between 1913 and 1925, North America appears to have increased its production of foodstuffs and raw materials at an average rate of about 2·2 per cent. per annum, but seems to have been pulled back from this

[1] This is almost certainly an over-estimate. Dr. Kuczynski has estimated the rate of increase of the world's population at no more than five-eighths of 1 per cent. per annum, the same rate as he estimates for northern and western Europe.

canter into a walk between 1925 and 1929 when its increase in production (about 6 per cent.) hardly exceeded its own increase in population. Europe, on the other hand, having increased its production of foodstuffs and raw materials only very slightly in the earlier post-war period, began to increase it with extreme rapidity in the later period (at an average rate of nearly 5 per cent. per annum), until it, too, was pulled back, not to a walk, but to a standstill or even a retrograde movement.

It may be interesting to apply the same sort of calculation to the special case of iron and steel production. We have suggested that a slowing down in the rate of population increase might be expected to react with special violence on the demand for capital goods of this kind. Between 1890 and 1910, the world's production of pig iron increased at an average rate of about 7·3 per cent. per annum, and of steel ingots and castings at an average rate of no less than about 19 per cent. per annum. Between 1910 and 1913, however, the production of pig iron slowed down to a rate of increase of about 6·6 per cent. per annum, and of steel ingots and castings to a rate of about 8·6 per cent. per annum; i.e. approximately six times and six and a half times our assumed rate of increase of populations of European stock for the previous twenty years. The war had the effect of enormously increasing the world's capacity for this production, while, at the same time, restricting its actual output. Between 1913 and 1921, the world's production of pig iron actually fell by more than 50 per cent., and its production of steel ingots and castings by more than 40 per cent. The production of pig iron did not reach the 1913 level again until 1926, and of steel ingots and castings until 1923. From 1926, the production both of pig iron and of steel ingots and castings increased again at a rate of over 8 per cent. per annum until 1929, and then slumped during the next two years by more than 40 per cent. The net result has been that from 1921 to 1931 the production of pig iron increased on balance by about 4·6 per cent., and of steel ingots

and castings by about 6·3 per cent., or only about five and a half and seven and a half times as fast as our assumed increase of population during that period, in spite of the ground lost between 1913 and 1921. Even so, the output during this last decade, taking the world as a whole, was greatly below capacity.

It would, however, be unwise to attempt to exaggerate the significance of these figures. All we can safely say is that they do represent a very real disappointment of expectation. What the expectation of economists was may be judged from the following extract from Dr. Pierson's treatise on political economy written rather more than thirty years ago :

' The movement of the population is of the utmost importance in connexion with the demand for capital. . . . Some people maintain that interest has a natural tendency to fall ; but those who do so think only of the growing supply of capital and fail to take into consideration the increasing demand caused by the growth of population, and there is no reason for believing that the supply of capital has a " natural tendency " to exceed the demand. In all civilized countries except France the growth of the population is rapid. In some few countries, it is true, we find the birth-rate decreasing, but this is accompanied by a decreasing death-rate, due to improved sanitary conditions. . . . A natural tendency to fall can be attributed to interest on capital only when there is reason to expect a less rapid growth of population in the future.'

The ' less rapid growth of population ' which was not expected before the war has now become a fact. The thought of the falling death-rate no longer offers us the same comfort as it offered to our fathers, for it is now recognized to be a phenomenon which follows a rising birth-rate. A falling birth-rate will eventually be accompanied by a rising death-rate, as the persons born during earlier periods of high birth-rates reach the age of fifty years. The relatively high death-rate of France—1·63 per cent. as against 1·13 per cent. in the United States and

1·17 per cent. in the United Kingdom—is not so much a sign of poor sanitation as the hall-mark of a stationary population. In other countries, the death-rate has hardly yet begun to rise, though it has proved quite an insufficient counter-agent to the fall in the birth-rate.

THE CONTRACTION OF THE CIVILIZED WORLD

These calculations as to birth-rates and death-rates, however, belong to a somewhat later stage in our argument when we shall come to examine future prospects. Before leaving our study of the immediate past, it must be pointed out that the disappointment which peoples of European stock have experienced in their expectations of increase have been overshadowed during recent years by a much more positive contraction in the size of the civilized world. The most striking contraction has been brought about by the Russian revolution. The population of the European Soviet Republics, which is probably about the same to-day (108 million) as the population of the European Provinces of the Russian Empire in 1906, has been, in large measure, cut out of the economic community of the civilized world. The total imports of the Union of the Soviet and Socialist Republics about equal those of Poland, Lithuania, Latvia, Estonia and Finland whose population is only about 40 per cent. of that of European Russia. It is hardly fanciful to say that the Russian revolution has been equivalent to the complete elimination of at least 60 million members of the European community, and 60 million whose natural rate of increase is probably higher than that of any other people of European stock.

This loss of the Russian market, though it is the biggest single loss that Europe has suffered, is not the only one. Almost the only countries in Europe whose populations are still expanding fairly rapidly are the predominantly agricultural countries—Rumania, Bulgaria and Poland, with annual rates of increase exceeding 1·5 per cent.; Hungary, Czechoslovakia and Yugoslavia with rates

(probably) of about 1 per cent.;[1] and Lithuania, Latvia, Finland and Denmark which, though their rates of increase have recently declined, have maintained a fairly high rate over the past twenty years. Here are populations amounting to upwards of 100 millions who should have provided at any rate some outlet for the increasing production of industrial countries. The fact that the industrial countries, owing to the slowing down in the rate of increase of their populations, have only a limited power of consuming the primary products produced by these agricultural nations would not, under the economic system of the nineteenth century, have offered a serious obstacle to such expansion. The economic system of the nineteenth century had its own way of dealing with such problems of exchange. In our apologue in the preceding chapter we have spoken as if the producer of ploughshares sold his ploughshares to the farmer for an equivalent number of loaves. In fact, however, the exporter of ploughshares in the nineteenth century took longer views. He, in effect, lent the farmer his ploughshares in return for an annual tribute in loaves, representing only a rate of interest on his loan. The industrial countries of Europe and America could have pursued the same policy with the eastern European nations after the war as they had done with the Argentine and Russia before the war. Here, however, we encounter another peculiarity of the population problem.

It seems to be a fairly safe generalization that when the population of an agricultural country has increased up to a certain point, it must change its economic system in one of two directions: either its surplus population must emigrate, or it must absorb this surplus population by industrializing itself. Science may more than keep pace with an increase of agricultural population in any given country by increasing the crop yield of land, but it cannot keep pace with it by increasing the amount of land—and the first need of man is space in which to live. To some extent, the attempts of countries like Czechoslovakia,

[1] Italy has about the same rate of increase.

Poland and India to establish manufacturing industries may be due to mere national pride or private greed, but fundamentally industrialization is, in certain circumstances, a necessary development, and the only alternative to emigration. The 'quota' system applied by the United States to immigrants from eastern Europe, and the establishment of new frontiers in Europe, restricting movements of populations as between Poland and West Germany and in the whole of the Danube basin, have really been forcing eastern European countries in the direction of industrialization. In pursuance of this policy they have erected tariffs and, at the same time, have invited the industrial countries, with some success, to lend them, not ploughshares, but machine tools and power plant. They have then sought to pay the interest on these investments in coal or manufactured goods which the lenders, themselves industrial, obviously do not want. In the effort to square this circle, they have been forced to add exchange restrictions to their tariffs. The net result has been the increasing sterilization of the consuming power of these expanding populations.

This phenomenon deserves to be emphasized because it indicates a double error which the ordinary man tends to make in his economic thinking. He has been accustomed to comfort himself with two mutually contradictory assumptions, both of which are apparently wrong. He has assumed, on the one hand, that rapid increases of population are the peculiar characteristic of the kind of prosperity which results from a high degree of industrialization, and that when an industrial population expands too fast it will always be possible for it to discharge its surplus population by emigration into the unsettled spaces of the world. On the other hand, he has assumed that agricultural populations can continue to increase indefinitely, and to provide the industrial nations with an ever-expanding market for their manufactures. In fact, to-day, it is the predominantly agricultural nations which are expanding faster than the industrial nations. It is they who are seeking an outlet

by emigration and cannot find it, and, in consequence, they are being forced themselves to become manufacturers, and thus positively to restrict the market available for their industrial neighbours. This tendency seems to be universal in all the agricultural countries of the world, except South America. Japan, Italy, Canada and Australia entered upon their course of industrialization long ago ; India, under the tuition of Great Britain, some time ago ; while Poland and Czechoslovakia are now well on the same road. How long the Argentine will be able to refrain from embarking on the same course it is difficult to say. Denmark, which seems deliberately to have rejected industrialization, will now probably be forced into it by the tariff policy of her neighbours.

But the peculiar character of nineteenth-century trade between industrial and agricultural countries has its own dangers, not very different, in their final result, from those we have seen in eastern Europe. From the point of view of the industrial countries, that trade took, as we have seen, the form of investment rather than a direct exchange of goods. Not only was the agricultural country — for instance, the Argentine—not called upon to export a greater amount of produce than would represent the interest on the steel rails and so forth which she imported, but a considerable amount even of that interest was reinvested in the extension of food-producing enterprises in the Argentine. Much of this money, in some countries if not in the Argentine, was, no doubt, written off, but a very large part of it still remains as a debt owed by the Argentine to industrial countries. The debt has accumulated until it has reached dimensions far in excess of any possibility of the Argentine repaying the principal. That is, indeed, merely the character of the whole system of nineteenth-century capitalism ; such capitalism may be defined as the prospect of sharing a cake which, in fact, must never be cut. But even the interest on this debt has now grown to such dimensions that the leading countries with their restricted consuming power for primary commodities, can less and less

afford to accept payment of it in those commodities. The less they can afford to do so, the more anxious they become as to the safety of their investment. The foreign lender is now less ready than before to reinvest his interest in the Argentine, for he has begun to suspect that the cake may be growing smaller instead of larger. The result is that even an agricultural country, like the Argentine, which has refrained from industrializing itself, is being forced into the same course of exchange restrictions and the like which Poland and Czechoslovakia have adopted.

This decline in the habit of overseas investment by industrial countries has been obscured by the temporary and illogical popularity of overseas government loans. The investor in Argentine railways who has become less willing to reinvest his dividends in productive enterprises in the Argentine has, as Sir Otto Niemeyer has pointed out, been deplorably willing to lend them to the Argentine Government or to other public authorities for non-productive purposes. This practice obviously could not last ; after a few hectic years it has brought its own Nemesis in an intensification of the exchange difficulties of the Argentine, and in a decline in the credit of the Argentine Government.

While, therefore, the policy of industrialization pursued by the expanding populations of eastern Europe has tended gravely to accentuate the effects of the slower rate of expansion in western Europe, it is doubtful whether, if they had pursued a different policy, the relief would have been more than temporary. Division and specialization of labour is essential to an expanding civilization, not only as between individuals, but as between nations, but it is dependent upon expansion and also upon a balanced expansion ; and, to some extent at least, expansion must take the form of an expansion of population. Apart from the absolute limit to such expansion in the world as a whole which might eventually arise from lack of available space for either agriculture or industry, specialization can only be maintained so long as free migration adjusts differences in the rate of population expansion, in relation to available

space, as between countries of different specialities. This means two-way migration, from agricultural to industrial countries, as well as vice versa.

It is, in fact, not fanciful to say that specialization as between countries can be maintained only so long as it tends to de-specialize the individual. The son of the English dock labourer who could never, in practice, have found his way to a farm in England was able to do so in Canada; the Indian who preferred trade to agriculture could find his opportunity in East Africa; the son of a Polish peasant who could never, in practice, have found his way into a factory at Lodz, found it easy to enter the United States steel works in Indiana; the Neapolitan could exchange the small subsistence agriculture of his home for the higher wages of an Argentine ranch. But specialization as between countries can only discharge this function of de-specializing the individual on two conditions: that migration is not materially restricted, and that the industrial countries are willing continually to increase their investments in the agricultural countries. Such an investment policy, however, is in its turn only possible on one condition: that the industrial countries feel confident that they can steadily increase their demand for agricultural produce from abroad—confidence, that is to say, in the soundness of their investment, however long the return on it may be deferred. When once this confidence begins to fail, when industrial populations, ceasing to expand rapidly either by natural increase or by immigration, begin to think of realizing their investments abroad rather than allowing them to accumulate, the whole system of specialized labour tends to break down.

Indeed, one might sum up all these conditions for the continuance of a system of international trade based on specialization of labour in one phrase: such a system can only continue so long as the peoples who work it are not afraid of life. One of the deepest fallacies of the modern catchword about 'the world of plenty' is that the modern world conceives of plenty only as an increase of human

production, not as an increase of human beings. In human communities, it would appear, all things have a value except human beings themselves. This fear, rather than the actual restriction of population itself, is the influence which more than any other is slowing down the economic momentum of the world. The reduced rate of population increase must, in any case, have had a marked effect on world economy, but that effect has been enormously intensified by this fear. As the nations began to feel the natural slowing down of momentum, they have put on the brake artificially by restrictions on trade and migration. The League of Nations has estimated that up to 1924 international trade was actually less than in 1913, in spite of the creation of new frontiers. And this fear seems to be steadily mounting into panic. As we have suggested, the world would probably, in any case, have been forced to adjust itself to new conditions by a gradual de-specialization of labour both as between individuals and as between countries. But instead of this gradual evolution, panic is now expressing itself in a new doctrine of national ' self-sufficiency.' The more or less unreasoning inclination to self-sufficiency which has characterized the United States and Australia becomes, in the mouth of Hitler, a principle of human government. The result is a state of international relations which can only be characterized as suicidal.

THE FUTURE EBB IN POPULATION

And if these things are done in the green tree, what will be done in the dry ? The influences which we have traced in the immediate past will undoubtedly be greatly accentuated in the future. The future course of populations has been worked out recently by a number of statisticians. Hitherto we have been discussing past movements of population in terms of crude rates of increase, but this method of calculation, though perfectly valid up to a point, becomes very misleading as the rate of increase declines. A society may appear to have a reasonably high birth-rate

and its total population may continue to increase for some time after its population has ceased to reproduce itself. The crucial question is whether the women of a society between, say, the ages of fifteen and fifty are giving birth to at least an equal number of future mothers. It is convenient thus to confine one's attention to the female population, on the assumption that the proportion between males and females in the society will remain fairly constant. This assumption is valid in the absence of abnormal war mortality, and the effects of the mortality among men between 1914 and 1918 are now passing away.

Taking this crucial test, Dr. Kuczynski, in his work on *The Balance of Births and Deaths*, sums up his conclusions for the population of northern and western Europe in 1926 (amounting to 188 millions) as follows:

'According to the fertility and mortality in western and northern Europe in 1926, one hundred mothers gave birth to ninety-three future mothers only. With the fertility of 1926 the population is bound to die out unless mortality of potential mothers decreases beyond reasonable expectations.'

The only countries in this region where one hundred mothers gave birth to more than a hundred future mothers were Denmark and Finland. Even in these countries, the excess was only about 1 per cent., and in 1927 it dropped in Denmark to ·03 per cent. In France, the number of future mothers born to every hundred existing mothers began to fall below one hundred in the period 1898 to 1903. In other countries, it seems to have begun to fall below one hundred in the post-war period 1921 to 1926. By 1926 it had fallen to 88 in England and Wales, 95 in Sweden, 93 in France and 89 in Germany. The net result was that in 1926 there were only 23·67 million females under fifteen as compared with 25·85 million between the ages of fifteen and thirty. To some extent this contrast was due to the abnormally low births during the war years, but it must be remembered that this depression was followed by a large increase of births in 1920 and 1921. Even if births had

continued to follow the tendency of pre-war years, Dr. Kuczynski calculates that the number of females under fifteen in 1926 would not have exceeded 25·06 million.

In estimating how rapidly this decline in the number of births may be expected to take effect on the total numbers of population, several factors must be taken into account.

The number of women between the ages of fifteen and fifty in northern and western Europe in 1926 was 52¾ million, and the number of female births in that year was 1¾ million. Now, obviously, the maximum expectation of child-bearing life is thirty-five years, and the average expectation of life during child-bearing age of newly-born girls in 1926 is calculated to have been as much as twenty-nine years. Clearly, therefore, we cannot expect much help from a decline in mortality. Taking into consideration the fact that the number of births since 1926 has diminished, we shall certainly be on the safe side in assuming that any increase in the average expectation of life will not be more than sufficient to balance a decrease in the number of births. On these assumptions, the number of females between fifteen and fifty, which was 52¾ million in 1926, will be only 50¾ million in 1976.

But the decline will almost certainly make itself evident much sooner than this. It must be remembered that a very large percentage of total births is accounted for by young mothers. In Denmark, in 1926, nearly 60 per cent. of the children born were born to mothers of thirty years of age and under, and another 20 per cent. to mothers between the ages of thirty and thirty-five. Corresponding figures for other countries are as follow: England and Wales (1921), about 42 per cent. and over 20 per cent.; Finland (1921–25), about 50 per cent. and 20 per cent.; France (1922–25), over 60 per cent. and 20 per cent.; Norway (1916–20), about 47 per cent. and over 20 per cent. The decrease in the number of births is, therefore, likely to become materially accelerated in twenty years from 1926 at latest.

As a matter of fact, the Government Actuary has

calculated that in England and Wales, even assuming that the annual number of births remains the same during the decade 1933 to 1943 as it was in the year 1922 (625,000), the number of children between the ages of five and fourteen in 1948 will have fallen by about one million below the number in 1932. The assumption that the annual number of births can remain the same in spite of the decline in the number of women of reproductive age during this period involves a supposition that economic conditions will recover sufficiently to encourage an increase in the size of families; and, if our reasoning in this chapter has been at all correct, this assumption is obviously a very unsafe one.

The conclusion drawn by some experts is that population will reach its maximum, in France in 1937, in Germany in 1946, and in the United Kingdom in 1942; and that population may be regarded as practically already declining, not only in these countries, but also in Finland, Estonia, Latvia, Sweden, Norway, Belgium and probably Ireland. If a decline cannot be certainly predicted of Denmark and the Netherlands, it appears at least probable.

Passing from northern and western Europe to other European countries, population may be regarded as practically declining also in Switzerland, Austria, and probably in Hungary and in the western provinces of Czechoslovakia (including three-quarters of the population of that country). These territories can be classed with northern and western Europe. The position in the other European countries is not so clear.

In the eastern province of Czechoslovakia, and in Poland, Bulgaria, Rumania and Serbia, it seems certain that the population is still more than reproducing itself, and in some of these countries, notably in Poland, mortality rates are still high, so that there is sufficient margin for a decrease in mortality rates to counterbalance a fall in the birth-rate. Nevertheless, the reproductiveness of these populations has been very markedly reduced during recent years. In Poland, the birth-rate has fallen from about 37 in 1909 to 1912 to 27·4 in 1926; and in Bulgaria from 40·9 in 1911

to 1912 to 30 in 1929. Bulgaria used to have the highest rate of reproduction of any country which possesses statistical records. At the beginning of the century, one hundred mothers were probably giving birth to one hundred and eighty-eight future mothers, but in 1909 they were giving birth to only one hundred and twenty-nine.

In Italy, the population is more than reproducing itself, but it may be doubted whether the tendency to an increased number of births in recent years is more than a temporary spurt. Italy's birth-rate in 1928 to 1930 at 25·8 was as low as that of western and northern Europe in 1910. In Spain and Portugal the population is still reproducing itself, but probably not very much more.

On this whole region, Dr. Kuczynski concludes that: 'There seems no country left in central, south-eastern and south-western Europe with more than an average of four children to a woman passing through child-bearing age; in some countries the average is as low as two—that is as low as in northern and western Europe.'

Russia stands in a class by itself. Here, in a territory which, as we have seen, has been artificially excluded from the civilized world, it is probable that a hundred mothers are still giving birth to at least a hundred and sixty-five future mothers.

Can we look for any increase of population in the New World or in Asia which can be expected to some extent to counterbalance this tendency to decline in the Old World, west of the Russian frontier? No reliable figures seem to be available in regard to South or Central America or Mexico. Of the United States, Canada, Australia, New Zealand and South Africa, it may fairly certainly be said that the population will not greatly increase, and will, in fact, tend before long to decline, in the absence of immigration. As we have already noticed, the experts expect the population of the United States to have reached a maximum of 142 million by 1960, and even this may be an over-sanguine estimate.

Passing to Asia, there seems to be no reason why the population of India should not continue to increase at about its present rate but, as we have already pointed out, that rate of increase is not very high. For China, no statistics are available, other than those to which we have already referred. China is popularly regarded as 'an overflowing bowl,' but this assumption seems to rest on a very slender basis of fact. The case is different when we come to Japan. The population of Japan doubled itself between 1870 and 1925. Her birth-rate in 1928 was 34·4, which was not as high as that of England in 1871 to 1876, but is actually higher than that of Bulgaria to-day. Moreover, the age composition of her population is still exceptionally favourable to an increase of population. Of the total female population, 36 per cent. were in the age group 1–14 as against 30 per cent. in Italy. Finally, Japan has a high death-rate (19·8 per thousand in 1928), and there is here a wide margin for improvement. Those, however, who assume that the Japanese population must greatly expand in the future, ignore certain tendencies which have been pointed out by Mr. Crocker in his recent work on this subject.[1] He has pointed out that the average births per woman of the ages fifteen to forty-four have fallen by 16 per cent. between 1908 to 1925, and average births per woman of the ages fifteen to twenty-nine by 26 per cent., and that the marriage rate is now actually lower than that of France.

On the whole, these considerations point, in the near future, to a decline in the population of the chief industrial countries of the world—a decline which will certainly be serious and may become catastrophic. The dependence of highly developed agricultural regions, such as the Argentine and western Canada and America, on these industrial populations is likely to infect them with the same tendencies. The populations of the 'eastern fringe' of Europe, west of the Russian frontier, are likely to become increasingly predominant in proportion to their western

[1] W. R. Crocker: *The Japanese Population Problem.*

neighbours, but it is already doubtful how far this predominance is likely to grow. Russia and Japan remain the two great reservoirs of increasing population, but an increase in Japanese population is likely to complicate rather than to relieve the economic and political problems of the rest of the world.

THE INTERNATIONAL POLICY OF THE FUTURE

The only possible corrective to this decline in numbers in most of the industrial countries of the world is a reversal of the artificial policy which has tended to sterilize the natural expansion of consuming power in the predominantly agricultural countries. The reversal cannot be complete; some degree of de-specialization of labour as between countries is inevitable, and the scientific protection of this process by tariffs, quotas, immigration restrictions or otherwise is not to be cavilled at. But even if the reversal is not to be complete, any reversal will be a matter of extraordinary difficulty. A resumption of migration or an increased flow of imports into countries, millions of whose citizens are already unemployed, would appear at first sight to be a policy no less insane than the vagaries of 'self-sufficiency.' When once the momentum, which kept nineteenth-century economic civilization going, has been slowed down, it is extraordinarily difficult to start it again. Here, indeed, we encounter the main problem with which the World Economic Conference has been confronted. Have we still time to be gradual? If we find, on a dispassionate survey, that the ills of the world cannot be set right by any sudden or wholesale reversal of present policy, can the nations, having decided on a long-term policy of co-operation, so handle their existing unemployment problems within their own frontiers as to tide over the next ten years or so until the long-term policy begins to produce its effect?

This is the question which we must seek to answer before we can enter upon an unprejudiced discussion of a long-term international policy. If international co-operation,

closer and wider than any which history records, is the essential condition of any restoration of decent living conditions in Europe and America, it will remain true that, for the first ten years or so of that co-operation, almost everything will depend on the domestic policies pursued by each nation to deal with its own unemployment. Such policies must, of course, form the subject of discussion between the nations concerned. Groups of nations, such as the British Empire, Britain and the Scandinavian countries, Germany and the Danubian countries, France and Belgium and Holland, to name a few instances, may even be able to conclude arrangements for common policies. But, for the most part, if time is required for remedial action, time must be secured by wise domestic statesmanship.

But before entering on this domestic phase of our survey, we must add one further word about the international problem as a whole. If our survey hitherto has led to no other conclusions, it at least has led to this : that we are dealing with no temporary dislocation of economic life resulting from the world war, still less with some phase of a recurrent trade cycle. Even if we were dealing only with a trade cycle, Mr. G. D. H. Cole's warning would be true. The world has not emerged from previous ' cyclical ' trade depressions owing to some innate power of recovery operating according to some obscure economic law.

' Slumps end and prosperity returns, partly because economic progress is the normal condition of the modern business world, but also partly because either some fortunate event or some policy deliberately pursued suffices to correct the tendencies making for depression and to bring about revival. In other words, revival is not automatic, however long a slump may last.'

But if this is true of an ordinary trade depression, it is tenfold more true of one which marks the end of economic progress as a ' normal condition,' and, indeed, represents a steady downward tendency in the vitality of almost the whole of the Western world. The danger, the imminent danger, that we have to meet is nothing less than the decay

of a whole civilization ; the adjustments, the urgent adjustments, that we have to make are adjustments to a completely different order of society, national and international, than that to which we have been accustomed for the last hundred years or more. The crippling weakness of the Western world in endeavouring to meet this danger and to make these adjustments has been the policy of the Peace Treaties. Those treaties have confirmed the doctrine of nationalism as the final gospel of world politics. It is from this root that the policy of self-sufficiency has sprung ; to the fear of life, of which we have spoken, it has added the impetus of racial jealousies and hatreds. It would, no doubt, be folly to ignore the real grounds for such apprehensions. Race is a fact which cannot be argued away ; the Italian and the German cannot forget the real differences which distinguish them from the Slav ; we shall not abrogate the curse of Babel by unctuous sermons about human brotherhood. Yet the statistics we have sketched do not suggest that we, in the modern world, are on the verge of any such overwhelming expansion of population in the east as that which drowned the Roman Empire. Our population problems are enormously grave, but they are, after all, manageable—manageable by restoring a reasonable degree of fluidity in the international movement of trade, investment and population. But they are manageable only on one condition, that the Europe which emerged from the Treaty of Versailles shall lay aside childish things—those petty, even if ingrained antipathies, and those insane national self-complacencies which give the Europe of to-day the appearance of an ill-managed nursery.

It is difficult enough in all conscience to draw up a scientific diagnosis of our present ills and to prescribe detailed remedies. But perhaps the fog of inertia and futility in which modern statesmanship seems to have lost its way is due not so much to failures of diagnosis or foresight, as to lack of power to make any compelling moral appeal to the peoples of the world. However old-fashioned the phrase may have become, however forgetful we may

be of its meaning, western Europe and America is still Christendom—a society with common traditions, a common culture, a common history and, in spite of all lapses, a common faith. The three hundred years of its agony of which we spoke at the beginning of this chapter have been succeeded by two hundred years of revival. Up to the frontiers of Poland and Russia, up to the gates of Constantinople, and, it may not be fanciful to add, up to the Lebanon, it has been restored as Popes and Emperors laboured to restore it. In the last stage of its restoration it very nearly destroyed itself, but it has, after all, emerged even from the Great War with no irremediable hurt. During the last fourteen years, it has been given an opportunity to settle and rule its restored heritage as one great family of nations. There can be hardly a man or woman in Europe or America who does not realize how sadly it has misused that opportunity ; our present ills are, after all, the accurate measure of that misuse. But the opportunity is not yet lost ; it will remain open, we may hope, for a short space of time at least. But all signs converge to show that the space must be very short. Never, surely, have religious faith and political statesmanship been offered a more urgent or, if they are true to themselves, a more hopeful mission ; but if they fail, never will failure have deserved so final a condemnation.

CHAPTER IV

NATIONAL POLITICS: THE DEMAND FOR EQUALITY

OUR survey, so far as we have carried it, confirms the common phrase which attributes our economic ills to 'world causes,' but in a very different sense from that in which the phrase is often used. Englishmen or Americans or Frenchmen are suffering, not simply from mistakes committed or difficulties experienced by other countries, but from a world-wide change which affects all countries. That change, operating in each country, has profoundly affected their relations with each other; but this disturbance of international relations is the result rather than the cause of the dislocation of economic life within each set of frontiers, however strongly it may react upon and intensify that dislocation. Remedial action must be international in the sense that it must be similar and agreed action, taken simultaneously by every nation; not in the sense that the ills of all nations can be cured by multiplying or regulating their transactions with each other.

Wherever men produce and consume wealth, the balance between the production and consumption of different classes of goods—of ploughshares and loaves, steel rails and boots—has been thrown out of gear. It has been thrown out of gear owing, fundamentally, to a growing change in the balance of men's needs and desires; and, broadly speaking, from the Polish-German frontier westwards to the Pacific coast of North America the balance is changing in the same direction. The creation of a complete free trade area covering the whole of this vast tract of the earth's surface

would not therefore restore the balance, though it might slightly redress it. Any hope of restoring it must depend on calling in again, into the full comity of nations, the populations of that other vast tract, from the Polish-German frontier eastwards to the Yellow Sea, which has been so largely cut off, since the war, from normal communication with the outside world. That hope, however, is at best uncertain, and it is in any case more or less remote. Even if it were certain, the question would remain whether the Western world can survive long enough to take advantage of it. If it is to do so, it must gain time by adapting itself to the changed balance in the needs and desires of its inhabitants: and in this process of adaptation its constituent nations will only be helped in a very limited degree by any pooling of their productive power and consuming capacity. Time must first be won in the field of the domestic policy of each nation: and international action will be mainly effective in proportion as it is the sum of wise domestic policies. 'World causes' are therefore no excuse for domestic inaction; they are, on the contrary, the strongest reason for energetic domestic planning.

CAPITAL AND LABOUR: 'EQUALITY OF SACRIFICE'

Planning is a popular word just now, but perhaps those who urge governments to plan the national life sometimes forget that what men rightly demand first of all from governments is not efficiency but justice. It is, after all, justice which, to the end of time, will distinguish good governments from bad; justice is the only appeal by which parliaments can move men to action, the only power that can transmute statesmanship into popular leadership. Unless domestic policy, in this crisis, can begin by giving men the conviction of justice, it will follow no consistent line, but will eke out a precarious and changeful existence from one general election to another.

This is the more certainly so because, in spite of all vague talk about a 'world of plenty,' planning must

mean sacrifice. The tentative analysis which we ventured on in our apologue has stood the test of application to the conditions of to-day. The very ease with which modern civilization can satisfy the elementary needs of a relatively static population for food and clothing tends to reduce the value of the labour and capital hitherto devoted to producing these necessaries of life—and still more the value of the labour and capital hitherto devoted to producing the implements and the means of transport by which it was hoped to make ever-increasing quantities of these necessaries available to more and more consumers. And because, under our scheme of civilized society, the great majority of the citizens can only acquire a share in the wealth of the community in the form of wages paid for more or less highly specialized work, while the rest have largely depended, for their share, on interest paid for capital required in such work, any decline in the value of that work tends still further to reduce the purchasing power of the community, either by reducing wages and rates of interest, or by throwing men out of work and leaving capital idle. This 'either —or' indicates two sets of alternatives: how far the devaluation of labour and capital is to be shared by all labourers and all lenders, and in what proportions the devaluation should be shared by labour and capital respectively. Are we to maintain relatively high rates of wages and reduce the number of labourers, or are we to employ as many labourers as possible and reduce rates of wages? Are we to maintain relatively high rates of interest, as in Great Britain before 1932, for government war loans, while investors in industrial stocks receive low rates of interest or none at all, or are we to make, not merely an economic, but a patriotic, appeal to favoured classes of investors, as the British Government did in 1932? What, in justice, are the relative claims at the present moment of railway shareholders and railway workers? Each of these alternatives involves sacrifice, if not of real well-being, at least of what mankind finds it even harder to give up—its habits, its prejudices and its expectations. This is not to say that we

must, for all time, remain impaled on the horns of such dilemmas. The slump in values from which we are suffering is not a devaluation of man's labour as such, but a devaluation of it as specialized for certain tasks. It may be revalued by being re-specialized or by being de-specialized. But such a revaluation must be the work of at least a generation, and meanwhile it is mere blind folly to deny, as the advocates of high wages in effect deny, that labour or capital, as at present employed, has lost any of its value at all. The dilemmas are not eternal, but they are the inescapable dilemmas of transition.

But in one respect the analysis of our apologue was over-simplified. The ease with which human needs can to-day be satisfied is ease of production and bulk transport, not ease of distribution among individual consumers. In some respects, distribution has become, not easier, but more difficult as the standard of living has risen. Consequently, labour and capital employed in distribution has tended to rise in value as the value of labour and capital employed in production has declined ; in other words, the gap between wholesale and retail prices has tended to widen at the same time as the amount both of labour and capital employed in the distributive trades has increased. The high level of retail prices has, in its turn, tended to restrict consumption and still further to depress wages, employment and interest rates in productive industries. Here we encounter another dilemma, the dilemma of the middleman *versus* the producer ; and here again each of the alternative policies open to us must entail sacrifices from some section of the community.

The first question, then, that we have to ask in domestic policy is : how are we to create in the whole body of citizens the conviction of justice? Our whole experience during the last ten years demonstrates that we shall not induce the people of this country to make sacrifices unless we can convince them that we are asking for equal sacrifices from all. Our politics, our wage negotiations, our Mond-Turner conferences—all the agitations of our public life, even, in a

measure, the General Election of 1931—have failed year after year for this one fundamental reason : that while we all admit the principle of equality of sacrifice, we have been unable to give a definite meaning to that principle, acceptable to the community as a whole. And it is at this point that government is really called upon to play its part in industrial reconstruction. Only those engaged in and responsible for the management of each industry can plan the reorganization of that industry ; but only a government representing the community as a whole can focus the divergent interests and needs of all classes into an acceptable interpretation of the principle of equal sacrifice. Until government gives this lead, our efforts at reorganization will continue to dissipate themselves in futile disputes and disastrous strife.

Of course, no exact equality can be attained, and the ' grouser ' who will make no sacrifice till he is assured that his neighbour has made an equal one is not fit to be a citizen of a free country. Government, as Bismarck said, is not a science but an art. It is the art of rousing men to work together by making them feel that a fair balance of justice is being preserved between them. That is the spirit in which we should approach our task.

To begin with, let us consider the problem without reference to the particular ' world causes ' which we have hitherto been emphasizing. At the outset we encounter a very real difficulty. We find that, in estimating gains and losses of wealth, the two main sections of our people, the owners of capital and the wage-earners, tend instinctively to think (so to speak) in different accounting periods. The wage-earner whose life is regulated by weekly wages has inevitably a much shorter economic memory than the owner of capital whose profit and loss account is an annual one. The owner of capital therefore points out that his present position, compared with his position in 1914, can be contrasted unfavourably with that of the wage-earner. Take, for instance, the position of the most fortunate class of capitalist, the holder of Government securities before

the conversion operations of 1932. It is probably roughly true to say that, measuring the £ by the cost of living index figure, the average value of £1 of existing Government debt at the time it was borrowed was about 13*s.* 6*d.* in terms of the 1914 £, which, by the same measure, was about its value in 1931, while the average level of weekly full-time rates of wages in February, 1931, was about 70 per cent. above the 1914 level, so that the workman's weekly labour may be said to have been worth, still by the same measure, about 23*s.* in terms of the 1914 £. The wage-earner, on the other hand, dismisses 1914 as irrelevant, and points out that, between 1929 and 1931, the appreciation of the £ conferred great advantages on the *rentier*; and, quoting Sir Henry Strakosh's figures, he was urging at the time of the General Election that this favoured class should be called on to make the first sacrifice by submitting to heavy taxation on all income from fixed-interest securities. Of course, neither of these calculations proves anything in itself, and both would need to be qualified in a hundred ways before they could mean anything at all; but a mere mention of them serves to show how great is the gulf of thought which we must bridge if we attempt to reason and convince men on these lines. Compare as you will the fortunes of other classes of the community—the retailer, the *entrepreneur*, the landowner, the professional classes; you will find each with a well-founded grievance on their own premises and each in a position of comparative comfort on the premises selected by their critics. On these lines we shall make no advance towards the mobilization of a national effort at sacrifice.

The truth is that this sort of comparison between the present and the past, though it is the only calculation which the statistician can make, is almost a confession of national decadence when adopted by the statesman. Except in the hopeless years of a declining civilization, men live for the future; and the kind of sacrifice they can reasonably be asked to make is not the acceptance of some lower status as compared with the past, but the forgoing of some immediate

good for the sake of a future prospect. It is useless to remind men where they have come from and to point out to them that some have come further downhill than others ; we have to tell men where they are going to, and explain to them how to get there.

The real grievance of the wage-earner to-day is that in the nineteenth century he had admitted prospects for the future, and the owners of capital united in assuring him that those prospects were far brighter than he realized. Sir Robert Giffen assured him not only that the greater part of the wealth produced by the new industrialism had gone into his pocket, but that it would infallibly continue to do so. A better distribution of wealth and a greater equality of living conditions were the professed aims of our industrial society. To-day, however, the prospect seems to have faded. Employers and economists implore the wage-earner to face facts, to make sacrifices of wages, to speed up production and revise trade union rules ; and they point out with perfect truth that the sacrifice demanded of him will still leave him better off than before the war, with greater purchasing power and infinitely greater benefits from social services. But when the wage-earner asks what future prospects are to be secured by these sacrifices, the reply is often merely that the sacrifices are necessary 'to save industry.' The wage-earner can hardly be blamed if he replies that he is prepared to make great sacrifices to save industry, but only if he can feel reasonably confident that industry, if saved, will open up a better prospect for his children twenty years hence. Faced with this reply, can we assure the wage-earner that we still feel the same confidence in the 'economic harmonies' as Sir Robert Giffen did ? Do we still believe in industry as an agency for the better distribution of wealth, or are we offering the wage-earner social services because we have come to the conclusion that he will never be able to improve his own standard of living by his own efforts ? If we have lost this faith, can we blame the wage-earner if, before he consents to make sacrifices to save industry, he

asks ' what kind of industry—how managed, how owned, and how controlled ? '

Now, we must confess that industry to-day means something distinctly different from the industry of the nineteenth century. As has been often pointed out, our industrial development is in danger of falling between two stools. It is neither deliberately planned by the superior intelligence of a few men, nor does it offer, through free competition, opportunities for intelligence and stupidity, energy and sluggishness, to find their true level. No doubt ' rationalization ' and free competition both have their part to play in any industrial civilization ; but their respective parts must be distinguished. We must not be detected, as we too often are, in attempting to describe a highly organized, semi-monopolistic trust in terms appropriate to that type of private enterprise of which it has been said that the family engaged in it frequently ' passed from clogs to clogs ' in three generations.

Follow this idea one step further, and we shall hit on something very like the key to much of the wage-earners' discontent. The really important problem of all social life is that of the *succession to power,* the manner in which power—the power of government or the power of capital control—is transmitted from time to time to those most competent to wield it. We know how, for better or worse, that problem has been, at least provisionally, solved in politics. In industry the old answer to the problem was that power depended so entirely on competitive ability that, if competition were given free course, power would pass quickly enough from the incompetent to a more competent successor. But there is no doubt that, apart from all government action restricting competition, the growth of the limited liability company, combined with the English banking tradition of liberal accommodation for old clients, has immensely slowed down the transfer of power by prolonging the goodwill of a business for some considerable time after the management which created that goodwill has changed. And probably the concentration of

banking in a few great houses, by increasing the amount of accommodation available to big borrowers, has still further slowed down the process. Moreover, this accommodation is now the more willingly given because in modern industry it is no longer the industrialist himself who stands to lose most by the transfer of his power to more competent hands ; the chief loser is likely to be the private investor who is now the universal sleeping partner in almost all industry and the cherished depositor in all banks. So the periodical shake-out of exhausted initiative and dead capital is delayed, only to be accentuated in the end.

It should be observed that no form of ' rationalization ' touches this fundamental problem. When any industry is in a bad way, almost any form of drastic reconstruction will serve to give it a fresh start, but the new form of management, whether it be trust or cartel or public utility board, will prove no more eternally efficient than the old. If one studies an industry, like the gas industry, which has already long experience of State control and municipal ownership, one realizes quickly that State control may be a hindrance to efficiency, that there is nothing so difficult to change as an obsolete statute, and that no industrial combination is so difficult to effect as a combination of municipal undertakings. In an industry, as in politics, a dictatorship is often tempting and may sometimes be necessary, but, as in politics there is no lasting substitute for genuine parliamentary action, so in industry there is no lasting substitute for the continual testing of efficiency by genuine competition.

It is, of course, very possible that the wage-earner may have benefited as much as the investor from this slowing-down of change in industry. Certainly the investor suffers no less than the wage-earner when the deferred shake-out at last takes place. Here, as elsewhere, it is impossible to prove inequality of sacrifice. But on a short view—on the short view that the wage-earner inevitably tends to take—it looks as if the wage-earner were taking all his

old risks of unemployment or reduction in wages, while the owners of capital were being protected from at least some of the risks inherent in a trading venture. And this appearance of inequality is accentuated by a phenomenon to which far too little attention has been paid by economists.

We have already referred to the paradox of capitalism : that social wealth consists in the expectation of sharing in a cake which in fact is never cut. In that spirit the Victorian manufacturer and the modern American trust habitually put back into their business a large proportion of their profits. Their policy was, and is, one of low dividends and big reserves. The first thing that the wage-earner in this country suspects—again without possibility of real proof—is that British business, taken as a whole, has not been following this principle, but that the investor has been sharing the cake almost as fast as it was cooked. But the second thing he may suspect is that, where the sounder practice has been followed, it no longer has the same effect. Its modern effect may perhaps best be studied in America. The expectation of sharing in the cake is no longer, as in Victorian days, confined to the employer's family and his workmen ; it is broadcasted over the world through the stock exchanges. The investor does not get high dividends, but the value of his holdings increases in the expectation, realized in due course, of bonus shares. The expectation increases as the cake increases in size, but as, *ex hypothesi*, the cake must not be cut, the expectation eventually collapses, like all over-strained hopes, and the result is an industrial crisis, with attendant unemployment, no less serious, and perhaps more serious, than would follow a collapse due to failure to maintain sufficient reserves. Here, once more, it is quite possible that the investor gains no more than, and loses as much as, the wage-earner ; but is it unreasonable for one of the active partners in industry to feel that the sleeping partners are, in these circumstances, getting a disproportionate amount out of industry—some of them in cash and

all of them, if it does not sound too far-fetched to say so, in the hope and excitement which are so large a part of life?

Let it be remembered that we are dealing, for the moment, not with an economic problem, but with a political one—that is to say, we are discussing a state of mind. This underlying distrust of the processes of industry is a real obstacle, perhaps *the* real obstacle, to the launching of a national industrial effort; and if so it must be overcome. It cannot be overcome by legislation or taxation. The only possible remedy lies in a gradual change in the practice of industry and a corresponding change in the outlook of the investor. Government, with the tremendous power of publicity which it still possesses, can advertise and interpret that change, but it cannot bring it about. Moreover, the change required is, to begin with, not so much the invention of new standards as a return to old ones.

The equality of sacrifice for which we have been looking is partly to be found in an avowedly equal sharing of the risks of industrial and commercial enterprise. Certain government and public utility stocks will always meet the needs of the small investor who does not wish, or cannot afford, to take trading risks, but outside this range of investments the investor should not look for any security beyond that offered to him by the efficiency of the business to which he lends his money. He should expect to see that business squeezed ruthlessly out of existence when it ceases to be efficient, even if its elimination means the complete loss of the money he has ventured. He may fairly ask for returns from a successful business commensurate with this risk, but he should prefer to see himself insured against the risk by big reserves than compensated for it by big dividends, and he should regard the reserve as an insurance against the risk rather than as a promise of bigger dividends in the future.

Surely, too, we must return to the old idea which, in effect, used to govern our practice, though not our law, that a man who has only a limited liability for the failure

of a business can have only a limited interest in its success —and, indeed, a limited ownership of its assets. As the cake grows, the wage-earner, as well as the owner of capital, must feel an interest in its growth commensurate with the risk that he, too, is taking owing to his dependence on the business for his livelihood. The weakness of profit-sharing as a means of giving the wage-earner a common interest with the capitalist is that it has taken too much the form of additions to wages out of profits available for distribution in a particular year, and too little the form of recognizing the wage-earner's interest in accumulated reserves. In fact, we all now realize that profit-sharing in the form in which it has been adopted in the mining industry may easily deprive that industry of the capital essential for extensions and renewals, without giving the wage-earner any conscious interest in the welfare of the industry in the long run.

The inference from all this is, of course, that investment in industry is not a secure means of livelihood—and this is the truth that we need to realize as a nation. History seems to prove that a leisured class can maintain itself for good or ill by ownership of land, but not by ownership of trading investments. Such investments are nothing more than a venture; in these days a man's main livelihood must come from his own work. The days of a leisured class are past, never to return. If the owners of capital would recognize this, it might be the greatest single step that we could take towards a national effort at sacrifice. It is not, of course, that the very small class of able-bodied leisured *rentiers* constitutes a drain on national wealth; it does not. The existence of that small class is, on the contrary, in many ways an advantage to the nation. But it is an advantage that a trading nation must inevitably forgo. The standard of living set by this class, a standard mainly of house-room always slightly in excess of reasonable requirements, with a corresponding staff of domestic servants, must be replaced by a simpler standard of comfort. This is perhaps the one respect in which

Americans have had a shrewder insight into the facts than we. They realize the unpleasant truth that it is impossible for any citizen of an industrial nation to base his life on the assumption of the permanence of wealth in the same hands.

But if we ask industry (to use a phrase familiar in political controversy three years ago) to use the limited liability principle as a spear head in industrial competition rather than as an umbrella for the investor, we can then ask the wage-earner with equal emphasis to use his trade union in the same fashion. Trade unionism is almost as old as the limited liability company, and has become quite as unwieldy in its bulk and quite as stiff in its joints. As industry has been deterred by the former from reorganizing its capital, so it has been deterred by the latter from reorganizing its labour, until the eventual shake-out has resulted in a wholesale displacement of labour and a wholesale loss of capital.

Finally, there is a third part of our social machinery which has grown too unwieldy to adapt itself to modern needs. If we ask the private sleeping partner in industry to accept a more modest place in comparison with the active partners, what of the public sleeping partner, the State—the biggest, the most exacting, and surely the most sleepy? In 1931, Lord Snowden, as Chancellor of the Exchequer, quoted the striking words of William Pitt about a system of taxation based upon a general tariff and a general excise: 'There is a way in which you can tax the last rag from the back and the last bite from the mouth without causing a murmur against heavy taxation, and that is by taxing a large number of articles in general use. The tax will pass into the price of the article. The people will grumble about high prices and hard times, but they will never know that the hard times are caused by heavy taxation.' The substance of that quotation can be applied with equal force to a general taxation of all industrial profits which tends to raise the price of capital and to diminish employment. So long as the State follows

the will-of-the-wisp of a redistribution of wealth by taxation, so long will its taxation stifle industry. But observe that that will-of-the-wisp began to flit over the marshes of politics when the economists and the owners of capital began to lose faith in industry as itself an agent for the redistribution of wealth. We shall not return to political sanity until industry formulates afresh its ideas as to the extent to which it can still discharge that duty and fits itself once more to discharge it.

In this discussion we have left out of consideration for the moment the profound economic changes which we have seen reason to anticipate. We have discussed the relations of labour and capital on the assumption, hitherto commonly made by industrialists themselves, labour leaders, politicians and economists, that the crisis through which we are passing need only be a temporary one. On this basis, we began our discussion by speaking in terms of equality of sacrifice ; we have ended it by speaking in terms of sharing risks, sharing interest in the accumulating assets of industry, and sharing the obligation to work for a livelihood. This is probably as far as we can get on these lines, and though we are yet far from a solution, this at least gives us the temper in which we must seek one. Though we cannot eliminate differences between class and class, though every effort to redress inequality by taxation only leads to greater inequality and widespread distress, those who have hitherto been sleeping partners in industry must put themselves in a position where they can assure all their fellow-countrymen that at least none of them is ' at ease in Zion.'

TENDENCIES TOWARDS ECONOMIC EQUALITY

But if we bring these conclusions into relation with our previous survey of the ' world causes ' of the present depression, we can see at once that there is no prospect of ease in Zion before the sleeping partners in industry. The accumulation of capital has already been checked.

The cake is not growing larger, or can only grow by very slow degrees, and any attempt to cut it will reduce its size to vanishing-point. In such circumstances capital must lose more of its value than labour. Labour is losing its value so far as it is applied to certain specialized tasks, to the mass production of standardized necessaries and, still more, to the production of capital goods ; but labour will always have a value, for men will always ask services of some kind from each other to meet their needs or minister to their pleasures from day to day. Labour must seek its market in new directions, and the search will be painful ; but the market will always exist. But capital is losing its value, not only as invested in certain industries, but because the world no longer needs to provide on the same scale for an expansion in its future needs. The ' tendency of profits to a minimum ' which the older economists asserted as a natural law, and which Dr. Pierson, in the passage quoted in the preceding chapter, denied *except in the case of ' a less rapid growth of population,'* is already evident and will gather momentum in the future. The conviction of justice is strongest when it arises from a conviction of necessity. The older economists in fact asserted not only an ' iron law of wages ' but an iron law of capital. Both assertions have been unduly discredited and we are now realizing that both were more true than we supposed ; but if wages and employment are now feeling the operation of the one law, capital is feeling still more acutely the operation of the other. Displacement of labour is inevitable ; equally inevitable is a revision of the whole confused structure of trade union rates ; but neither of these revolutions is likely to be so drastic in its effects as the revision of all ' leisured ' standards of living based on the accumulation of capital.

Even more drastic, however, is likely to be the revolution in State finance and especially in the financing of the social services. All State services have for long depended mainly on the taxation of these very accumulations of capital by income-tax and death duties ; but the social services have,

by their very nature, depended especially on such taxation, since otherwise they could not have fulfilled their supposed function of redistributing wealth. If this source of taxation begins to dry up, the whole nature of the social services must change. For years, in fact, we have been trying as a nation to run two quite incompatible policies side by side. On the one hand we have been trying to promote a wider distribution of wealth and have been steadily splitting up large accumulations of wealth in private hands. On the other hand, we have been trying steadily to transfer the burden of maintaining the social services from rates to income-tax. The accumulation of big fortunes during, and immediately after, the war concealed for a time the incompatibility of these two policies, but a clash between them was inevitable and has now become the more inevitable since the tendency to greater equalization of wealth is now seen to be no longer the mere result of government policy, but to arise naturally from the economic conditions of the modern world.

Much attention has been attracted recently by the spectacular fall in the yield of income-tax and surtax by no less than 14 per cent. in one year, as between 1931–2 and 1932–3—a fall which, according to the Chancellor of the Exchequer's estimates, is to be followed by a further fall of nearly 7 per cent. in 1933–4. But perhaps more significant is the fact that surtax, which accounted for 21 per cent. of the total yield of these taxes in 1931–2, accounted for only 19 per cent. in 1932-3, and is estimated to account for only 17 per cent. in 1933–4. In fact, while the yield of income-tax is expected to decline by one-sixth over the two years, the yield of surtax is expected to decline by one-third. The day of great contrasts of wealth is passing and with it the possibility of basing taxation for the social services on the idea of 'ransom.'

These anticipations seem to point to another conclusion. They evidently throw doubt upon much of the current talk about 'raising the price level.' This is a complicated question to which we shall have to return later, but two

suggestions may be briefly made here. On the one hand, our anticipations seem to contradict the common assumption as to the inadequacy of the supply of gold to finance the growing trade of the world. It seems that the volume of trading transactions will not tend to increase, but rather to become relatively stationary and, consequently, that the production of gold may well tend in the future to outrun, instead of lagging behind, the production of other commodities. Under such conditions, the gold standard would, in fact, become an inflationary instead of a deflationary factor, and a rise in the level of commodity prices will be better secured merely by restoring the free movement of gold than by any ingenious efforts at artificial inflation. But, on the other hand, if we can rid our mind for a moment of the Money Superstition, and think in terms of values rather than of money prices, it is clear that no monetary factor can, in the long run, raise the price of capital goods and staple consumption goods of which the world is admittedly capable of producing more than the future population of the world will desire to consume. Ease of production must tend to lower values, not to increase them, and, however much the steep general fall since 1929 in the prices of most of the commodities used for the purpose of price index figures may have been accentuated by failures in the currency mechanism of the world, the fall itself is therefore a much more natural one than has commonly been supposed. Such a fall in values is not, indeed, likely to continue, and, no doubt, we may look for some substantial reaction. As the demand for staple commodities becomes more nearly stationary, the law of increasing returns will cease to operate, and their values will tend to stabilize themselves at a somewhat higher level. But the new level is likely to be considerably below that of 1929. If the life of the nation can once be adjusted to the new level, it is likely to find itself on a fairly stable foundation, but it must be adjusted.

This brings us to a consideration of the whole problem of Budget policy. Budget policy in Great Britain, as in

other countries, has, during the last few years, halted ineffectively and disastrously between two opinions. Wage levels and wholesale price levels are admittedly completely out of relation with each other, but public discussion has shirked the fundamental issue whether the gap between the two should be filled by reducing the wage level or raising the price level. To this shirking is due the repeated failure of successive 'economy' campaigns. The inflationist has frankly clamoured for a policy of government capital expenditure directed to raise the price level of consumable commodities by increasing the purchasing power of the wage earner and salary earner. The 'economist,' while pressing for a reduction in government expenditure, has never faced the unpleasant truth that no serious reduction can be made in government expenditure, either central or local, except by reducing the level of wages and salaries. Still less has he faced the corollary that, if wages and salaries are to be reduced, retail prices must be reduced towards the level of wholesale prices, not vice versa. On the whole, expert advice has inclined towards the assumption that we must and can raise the wholesale price level, and it has thereby powerfully ministered to the cowardice of politicians. Obviously, any policy of reducing salaries, wages and retail prices must be intensely unpopular, as unpopular with the middle as with the working class, as unpopular with the co-operative society as with the private trader. Happy, indeed, is the politician who is assured by the experts that there is no need for him to enter that strait gate and narrow way.

Hence the importance of the argument which has formed the main subject of this chapter, if that argument can but be brought home to the nation at large. For, if that argument tends to show that the wage level in many staple industries must fall at least some way to meet the price level rather than the price level rise the whole way to meet the existing wage level, it shows with much greater certainty that the level of interest and profits must also fall, and must, indeed, fall much more than in

proportion to any fall in salaries and wages. The sacrifice of salaries and wages will fall, not only upon certain staple industries, but also upon all those professions whose remuneration depends to any considerable extent upon the level of profits in those industries, and particularly on State employees, such as civil servants and teachers, whose remuneration largely depends upon the yield of taxes on income ; but this sacrifice will, in the very nature of things, be more than balanced by a sacrifice imposed on the profit maker or the profit taker. The sacrifice will be shared by all, and will, broadly speaking, be shared in proportion to ability to bear it. The relative decline in the yield of income-tax and surtax shows that it is already being so borne. Moreover, this general fall in the value of labour and capital will, and should, be made to clear the way for a wholly new policy of national reconstruction and development. It has surely been a specially curious confusion of thought, induced by the Money Superstition, that the idea of public expenditure on a large scale on works of national development should have become linked, first in England and now in the United States, with the idea of raising the price level by some form of currency inflation. No such association of ideas has characterized Mussolini's policy in Italy. There, national development loans have, on the contrary, been the complement of a strict and dictatorial downward control both of prices and wages, far more general and drastic than any ' cuts ' introduced by the National Government in Great Britain in 1931. Whatever may be the differences between private and public housekeeping, they are not so different that the connexion between reduced working costs and increased development expenditure which is so obvious in the one should be regarded as strange in the other.

This leads to a further and very interesting consideration. The obvious compensation that we should wish to offer in exchange for a reduction in wage rates and interest rates would be an increase in employment and a consequent reduction in public expenditure on relief. Hitherto this

prospect has been darkened for us by the bugbear of the machine. It has been universally assumed in recent years that we must look forward, for an indefinite period, to a continuous increase in ' technological unemployment.' According to this assumption, man's labour must tend perpetually to be displaced by the machine. But at the back of this assumption is the old belief which we have seen reason to question : that we can look forward to an indefinite growth in the mass production of consumable commodities and capital goods. The capitalist's motive in mechanization has been predominantly the motive of increased production. Throughout the nineteenth century every advance in science which has increased the productivity of human labour has been adopted, not for the purpose of replacing human labour, but for the purpose of expanding output. In fact, every such advance has greatly increased the number of labourers employed. Once withdraw this motive of increased output, and the capitalist may well find that new machinery is an uneconomic investment. The very rapidity of scientific advance under a system of competitive production tends to discourage the installation of machinery, for new machinery soon becomes obsolete, and a mere saving in wages, in the absence of any increase in saleable production, will hardly be sufficient to pay depreciation upon it and provide for obsolescence. Except under conditions of expanding mass production, the old rule-of-thumb farmer's maxim that profits should be put into live stock rather than into machinery is, on the whole, sound.

And here arises the question whether much of what we now call ' technological unemployment ' is not really ' social insurance unemployment.' It is probable that, at the present time, the determining motive in the mind of any employer who substitutes machinery for human labour is, not any calculation of the superior efficiency of the machine, but the fact that human labour is specially taxed by the State. For every man he employs, he is taxed in insurance contributions for health, unemployment

and workmen's compensation. Faced with these charges, even if he does not displace men by machines he will try to displace them by better organization and scientific management. He will certainly not increase the number of his employees by shortening their hours of labour. Apart from this artificial tax on employment, it is by no means certain, it is even improbable, that technological unemployment will tend to increase in the future. On the contrary, it may well diminish. There can be no doubt that, under the conditions of a stationary or a declining population, an increasing proportion of productive effort will tend to be diverted from quantity goods to quality goods, and, even in the production of quantity goods, stable demand will tend to discourage the introduction of machinery.

Before passing to a consideration of actual policy, we must note one final conclusion to which our anticipations seem to point. The machine is not the only feature in our industrial organization which depends for its attractiveness on expanding mass production. Another such feature is the tendency towards amalgamations of capital and unification of administration. True, one of the motives at the back of this tendency has been the desire to eliminate competition, and this motive is likely to be strengthened rather than weakened as the demand for staple commodities becomes more nearly stationary. But there is all the difference in the world between 'rationalization' of this kind, aiming at agreements between firms for limitation of output, and the 'trustification' of an industry by amalgamations of firms for the purpose of exploiting an expanding market. As quality becomes of more importance than quantity, there is likely to be a strong reaction towards individual enterprise and smaller units, at least in many branches of industry.

Already the small unit plays a far larger part in British industry than is commonly supposed. In 1930, of a total of 127,768 factories in England, Wales and Scotland, over 76 per cent. employed 25 persons or less, and only 8·2 per cent. employed more than 100. Of just under 5,000,000 persons

employed in these factories, nearly 650,000 were employed in factories employing 25 persons or less and nearly 1,000,000 in factories employing from 26 to 100 persons. If there is one outstanding characteristic of the present day it is the failure of the large scale industrial unit any longer to fulfil its essential function of distributing, as well as producing, wealth. In the future, the Trust Idol may well join the Money Superstition, the Machine Bugbear and the Redistribution of Wealth Fetish in the limbo of forgotten political slogans.

These are only general indications of some of the conclusions which seem to arise at this stage of our argument. It is, at any rate, in the light of these considerations, not in the light of old-fashioned ideas about an ineluctable struggle between labour and capital for their due shares in the proceeds of industry, that we have to face the practical issues of government in the future.

CHAPTER V

THE TASKS OF PARLIAMENT

ONLY a fool could claim that the argument of the preceding chapters amounts to a scientific proof of any proposition whatever. Our conclusions have been rather in the nature of a working hypothesis. Regarded as such, however, they do seem at least to account in some degree for the curious sense of futility which pervades modern politics.

Impatience with the House of Commons is, indeed, nothing new; according to Mr. Garvin, it dates from at least as far back as 1894. Now, however, this impatience seems to extend to the executive—to the Civil Service and to the whole machinery of Cabinet government. The same creeping paralysis can be observed in other countries, notably in the United States where the House of Representatives probably never enjoyed the same respect as the House of Commons, but where the prestige of the Senate has been declining for at least thirty years and has recently begun to drag down with it the reputation of the Presidency itself.

Again, it is nothing new, in this or in other 'democratic' countries, that the immediate programmes of political parties should seem more or less irrelevant to great social and economic issues. For nearly the last half-century, ever since the Home Rule controversy stifled Joseph Chamberlain's radicalism, all party programmes have temporized or compromised with real issues. That period has seen the rise of the Labour Party as a protest against such irrelevance, and it has seen, too, the lapse of the

Labour Party into equal incoherence. Thirty-five years ago, we had the rag-bag of the Liberal Newcastle Programme; five years ago we had the 'dog's dinner' of 'Labour and the Nation.' But the new fact of to-day is that it is the fundamental party creeds rather than the fighting party programmes which seem most hopelessly out of date.

Since the General Election of 1931, parties in Great Britain have shown a very real tendency to abandon the compromises of 'reformism' and to take their stand once more on the logical implications of their party principles. The Conservative regards it as his duty to make private enterprise work, in the sense of restoring nineteenth-century capitalism; the Socialist has revived the old high doctrine of socializing the means of production, distribution and exchange. But this return to more clear-cut issues fails to clarify politics or to restore the prestige of politicians because it is precisely these fundamental articles of party creeds which have become irrelevant to the real issues of to-day. There can be no question either of reviving nineteenth-century capitalism or of putting it into commission by making the State the sole capitalist. The parties which are fighting as to who shall own and control the arsenal of production may well find that whichever wins will occupy only an empty shell. It is no longer a question in whose hands shall be placed the authority to control the operations of specialized labour. It will not matter very much one way or the other how that question is decided, for, whatever the decision, it will apply only to a relatively small number of men employed in the production of a limited quantity of the staple necessaries of life. The control of the factories and farms where these are produced will not of itself give the controlling authority any power to distribute the produce more fairly and fully among the mass of the population, and the mere production is so easy that the nature of the control is comparatively unimportant. The real issue is how the mass of the community, consisting of the workman for whose specialized labour there is no demand in

large-scale industry, even when hours of labour have been reduced in such industry to four or five a day, and the *rentier* who can no longer lead a leisured life on the reduced yield of his shrunken capital, are to find new scope for productive activity and thereby acquire their share in the wealth of the community.

Nor is it only the specialized labourer for whom this new scope has to be found. The shrinkage of capital in the hands of leisured *rentiers* will throw out of employment that large body of labourers who now earn their living by rendering 'amenity' services, domestic or otherwise, to these *rentiers*. The whole existing structure of life and employment, and especially the structure of rural life and employment, has depended on the profits of large-scale industry and must decay with the decay of those profits, whether it is the State or the private capitalist in whose hands they decay.

There are, broadly speaking, two, and only two, alternative solutions of this issue: the wider distribution of private property or the conscription of labour by the State. This is the issue which should divide political parties, but hitherto the issue has not even been visualized, still less discussed.

It is, however, useless to complain that politicians do not seize on this fundamental issue. Parliamentary debate must always be confined within the limits of popular ideas. Questions which do not interest the electorate will never play much part on the floor of the House of Commons. Political changes are normally brought about, not by politicians who suddenly begin to preach new doctrines, but by propagandists outside politics who appeal to the electorate over the head of the politicians. The real complaint about Parliament is that its whole machinery is now generally regarded as so inefficient that the more responsible type of propagandist no longer thinks it worth while to force the true gospel on the politician through his constituents. If the propagandist wants to get practical results, he tones down his gospel to correspond with the poor best that

he can hope to translate into practice through the old parliamentary machinery, or even turns to a second-best gospel. The same sense of the impossibility of translating real policies into practice through parliamentary legislation or Cabinet administration weighs constantly on the politician himself, and reduces him to a kind of stodgy silence.

This is surely the real explanation why, as we suggested in the preceding chapter, the economic experts have united in advocating the raising of world prices rather than the reduction of wage rates and rates of interest. Given the conditions which limit parliamentary action, the former seems at least to be possible, however difficult, while the latter, however preferable, seems utterly outside the realm of practical possibilities. And the impossibility does not lie, as is often supposed, in the mere unpopularity of the policy. The General Election of 1931, if it proved nothing else, proved how compelling may be an appeal to self-sacrifice. It is not really democracy that is at fault, in the sense of the dependence of legislators on popular election. It is not that which constitutes the real difference between Mussolini and Mr. Ramsay MacDonald. The impossibility of drastic action by government, corresponding to unforeseen and inevitable changes in economic conditions and social life, lies rather in the character of the parliamentary machine itself, including the machinery of Cabinet government. Certainly, whether we are credulous or sceptical about the scope of government action, if we are to enable the people of these islands to re-plan their social life, government must begin by re-planning the structure of its legislation and administration, and that re-planning must begin at the centre in a reform of Parliament and the Cabinet.

Before we suggest the lines of that reform, let us consider what we may expect to be the general nature of the tasks which the legislator and administrator will have to discharge in the immediate future.

THE RESURRECTION OF THE INDIVIDUAL AND THE SIMPLIFICATION OF GOVERNMENT

Of the two alternative policies just mentioned—the conscription of labour or a wider distribution of private property—the first, if it is to be seriously discussed, would obviously involve a measure of dictatorial control which no parliamentary government, however constituted, could possibly exercise. Consequently, the programme evolved in a series of pamphlets by the 'young bloods' of the Socialist party during the past year or so frankly contemplates, in effect, the abolition both of Parliament and the Cabinet, and the transfer of the real powers of government to a Party Directorate, on the Fascist or Communist model. Short of such a revolution, it is, however, quite probable that we must contemplate a great extension of State control over those industries which produce the elementary necessaries of life, such as staple foodstuffs and fuels, and certain basic materials of further manufacture, such as cloth and iron and steel. For the rest, it is probable that the civilized world will find its only—and a very difficult—salvation in a resort to the second alternative. In the first chapter of this essay, we drew attention to the tendency to degeneration exhibited by all governments. The only cure for that tendency is the resurrection of the individual. In terms of the life history of societies, we have reached much the same stage as Imperial Rome ; have we realized that the old tag which attributed the decay of Italy to *latifundia* meant that the decay was caused by the obscuration of the individual, the withdrawal from him of the means of self-support, and his absorption into dependence on the crowd ?

For many years past the trend of policy in this, as in other countries, has been to increase the power and privileges of local authorities and other statutory bodies, and to give the executive wider and wider discretionary control over the activities of individuals. All systems of administration have a tendency to expand, and this tendency seems to persist even when, as we suggested in the

first chapter, a system is hardening into immobility. All who have power desire to exercise that power on new objects, and, if the exercise of power is increasingly blocked in certain directions, it will take the line of least resistance in other directions. When a government begins to be choked by its own creations and becomes unable to control its own public statutory institutions, it will increasingly try to control the private individual who is unprotected by vested statutory rights. In such circumstances, it needs no elaborate ' planning ' to intensify the dependence of the individual on large-scale industry and on government regulations ; it will need an intense effort of planning to give him at least some opportunity of freeing himself from such dependence. Yet at present all our efforts seem to be concentrated on closing all possible doors to such emancipation. We can see unemployment being created on a small scale, but in a form involving intense individual hardship, in the operations of the Traffic Commissioners under the Road Transport Act. We can see it, again, in the difficulties which the individual farmer has to encounter before he can get a licence to slaughter his own animals for sale. We can see it in a hundred other obstacles put in the way of individual initiative and individual self-support ; and the alarming thing is that these obstacles are so familiar that they hardly any longer excite remarks. This constant circumscription of the liberty of individual action is the more difficult to criticize, because, broadly speaking, laws or regulations of this kind can always be justified. Building by-laws, for instance, are essential ; but how many householders are every year deterred from altering or adding to their houses because of the complexity of the regulations to which they have to conform ?

This, it may be suggested, is the real nature of the task confronting the legislator and the administrator at the present moment. It is a constructive task of simplification, and there are probably three main ways of simplification.

The first is pure simplification of machinery — such simplification, for instance, as was embodied in the Local

Government Act of 1929. But such simplification will not be effective, it may even be positively harmful, if it merely means, as the Local Government Act of 1929 very largely meant, the concentration of more and more functions in one particular set of institutions. The County Councils and County Borough Councils are, in many ways, very wonderful institutions, but let it not be forgotten that our machinery of local government represents a most significant departure from our constitutional traditions. If there is one thing which has characterized all constitutional development in this country, it has been our deep-rooted distrust of the fitness of elected persons for administrative responsibilities. Yet, except that we have provided these local authorities with irremovable Medical Officers of Health, we have given locally elected councillors complete power over the whole range of local administration, including an enormous amount of valuable administrative patronage—the appointment of teachers and so forth. In doing so we have run great risks—on the whole with very good results. But the risks are there; we all know how real they are, and if we put too much strain upon the machine, we may well cause a breakdown. As it is, the two great additions we have made since 1929 to the functions of these local authorities—wide town-planning powers and the administration of the means test on behalf of the Minister of Labour—have probably been two serious mistakes, and the second has, in fact, already been recognized as such. Just as we have been forced to take out of the hands of Parliament the function of regulating rates of duty on imported goods, so we shall probably have to transfer from elected local authorities to appointed bodies many functions which elected persons cannot, as a general rule, be expected to discharge with speed and impartiality.

Moreover, this simplification of machinery must not be confined to local government or to statutory bodies; it must be extended to Whitehall itself. A drastic amalgamation of departments, with a corresponding reduction of Cabinet

posts, would greatly conduce to both the economy and the efficiency of the central government. There will always be divergent views between departments on major issues of policy, but many such divergencies ought not to wait to be reconciled by the Cabinet itself or, according to recent practice, by Cabinet Committees; they should be reconciled between under-secretaries of the same department under the chairmanship of a controlling Minister.

To pass to the second way of simplification, simplification of machinery is useless without simplification of the statutory duties imposed on each administrative organ. Recent tendencies in government sin against traditional English principles, not only in giving administrative powers to elected persons, but also in confusing the responsibilities of the local and central governments. The whole idea of responsible government can be reduced to the simple proposition, evident enough, but only clearly grasped by the British people, that whoever has power should have a sense of responsibility in the exercise of that power. Incidentally, if we had but remembered that simple proposition, we should not have made the idiotic mistakes which are enshrined in the Montagu-Chelmsford constitution of India. The confusion of responsibilities between Whitehall and local governments in matters of education, transport and public health is really destructive of this sense of responsibility. Each individual item of expenditure, whether it be a school or a road or a health nurse, is represented locally as an expenditure required by Whitehall, and in Whitehall as an expenditure required by the local authority. A proper definition of responsibilities can only be attained, first by a complete abolition both of the system of percentage grants and of the system of subsidies, and secondly by a fundamental simplification of statutes, and of regulations made under statutes, imposing duties on local authorities.

There are two broad classes of administrative responsibilities which we should thus seek to define and simplify. The first is public works. Nothing creates more uncertainty

of employment than irregularity of demand. At present, the division of responsibility between central and local authorities tends to introduce the maximum of irregularity into the demand of public bodies for goods and services. This is true not only of the control exercised by Whitehall over the grant-aided or subsidized expenditure of local authorities but also of the control exercised over their borrowing. In practice, such control often tends to be political rather than financial, and it is arguable that the Public Works Loan Board is a sounder check on local finance than the Ministry of Health. We cannot, obviously, relinquish control over local borrowing, but we can simplify it in three ways : by transferring such responsibilities as housing to private or public utility enterprise, capable, without subsidy, of planning regular development on a large scale ; by requiring that loans raised for remunerative public works shall be secured on those works, not on the general security of the rates ; and by settling programmes of public work over five-year periods. No industry can exist on a spasmodic succession of annual ' interim ethics ' ; yet at present even the Admiralty expects the dockyards and the Post Office expects the telephone supply industry to exist on this basis. The Government is the worst buyer in the country.

The second class of administrative responsibility which clamours for simplification is that commonly known as the ' social services.' We have already suggested in the last chapter that the tendency of profits to a minimum must lead to a fundamental change in the whole structure of public finance. Local authorities will no longer be able to rely on large subventions from the central exchequer, derived from direct taxation of the richer members of society. The social services will be increasingly financed out of the pockets of those who benefit from those services. As soon as this is realized, the beneficiaries will certainly, and rightly, demand a more direct voice in the management of those services and a reduction in their cost. This is a problem to which we must return later, but it entails the

most drastic reconstruction, for instance, of the Education Acts.

So much for the first two ways of simplification: the simplification of machinery and the simplification of the statutory distribution of responsibilities and functions between different administrative bodies. We now come to the third and most difficult kind of simplification: the simplification of methods of legislation and administration as they affect the individual citizen.

'THE NEW DESPOTISM'

Here we encounter the whole vexed problem of the exercise by administrative officers of law-making and judicial powers. This has been the subject of a detailed inquiry by the Lord Chancellor's Committee as a result of criticisms directed against the present system by Lord Hewart and many others. Unfortunately, the report of that committee shows clearly that this kind of criticism leads nowhere. 'The New Despotism,' having been solemnly impeached with a wealth of oratory, is let off with a farthing fine. This niggling waste of effort, our apparent inability to innovate or to do any really original thinking, is the most exasperating feature of modern politics. As we shall see in a moment, the same hopeless lack of originality has characterized the recent Report of the Select Committee of the House of Commons on 'Procedure on Public Business.' That report, in effect, recommends that Parliament should set its house in order by transferring the antimacassar from the sofa to the arm-chair.

The truth is that no member of the Lord Chancellor's Committee ever seems to have asked himself what is the real meaning of our traditional English reverence for 'the rule of law.' Our whole practice seems to contradict that tradition. No nation in the world has ever persisted as we have in a primitive confusion of executive and judicial functions. It is only some fifty years ago that Quarter

Sessions ceased to sit simultaneously as a court of justice and a Road Board, and there are plenty of instances to-day where bodies of elected persons, such as the Theatres and Music Halls Committees of the L.C.C., exercise quasi-judicial as well as administrative functions. And this is, in reality, the reason why the British people have been so anxious to elevate the rule of law into a principle. They have tried to insist on a distinction of function without separation of institutions. Just because, under our system of government, one and the same person has so often found himself acting both as an administrator and as a judge, we have set a particularly high standard of dispassionate and impersonal action for all who find themselves called upon to exercise any judicial or semi-judicial function. The absence of a logical separation of powers has tended, throughout our history, to expose the citizen to arbitrary action—first by the King on the principle of *salus populi suprema lex*, later by magistrates on the analogous principle of *salus perdicis suprema lex*, and finally by Parliament on grounds of Parliamentary privilege. In order to counteract this tendency, we have formulated the principle stated by St. John at Hampden's trial, that 'the law should run in fixed and known channels'; but, so long as the channels were fixed and known, we have never troubled our head much whether they were lined with a judge's ermine. It might, indeed, almost be said that we have formulated our most important constitutional principles, not as a description of our practice, but as a moral corrective to it.

This is the explanation of the failure of the Lord Chancellor's Committee. It is useless to seek to regulate our government by principles, the very essence of which is that they are so flexible as to leave the statesman the widest possible choice of methods. The real tradition of our country is to choose the methods best adapted to the problems of the immediate future. In this light we need to study afresh the true ground of the citizen's complaint against present methods of administrative action. The

true nature of that complaint can be realized only if we draw a distinction which is rarely, if ever, remembered in controversies on this subject. There is a clear distinction between obligations which Parliament deliberately intends to be imposed on the citizen as part of a definite policy, and has therefore sought to define with some degree of accuracy; and obligations which Parliament has deliberately refrained from defining on the ground that their application to individual cases is a matter of broad administrative discretion. The first class of obligations are clearly matters for judicial interpretation and decision by the ordinary courts. The second are matters for executive decision in the particular case, because, *ex hypothesi*, no sufficient principles have been laid down for judicial interpretation.

The best example of the second class is the provision in the Education Act by which the President of the Board of Education is called upon to decide as to the obligation of a local authority to maintain a new voluntary school, bearing in mind the wishes of the parents, the interests of secular education and the economy of the rates—i. e. three factors which are obviously not *in pari materia*. Parliament did not intend any one to decide judicially which is the greater—a saving of £500 to the rates or the wish of Mrs. John Brown that Tommy Brown should receive a Catholic education. You cannot decide which is the stronger, a battleship or the taste of an onion. Parliament merely intended the President of the Board to reconcile somehow, in the individual case, the conflicting considerations which the legislature was incapable of reconciling as a matter of general policy. In the same way the decision of the Minister of Health on the propriety of the condemnation of property under a slum clearance scheme is properly an administrative decision in the individual case. If we try to represent 'insanitary condition' as a matter susceptible of legal definition, we are merely indulging in humbug. The question whether a particular house shall be coloured blue or red on a slum

clearance plan is one predominantly of administrative expediency.

We shall have something to say in a moment as to the proper limits of executive decisions of this kind, but it is a remarkable fact that it is not these decisions which most threaten to invade the citizen's rights. Broadly speaking, of the two classes of obligations created by Act of Parliament, it is the first, the obligations subject to judicial interpretation, which are by far the most onerous and irksome to the citizen. The reason for this is that such obligations are enforced by a combination of executive and judicial action, and in this combination the executive, though nominally subordinate to the judiciary, in fact plays the chief part. The courts, generally speaking, can only take cognizance of such obligations after the facts have been ascertained by administrative action. That means the call of the school attendance officer at the parent's house, the visit of the agricultural inspector to the farmer's dairy, and so on. The citizen will, generally speaking, not fight the dictum of the administrative officer, and especially he will not fight it if a fight takes the form of a prosecution—for instance, a summons before magistrates. The legal safeguard is therefore illusory, whereas the definition of the obligation by Parliament allows the administrative officer no choice between dereliction of duty and enforcement of the law, especially where non-enforcement might conceivably affect the rights or well-being of third persons. In spite of all that the lawyers may say, much less hardship would be inflicted, for instance, on the individual parent if the enforcement of school attendance were openly placed in the hands of a school attendance committee of the local authority, acting as a quasi-judicial body with broad administrative discretion to adapt general policies to the individual case, instead of being nominally placed in the hands of a bench of magistrates.

On the other hand, it is obvious that administrative action of this kind should be confined within certain limits.

To give to an administrative officer, dealing with the merits of the individual case, the power, for instance, not only to evict an owner-occupier from his house, but to evict him also without compensation, is to put far too much power over the citizen in the hands of an officer who is, *ex hypothesi*, acting on grounds of discretionary expediency. Moreover, administrative action of this kind loses its virtue if it is bound down too strictly by departmental regulations. Its virtue is adaptability, but many of our codes of regulations tend to invest administrative action with all the rigidity of judicial action under precise statutes. This is a similar mistake to that made in certain countries where the executive prerogative of pardon has been put in commission or restricted by forms of procedure which merely result in straining the quality of mercy.

These considerations seem to point to one or two general conclusions. In the first place, we should seek to confine within the narrowest possible limits those restrictions on individual liberty which involve a combination of executive and judicial action. The country to-day has one ground, and one ground only, of serious complaint against the Civil Service: namely, that its traditions of efficiency have tended to apply to legislation a quite exaggerated standard of enforceability. The public is lost in perplexity as to why the whole structure of restrictions, commonly known as 'Dora,' cannot be replaced by a simple Act forbidding the employment of any person in any business to which 'Dora' legislation now applies, including the pre-'Dora' Early Closing Acts, for more than the appropriate number of hours per day or per week. The answer commonly given is that such an Act would be unenforceable; but that answer is not convincing. The idea that, when the State confers a right upon a citizen and a corresponding obligation upon some other citizen, together with a remedy at law for both parties, it must, over and above that, assume an obligation to ascertain positively that these rights are respected and these obligations carried out in every individual case, is a kind of pedantry which must eventually

lead to inquisitorial tyranny. The insidious assumption that the individual cannot be left to take the necessary steps to enforce his own legal rights, is the most deadly enemy of civic freedom. Over a very wide field, government inspection, local and central, could either be abolished altogether or devolved to non-government agencies. For instance, the functions of factory inspection could be largely performed by industry itself. Where, as in agriculture, no competent agency exists for such purposes, the creation of such agencies is, for quite other reasons, an urgent necessity and should be one of the main aims of policy.

This amounts to a proposal that the emphasis of legislation in all such matters should be changed from the imposition of restrictions to the conferment of rights. This lies very near the root of the problem. It was, no doubt, very silly of the French National Assembly to think that all men have equal natural rights ; but we have been no less silly in supposing that all men have an equal natural liability to restrictions imposed by the State. If you approach the problem of slaughter-houses from the angle of restriction, you will naturally conclude that it should be equally difficult for every one to start such an institution ; but if you approach it from the angle of rights, it is surely natural to recognize that the right of the farmer to sell his finished product to the consumer is of quite different quality from the right of a tradesman to start a butcher's business. Similarly with slum clearance, every one instinctively regards a man's property in his only home as of different quality from a man's property in other people's homes. A definition of such rights, arising not from nature but from circumstance, and a definition of the limitations on those rights arising from other people's right to be protected from a nuisance, offers to the scientific lawyer his real opportunity to cut at the roots of our overgrown jungle of restrictive statutes and government inspection.

But there will always remain conflicts of rights which

are not susceptible of legal definition, and which, in a crowd civilization, must be reconciled by authority. This is the sphere of executive authority over the individual, and we go wrong if we ignore the fact (which all lawyers seem to ignore) that all such action is quasi-judicial, even if it is merely the licensing of a taxi-cab or a hawker. And in this sphere the true charge against the Civil Service is, not that Parliament has given it too wide an executive discretion, but that, having received that discretion, the executive has bound itself, in the form of regulations, by the very definitions which Parliament refrained from formulating. All such regulations are full of obsolescent, and often of really obsolete, provisions—and inevitably so. Of course, their object is to safeguard the citizen against arbitrary action, partiality or corruption on the part of individual officials, but fool-proof machinery is generally inferior machinery. We should be much wiser to leave the official the wide discretion with which Parliament has endowed him, limited only by such general principles as we have instanced in the case of the Education Act, laid down either by regulation or (if the parliamentary draftsman will allow us to do anything so amateurish) by Parliament itself. The individual has less to fear from executive discretion than from fixed executive regulations.

CHAPTER VI

THE REFORM OF PARLIAMENT

IN the last chapter we have indicated a field of legislative and administrative reform such as the British Parliament has never attempted to deal with in the past and such as no Parliament, as at present constituted, can hope to deal with in the future. Even if such a programme could be worked out by a large Cabinet of fifteen or twenty Ministers, each advised by the officials of his own department and advised by them generally in contrary directions —even if the House of Lords were called on to do its full half-share in the process of legislation—the programme would congest the House of Commons for ten years and would be uncompleted at the end of that time. If this or any comparable task is to be thrown on our legislators, the procedure of the House of Commons will have radically to be revised.

THE PROCEDURE OF THE HOUSE OF COMMONS

We have already referred to the recent Report of the Select Committee on Procedure. That report makes a few detailed recommendations of little importance. Its only important recommendation is the strengthening of the present Estimates Committee and the widening of its powers so as to enable it to consider questions of policy as well as of detail, and to review the whole question of the relation of public expenditure to the national income. This recommendation is probably unobjectionable, but it is probably also wholly useless. It proceeds from a

complete misconception of the real meaning attached by the British people to the phrase ' responsible government.' The British people have always steadfastly refused either to adopt the logical principle of separation of powers *à la Montesquieu* or to submit executive acts to the direct control of the elected representatives of the people. Our executive is responsible to Parliament because it is independent of Parliament, holding in its own hands all administrative patronage and endowed with the widest measure of administrative discretion. Being thus independent, its responsibility is clear and can, in practice, be enforced at any moment by dismissal through a parliamentary vote. The legend that in some Golden Age in the past Parliament exercised strict control over the Government's expenditure is an almost pure fiction. Traditionally, Parliament has used the Crown's requests for ' supply ' as an opportunity, not to examine the methods of government finance, but to press for the redress of grievances, more often than not grievances quite irrelevant to the issues raised by the particular vote asked for. It is the persistence of this tradition, not any forgetfulness of ancient practice, which makes the Estimates debates in the House of Commons so chaotic and so futile. It may or may not be a good thing that Parliament should establish a powerful Budget Committee on the lines of the French legislature, but such a development would be, not a return to old principles of parliamentary action, but a revolutionary change in the English conception of the relations between executive and legislature.

In fact, proposals for reforming the procedure of the House of Commons usually fail because their purpose is not defined. By demanding that it should be more business-like without defining what its business is, reformers often get no further than proposals which would make it look more business-like without really enabling it to do more business.

The proper business of the House of Commons may be defined roughly as follows : to focus public attention on the

important issues of the day, to grant taxation limited to the needs of the executive, to appropriate the public revenues to particular services, to press the executive (in return for the taxes granted) for the redress of popular grievances, and to grant the executive such additional legal powers as may be necessary for the efficient conduct of public administration.

The critic may object that this definition is an old-fashioned one. The reply to that objection is that, whether we like it or not, the House of Commons has never succeeded in extending its effective action much beyond the field where it had established itself two hundred years ago, after it had asserted its legitimate rights against the Crown. It does not, and cannot, itself govern the country, and many of its present defects probably arise from the recent 'democratic' tendency to convert it into a sovereign parliamentary assembly on the Continental model, governing the country through a committee of Ministers. In our constitutional practice the distinction between executive and legislative is, in essence, more clearly drawn than in the written constitutions of countries which have nominally adopted the principle of the 'separation of powers.' The King's Ministers are responsible to Parliament, but they are responsible for the discharge of duties which Parliament is radically unfitted to discharge for itself. It is not even the business of the House of Commons to 'control' the King's Ministers, if by that is meant to control the detail of their administration or even of their expenditure. It controls Ministers most effectively by forming a broad general opinion as to their personal reliability and treating them accordingly, but it never has been, and never will be, able to offer them authoritative guidance in the efficient and economical management of their departments.

Now, of all the failures of the House of Commons, its failure to focus public attention on important issues is the most signal. Its hopeless inefficiency as a publicity agent is mainly due to the fact that, during a generation when journalistic technique has been steadily tending in the

direction of picturesque compression, parliamentary debates have been no less steadily tending in the direction of disjointed discursiveness. A House whose members so often begin their speeches with the words : ' I do not propose to follow the hon. member into the fields he has traversed ' cannot expect to produce any sort of impression on the mind of the public. Moreover, it spends nearly one-eighth of its whole time, and about one-sixth of its best publicity time before dinner, in putting and answering a farrago of miscellaneous questions ; and the growing habit of asking supplementary questions is only a futile attempt to concentrate a little attention on some question which the member concerned thinks of special importance.

Two remedies for this evil may be suggested. First, abolish oral questions, or restrict them to one or two days a week, and utilize the hour now given to questions for short debates. These debates would serve to drive home points arising out of written answers to questions on points of policy. They might take the form of amendments moved to the question ' That the Clerk do now read the Orders of the Day,' in the form ' That before the Clerk reads the Orders of the Day the House desires to express its opinion that . . .' Speeches might be limited to ten minutes for the mover and the official reply and five minutes for other speakers. The right to move a motion might be restricted to private members. The selection of motions should not be by ballot. The time might either be allotted between parties and the motions selected by their whips, or the motions might be selected by a panel of chairmen of committees, subject to an appeal to the Speaker.

The second remedy is connected with the idea of the redress of grievances in return for supply ; that is to say, in return for the appropriation of the proceeds of taxation to the public services. Debates on the estimates of Government departments are at present the most discursive and futile of all the proceedings of the House, mainly owing to the rule that only questions of administration may be discussed. This effectively rules out all real discussion of

popular grievances, for the redress of nearly all such grievances involves legislation. The same rule applies to other occasions for general debate, such as motions for the adjournment and the Consolidated Fund and Appropriation Bills. The result may be seen in the contrast between debates on domestic and on foreign policy. The foreign policy of the nation still falls almost entirely within the sphere of the royal prerogative, and debates on it can therefore range over the whole field. The field of domestic policy, on the other hand, is so cut up by the hedges and ditches of legislation that no debate can ever really deal with the whole of any one great issue. In fact, the more power the House of Commons has won for itself against the Crown in any field of policy, and the more responsibility it consequently bears, the less freely can it debate the issues arising in that field. Such a *reductio ad absurdum* ought not to be allowed to continue.

It would be much better to abolish this rule and, moreover, to give the Opposition which calls for a particular estimate the right to move a motion (after the Minister has had an opportunity of making a general statement of policy) on any subject connected with the estimate, either on a matter of policy or on the financial aspects of the estimate, the subsequent debate being confined to the subject matter of that motion. In the event of a motion being passed calling for a particular measure of legislation, the Government might be required to introduce a bill on these lines and give time for its second reading before the debate on the Vote on Account in the succeeding session.

The same procedure should be applied to supplementary estimates and to Consolidated Fund Bills. At present twenty days in each session are allotted to debates on the main estimates ; and, after these days have been exhausted, the estimates are passed under the ' guillotine ' without further discussion. But, in addition, the House has to deal, towards the end of each financial year, with a number of supplementary estimates, and the arrangement of ' allotted days ' does not apply to these debates. Each

estimate has to be discussed and passed, however long it takes. The result is a series of trivial discussions, used mainly for purposes of obstruction, since the discussion on each estimate must be confined to the reasons for the *additional* expenditure, not to the reasons for the original appropriation. It would probably be better to allot a fixed number of days to Supply before, say, February 28th, in addition to the existing twenty days, and to pass all supplementary estimates, in the same manner as the main estimates, under ' guillotine ' on or after that date.

It should probably be provided that no motion moved on estimates should involve an increase in taxation, but this should be the only restriction.

We now come to the more difficult questions of the duties of the House in regard to taxation and legislation. In considering these questions, we must at the outset face the really serious charge which can be levelled against the House. It is not that on really far-reaching and contentious bills it prolongs debate and hampers the Government. It is probably desirable that a Government introducing legislation like the Coal Mines Bill of 1930 or the Trade Disputes Bill of 1927, on which large sections of opinion feel deeply, should have to face opposition in the House commensurate with the opposition in the country. The serious charge is that the Opposition in the House obstructs non-contentious legislation in order that there may be less time for the passage of contentious legislation. There can be no improvement in parliamentary procedure unless this practice is abandoned. But we must also face the fact that this practice will not be, and perhaps ought not to be, abandoned unless at the same time some limit is placed on the time available for contentious legislation. Obstructive tactics largely arise from uncertainty as to the allocation of parliamentary time during a session. The early months of every session are a kind of gamble on time, and a keen Opposition often deprives the Government of more time than, even in its own view, is good for the conduct of necessary business, while a busy Government often wastes the

time of the House by introducing more legislation than it could pass even if the Opposition abstained from all obstruction.

FIXED AND PLANNED SESSIONS

The only remedy for this is to fix the length of parliamentary sessions and, to some extent, to allocate time to fixed objects during each session. The fixed session should be a short one, since the longer it is (as a general rule) the less business-like will its early weeks be. It might run from February 1st to July 31st, with ten days' holiday each at Easter and Whitsun. This would give about 23 weeks or 115 parliamentary days. Government should retain the right to summon Parliament in special session at other times. We shall return to this point later.

Now during the calender year 1930, a period which (in view of the fact that no one session can be regarded as typical) probably offers as good a rough guide as any other, the House sat for about 160 days. Of these, 32 were occupied by Supply, 21 by Ways and Means resolutions and all stages of the Finance Bill, 67 by second readings and motions (including Consolidated Fund Bills and adjournment debates, but excluding the second reading of the Finance Bill), and 40 by all stages of other bills beyond second reading stage (including money resolutions). Finance thus occupied roughly one-third of the time of the House and this is not an excessive allocation, especially if estimates debates are utilized for the purpose already proposed. In a session of 115 days this would indeed be insufficient, unless the Finance Bill were more exclusively confined to the imposition of taxes than recent bills have been, but it would be a salutary rule that Finance Bills should be so confined and that detailed changes in Inland Revenue administration should be made the subject of a separate bill, time for which would have to be found outside that definitely allocated to finance. On the whole, we had better assume an allocation of about two-fifths or, say,

45 days out of the 115 to Finance and Supply, including Consolidated Fund and Appropriation Bills and the Public Works Loan Bill.

Of the 67 days devoted to second readings and motions in 1930, about 39 were occupied by motions, including the Address and adjournments. This is too high a proportion of parliamentary time. In view of the proposals for utilizing question time and estimates debates, 15 days would be a sufficient allocation for the Address, the adjournments and special motions. This allocation should not, however, include votes of censure or Government motions in the nature of legislation, e.g. ratification of treaties.

The question arises whether, with a view to this limitation of the time allotted to motions, the present arrangement should be abolished under which Wednesdays before Easter are reserved for motions by private members. There is naturally a strong feeling in the House of Commons in favour of the 'rights of private members.' Generally speaking, however, private members' motions attract little interest and are of little use in a House of Commons where there is a strong official Opposition. In such circumstances, private members' motions are usually of a party character, but the private member concerned being selected by ballot, the party debates arising on such motions tend to be less effective for the discussion of real issues than the debates on more official motions would be. The case is very different where, as in the present House of Commons, differences on questions of policy tend to arise within the ranks of the official majority. In such circumstances, private members' motions are often extremely useful in ventilating the views held by a minority among the supporters of the Government. In the session of 1933, such motions led to one or two interesting and important debates. It is important that private members with strong individual views should be able to perform this function of raising issues which might otherwise not be properly discussed, but on the whole it seems probable that this function can be performed with much less expenditure of time than under the present

system. There seems to be no reason why three or four days in the session should not be reserved for private members' motions, or why private members should not be entrusted with the task of forming a committee, representing all parties in the House in proportion to their numbers, to select the motions to be moved on these days.

We have then left a total of 55 days for legislation, other than the Finance Bill, as compared with 68 days in 1930—28 for second readings and 40 for further stages. Considering that of these 40 days, 16 were occupied by the Coal Mines Bill alone and 8 more by Education Bills, this should prove sufficient, if properly allocated, for as large a volume of legislation as is likely to be needed by the country. But it will need to be properly allocated. This allocation cannot be carried out by any such rough and ready expedient as that sometimes advocated, of allowing the House to do no more than pass or reject a bill on second reading. Apart from any question of Parliament's proper function in regard to legislation, it is obvious that any such expedient would lead to much longer debates on second reading, and would have to be accompanied by provisions enabling the House to divide bills as a precaution against 'tacking'; and it is doubtful whether, after all this, there would be any substantial saving of parliamentary time. On the other hand, there ought to be a clear distinction between the handling of contentious and non-contentious bills. The only difficulty is to define these exceedingly vague terms. The following suggestions are tentative, and are designed to be provocative rather than dogmatic.

The true distinction is surely between bills which either (a) involve increased taxation, or (b) create new offences, or (c) involve constitutional changes, and those which do none of these things. This distinction will not, of course, appeal to those who believe that future policy should take the form of a continual extension of State control and an expansion of public expenditure; but it may appeal to others who believe that the legislation most urgently needed at the present moment is legislation on a large scale, revising

out-of-date laws and relaxing the rigidity of public administration. The distinction is by no means, even so, an easy one to draw ; but it is feasible.

Assuming that such a distinction can be drawn, all bills which do not fall under any of the three categories mentioned above should go to committees upstairs after second reading, and all other bills should be taken in committee of the whole House. The first class, however, should be dealt with upstairs, not by Standing Committees of the existing type, but by small committees of the type of Select Committees, acting, as far as possible, in the judicial manner of committees dealing with Consolidation Bills. Moreover, such committees should also be used for the purpose of preparing legislation. At present Parliament relies far too much on over-driven government departments to draft legislation. If the recent Moyne Committee had been treated as a Parliamentary Committee on housing legislation in general instead of as a Departmental Committee with narrow terms of reference, its work would have been much more fruitful. The more legislation of this comparatively non-contentious kind that can be passed in the next few years, the better ; and therefore the more committees that can be constituted and the more business-like their proceedings can be made, the better. For the same reason, any 'report' stage for such bills on the floor of the House might be eliminated, but motions might be moved on third reading to recommit the bill on specific grounds.

The second class of bills, on the other hand, should go through all their present stages on the floor of the House. The view often advanced that all bills taken in committee of the whole House should be 'time-tabled' is open to serious objection. Governments bringing forward bills of this kind ought to be put on their mettle to get them through by argument and conciliatory handling of the House, so long as the opposition is conducted in a reasonable spirit. Nothing is more likely to bring Parliament into contempt than a practice which would render the virtues

of intelligence, intelligibility and courtesy superfluous in Ministers. But if Parliament had before it a definite programme of legislation and was able to judge with fair accuracy the total amount of time available for legislation, the Government would be able to exercise its right of asking the House to 'time-table' bills in case of proved necessity with much more general support than at present. With this end in view, the Government might be precluded from introducing any resolution to 'time-table' any bill not introduced and printed before, say, 1st March. The House will be unable to act in a business-like manner unless the Government lays a definite programme before it early in the session, and Governments should be discouraged from adding to their programme of contentious legislation except in real emergencies. For the same reason, Governments should be discouraged from attempting more legislation than they can definitely allot time for in advance, and there should in general be no 'carry-over' of bills from one session to another, so far as the House of Commons is concerned. There might, however, be exceptions to this rule, and here we return to the question of special sessions.

On every ground, the right of the Crown to summon Parliament at any time should be unlimited. Any session summoned between 31st July and 1st February should, however, be a complete session in itself, with a King's Speech and an Address. No other legislation should be introduced in such a session than that announced in the King's Speech. But 'non-contentious' bills, as defined above, which have reached their committee stage in the preceding regular session, might be 'carried over' to the special session for their remaining stages in both Houses, and, in addition, 'contentious' bills which have gone through all their stages in the House of Commons in the preceding regular session might be carried over to the special session for consideration by the House of Lords.

To sum up, the definite planning of parliamentary time (of which the above proposals are tentative examples) is

the key to any real reform of parliamentary procedure. Without such definite planning congestion will inevitably arise, and congestion is the parent of all those practices which tend to bring Parliament into contempt. Congestion is the cause of obstruction rather than its effect, and it is also the cause of the growing habit of irresponsible non-resistance to the second reading of popular but objectionable private members' bills, on the calculation that there will be no time for their further stages. Moreover, without definite planning of the time of the session as a whole, any attempt to plan the time to be allotted to particular measures will arouse resentment and suspicion, feelings which are the worst enemies of efficiency.

Mere proposals of this kind for a detailed allocation of parliamentary time may appear to the public a very inadequate method of dealing with the inefficiencies of the House of Commons. In fact, however, such proposals are probably more effective than any more ambitious schemes for giving a new complexion to the House of Commons. The present personnel of the House is not ill-fitted to deal even with the most technical subjects, provided that its business methods are properly adapted to that purpose. A more serious objection is likely to be that, in proportion as the House of Commons is made more efficient for the discharge of business, it may become less efficient for the purpose of ventilating large issues of policy. It will be observed that in our proposals, particularly in regard to the use of question time and of estimates debates, we have not been unmindful of the place which general discussions of this kind should occupy in the proceedings of a representative assembly; but the real difficulty of fully meeting this particular objection is that the complexity of modern government makes it more and more difficult to debate broad issues. Such debates are only useful if they succeed in focusing a cleavage between opposing principles, and principles seem nowadays to be increasingly at a discount in matters of government. The House of Commons already has plenty of opportunities on the second reading of major

bills to discuss principles; yet, in fact, on such occasions the debate tends always to lapse into dry details. The truth is that the House of Commons must be made effective for the purpose of doing the business which it now tries but fails to do. It is useless to organize the House for the more efficient discharge of functions which neither its members nor the electors have any real wish that it should discharge at all. When the tone and emphasis of political discussion changes from business detail to principle, the House of Commons will have to change its procedure accordingly, but that is not, and cannot be, the immediate problem of the next few years.

It is a more serious objection that proposals for increasing the business efficiency of the House of Commons may well tend to make it less efficient for the purpose of securing redress for the grievances of individual citizens. The proposals put forward above may be thought to be peculiarly open to this objection in view of their suggestion for changes in the use of question time and estimates debates. While we have emphasized the need for a reform of legislation which will emancipate the individual from much government interference, we have also indicated the need for leaving a large discretion to the administrator. Moreover, legislation in the future will have another side. As we have already suggested, the emancipation of the individual in many spheres will probably have to be accompanied by a much stricter government control, direct or indirect, over industries producing those staple commodities for which there will only be a limited and more or less stationary demand. The need for, and the tendencies of, such control are already evident in the legislation passed within the last twelve months for the control of agriculture and fisheries, and in international agreements for the quantitative regulation of trade in certain commodities. Such control over staple industries opens up a wide field of possible maladministration and injustice as between individuals, and parliamentary vigilance in this field may have to be increased rather than diminished.

It remains true, however, that the opportunities at present at the disposal of members of the House of Commons for the ventilation of individual grievances are hopelessly ineffective. If there is one thing certain about parliamentary procedure it is that the badgering of Ministers with questions about individual grievances, or the attempt to ventilate such grievances in estimates debates, serves no useful purpose. A Member of Parliament only resorts to such public airing of grievances when he has already failed to secure redress by private representations to the Minister, and he does so, not in order to bring pressure on the Minister, but merely to convince his constituents that he has not been idle. A better procedure would be the constitution of recognized parliamentary committees charged with the duty of watching the operation of particular classes of legislation. Such committees would have the double function of examining departmental regulations laid on the table of the House and of investigating individual grievances arising out of the operation of these regulations.

THE HOUSE OF LORDS AND THE PRIVY COUNCIL

In current political discussion the reform of Parliament is generally thought of as meaning especially a change in the relations between the House of Lords and the House of Commons, with or without a change in the constitution of the House of Lords. Into this controversy we do not propose to enter at any length. All proposals for the reform of the House of Lords turn on the question whether the will of the House of Commons is, in the last resort, to be made to prevail over that of the House of Lords, either, as under the Parliament Act, in the form of a power to pass legislation over the head of an opposing House of Lords, or by the exercise of the ancient royal prerogative of the creation of peers. Recent discussions have indicated that conservative sentiment would no longer be content even with the repeal, still less with a mere modification

of the Parliament Act; it desires nothing less than the limitation of the royal prerogative so as to make it very difficult, if not impossible, for any government to pass revolutionary legislation by 'swamping' the House of Lords. But the substitution for the present Upper House of a new Chamber with a limited, if not rigidly fixed, membership is so violent a constitutional change that it harmonizes ill with the general instinct of conservatively minded people. Hence the weakness of the whole movement for the reform of the House of Lords and the failure of proposals of this kind to enlist the support of the bulk of the Conservative party. From the point of view from which we have been considering the reform of Parliament —the point of view of increased efficiency—the House of Lords needs, in fact, less reform than the House of Commons. It is a far more business-like body. The one thing needed to enable it to do its full half-share in the work of Parliament is to restore to the Crown the power to create life peers and thus to summon to the Upper House a more representative selection of men of experience and proved ability.

But if, from this point of view, the reform of the House of Lords is of comparatively slight importance, there is another constitutional reform which is most urgently required. The most dangerous weakness of our constitution to-day is that neither House of Parliament can claim to represent the views or the needs of trade and industry. The quality of industrial statesmanship is very little developed anywhere in our country, but it is almost wholly absent in the House of Commons. Many proposals have been made in the last few years for the constitution of something in the nature of an 'economic Parliament,' and the idea has been greatly strengthened by the Fascist experiment in the organization of the 'corporative State.' That experiment is undoubtedly the most original and significant effort of political invention of modern times, but it cannot be easily or directly copied in this country for one reason which is seldom sufficiently recognized.

The corporate representation of employers and employed depends for its success on the nature of the associations formed by employers and employed for the conduct of their direct relations with each other. The weakness of the trade union system in Italy gave to the leaders of the Fascist revolution the opportunity to dissolve the old workers' organizations and to substitute new ones organized from the start in the spirit of the corporative State. English trade unionism, on the other hand, is a living force. During the last twenty or thirty years it has conducted too many flirtations with politics and has allowed itself to be led down the blind alley of ' direct action,' but there are signs that this has only been a passing phase and that it is now returning to its older specifically industrial ideals. Nevertheless, while it is a living force, it suffers from the inherent defects of long-established ' democratic ' systems. Its leaders are nominally the elected representatives of trade union members, but as such they are mere delegates without any real freedom in negotiation or debate, and their actions are, in practice, controlled, not by a real consensus of opinion among their electors, but by active minority caucuses. The English trade union is far too strong and too useful to be dissolved and reconstructed. It is, on the other hand, far too cumbrous and inflexible to be used as the basis for election to an economic Parliament whose function must be to decide policy. Employers' organizations, though oligarchic rather than democratic in their character, suffer from much the same defects, as the recent history of the mining industry has shown. Other industries have not, indeed, gone so far as the mining industry; they have not abolished their national organization as incapable of accurately representing the local interests of its members. But in no industry is the national organization really capable of representing its members in the parliamentary sense. An economic Parliament constituted, as is usually proposed, as a merely advisory body to the House of Commons would, in these circumstances, degenerate into a mere talking-shop, even

if it avoided the worse fate of sharpening and hardening antagonisms. This book is written in the belief that a reform of our system of government is still possible, and that we can still avoid recourse to revolution. If revolution becomes necessary, we may have to follow the Italian example. But, if we are to proceed by way of reform, the creation of a representative system for industry must begin at the bottom, not at the top. Trade unionism must accommodate itself, as it has hitherto refused to do, to Works Committees as a living force in the day-to-day management of industry and as the basis of any further representation of industry in the councils of the nation.

It is, in fact, only in the day-to-day working of such committees that organized labour can find its true place in industrial management. In its great days, when it really represented the feelings and the aims of its members, English trade unionism confined itself to establishing joint control with employers over working conditions. The unions did not aspire to management in the sense of control over production and marketing policy, because the rank and file of the workers have, in fact, little desire to assume responsibilities in those fields. In those fields the English worker really shares the general attitude of the English shareholder: his ambition is to own a business rather than to operate it. As we shall suggest in a later chapter, the new structure of industry will be based rather on the idea of workers' ownership than on the idea of workers' management. It is only in the last twenty or thirty years, when trade unionism has fallen increasingly under the domination of political ideas, that labour leaders have played with the ideal of syndicalism, and it is remarkable how evanescent that ideal has been. The English worker prefers state socialism to syndicalism precisely because he prefers the sense of part ownership to any ambition to become a managing partner.

Meanwhile, while Works Committees are finding their feet and trade unionism, as a whole, is re-determining its true interest in industry, an industrial Parliament

can only be created, not by election, but by appointment. The constitution of such a Parliament must be flexible. At first, the appointing authority will have to aim merely at nominating men of influence and ideas; later it will be gradually able to nominate more and more men who have acquired a truly representative standing in the growing representative system of industry. We are obviously, therefore, not in a position to create a ready-made parliamentary body, and we must look for some other starting-point from which such a body may gradually be developed.

Such a starting-point is offered by the most neglected part of our ancient political machinery: the Privy Council. Until quite recently the Privy Council, wholly superseded by its ancient committee, the Cabinet, had lapsed more and more into a merely honorific congeries of distinguished public servants. Throughout the nineteenth century it was used, from time to time, as a convenient cover for the creation of new departments of State: for instance, the Committee of Council on Education and the Committee of Council on Trade. At first sight, the creation of the Department of Scientific and Industrial Research would appear to be merely a new instance of the same procedure. There are, however, signs that this body may develop in a somewhat different direction. Alongside it has been established the University Grants Committee of the Treasury, an anomalous body created for the distinct purpose of distributing grants to universities without establishing departmental control over them. In the same connexion and closely associated with the University Grants Committee, the Crown has been developing a method of appointing its representatives on the governing bodies of universities and of considering questions of university policy. The tentative form in which these preoccupations have been embodied is a Committee of the Privy Council. At the same time, as the 'public utility' idea develops, the House of Commons finds itself periodically struggling with the problem of appointing public representatives on bodies like the London Passenger Transport Council

without making such appointments the sport of changing party politics. The expedients which it adopts to avoid this danger are often, to say the least of it, somewhat ludicrous. The Privy Council was used in the nineteenth century for precisely this purpose. For instance, to this day His Majesty's Inspectors of Schools are still appointed by Order in Council.

These are at present merely unnoticed straws on the tide of constitutional reform. The time seems to have come to consider systematically whether Parliament should not confide to a revitalized and reconstituted Privy Council many duties which admittedly cannot be discharged by Parliament itself or by Ministers directly chosen from Parliament, and especially the function of offering advice to the Ministers of the Crown on economic questions. The Civil Research Committee created by Mr. Baldwin, rather too slavishly perhaps on the analogy of the Committee of Imperial Defence, and the Economic Advisory Committee established by Mr. MacDonald as a mere appendage hooked on, as it were, to the outside of the structure of government, have each been experiments in this direction and they have each failed. A new experiment should now be made, based definitely upon the Privy Council, and aiming at the gradual but steady development of a representative Advisory Council on Trade and Industry. This Council, together with the small Parliamentary Committees we have suggested above, should be regarded as interdependent parts of one great parliamentary agency for reviewing the whole field of existing legislation in its relation to commerce and industry, on the one hand, and to the individual citizen, on the other.

CHAPTER VII

SOCIAL ADMINISTRATION

IN the last chapter but one, in discussing the task of simplifying local government which we anticipate will fall upon Parliament in the immediate future, we have indicated that this simplification is likely to take two divergent directions according to the nature of the service.

The local authorities of this country are running multiple businesses on a vast scale. They are the nearest approach we have seen to what Mr. G. D. H. Cole once called the 'Selfridge State'; they supply the citizens with many of the services essential to civilized life. The services for which local authorities are thus responsible are, broadly speaking, those formerly known as 'beneficial services,' a more accurately descriptive title than the later and vaguer name of 'social services.' They remain responsible, indeed, for one great non-beneficial service, the police; but they have long been relieved by the central government of responsibility for others, such as prisons.

The beneficial services fall into three main categories. The earliest to be developed were local community services such as general sanitation, drainage, maintenance of local roads and streets and so forth. These basic community services, having been developed the earliest, have, generally speaking, been maintained solely out of local funds without any direct subvention from the central government. Roads are an exception to this general rule. With the development of the 'King's highways' to meet modern transport needs, local authorities have increasingly become the agents of the central government for the maintenance

of traffic thoroughfares, instead of the maintainers of a mere system of local communications, and, as such, they have received increasing subventions from the central government. Water might be regarded as falling into this first category, or into the second general category of trading services, such as gas, tramways, etc. The services belonging to this second class, being at least in theory remunerative, have also received no subvention from the central government. But in addition to these two classes of services, in relation to which the local authorities can be regarded as true self-governing units, a third great class has grown up and now overshadows all other municipal services: the services, such as education and public health, which are designed more directly to benefit the citizen as an individual. It is this third class which is generally thought of as the 'social services' *par excellence*. The enormous structure of these services has been developed, and is now maintained, on the basis, not of local, but of national taxation; and consequently the local authorities act in regard to them less as self-governing units than as agents of the central government. These services are, indeed, largely financed out of local taxation, but their whole scale and organization depend upon the assumption that the central government can be relied on to make grants in aid of them, covering at least 50 per cent. of their cost. We have already seen reasons for believing that this assumption is unsound, owing to the inevitable decline in the yield of income-tax resulting from the tendency of profits to a minimum in the new era. If production for use is progressively substituted for production for profit, taxation—as the socialist has forgotten—must progressively be based on use or consumption instead of on profits. If this be so, the whole existing structure of these services would collapse and would have to be built up again on a very different basis.

Here we come to the two divergent tendencies. On the one hand, certain functions of local government—among others, roads, housing, town planning and the trading

services—will tend to be administered in larger and larger units. Public Utility Boards will be substituted for the Tramways or the Electricity Committees of Councils, and in some regions, like the almost contiguous industrial cities of the Midlands, these Boards will amalgamate the undertakings of several local authorities. Technical education, too, will be regionally, rather than locally, administered. On the other hand, the bulk of the social services, whose function is related more directly to the individual, will tend, to some extent, in the direction of a devolution of responsibility to smaller units in which the individual can acquire an intimate sense of his responsibility and a measure of real control over services which are conducted for his benefit. The beneficiaries of these services—the parent of the school child or the patient in the municipal hospital—are already bearing a far larger part of the cost of their own benefits than is generally realized; and in return they have very little direct control over the nature of those benefits. But in the future the man who defrays the cost of the school or the hospital and the man who benefits from it will tend increasingly to be one and the same person. The more equal distribution of wealth in a comparatively 'stationary state' of economic life will tend to bring all classes into the same school and the same hospital, and, if the local shopkeeper will continue to pay more rates than the local bricklayer, he will get much of his rates back from the local bricklayer in the price of the goods which he sells to him. The changed basis of taxation will make the tax-payer increasingly suspicious of the overhead charges involved in centralized management of social services, and increasingly insistent on some more direct control over the kind of education his child receives, and over the conditions under which the child receives it. And this should be regarded as almost wholly a gain, for it is only by reducing the size of the unit of administration that we can, in these days, preserve any real democracy.

We naturally cannot undertake to traverse the whole

field of local government and the social services, but we propose to give one example of each of these two divergent tendencies drawn from the most urgent preoccupations of social reformers at the present time. For an example of the tendency to public utility organization we shall take housing and town planning, and for the tendency to devolution the example of education.

HOUSING AND TOWN PLANNING

The housing problem is commonly discussed in terms of public *versus* private enterprise, but, as so often in our controversies, this phraseology merely succeeds in obscuring the real issue. It is true that the issue between public and private enterprise does exist. The socialist view, which has so largely governed policy since the war, that it is the duty of 'the State' to house the mass of the people, has now been recognized to be a blind alley. The effect of this policy has been to limit the number of houses which can be built for the mass of the people by the amount of money which the central government can raise by direct taxation. This limitation has already had a severely restrictive effect, and the alley must become blinder as the yield of taxes on income declines. Within the last year there has, therefore, been a real reaction towards the ideal of private enterprise, a reaction embodied in the Housing Act of 1933.

The policy of the National Government, however, of which this Act represents one-half, suffers from two serious weaknesses. That policy is to transfer the responsibility for new housing from the local authority to private enterprise, temporarily assisted by a State guarantee of building society loans, and, on the other hand, to accentuate the responsibility of local authorities for the demolition of insanitary houses and the re-housing of their occupants. The first of these lines of policy is sound in so far as it frees housing from dependence upon subsidies, and therefore upon the taxable capacity of the nation, but its weakness

is that it ignores the limitations of private enterprise in the existing condition of society. Private builders may be able to build cheaply, and building societies may be able to finance them, with or without State guarantees, at reasonable rates of interest ; but, though private enterprise may thus be able to supply houses, it by no means follows that private enterprise can buy them when supplied. The real difficulty about new houses is that, in the last twenty years, the small unit of demand for houses, represented by the small investor in house property and the agricultural landlord, has, to a large extent, been extinguished. The growing effective demand for houses by the small owner-occupier through the building societies is not sufficient to replace this decay in the voluntary local organization of demand, and that decay tends to produce as an inevitable result a corresponding decay in the small unit of supply—the village builder and the small speculative builder. The problem which the Government's policy has not yet approached is how a demand for houses to let can be stimulated.

The weakness of the slum clearance side of the Government's policy is a different one. Here, the Government continues to rely on public enterprise, and on subsidized public enterprise at that ; and the public enterprise on which it relies is still to be the enterprise of the ' Selfridge local authority.' Such reliance is exposed to the same dangers and disappointments as any other form of subsidized enterprise. To be frank, every successive piece of legislation for slum clearance in the past has broken down because it has merely provided for the rehandling of a limited sum provided out of rates and taxes. It is commonly assumed that there can be no escape from this dilemma because slum clearance must inevitably be uneconomic in character. This is true if slum clearance is regarded as a problem by itself ; it is untrue, or only partly true, if slum clearance is regarded in its true light as only one element, though from the humanitarian point of view a most vital one, in the broader function of town planning.

Here we encounter a third weakness in the Government's policy.

The Town Planning Act of 1931 was a great measure, but its authors deliberately chose to swaddle it in the clothes of the existing local authorities. Local authorities were, indeed, authorized and encouraged to form joint town planning committees, as many of them had already done, but all experience shows that a joint committee of local authorities, useful though it may be in the mere preparation of a plan, is an evanescent phantom when it comes to the administration of that plan. And town planning is a problem of administration, not merely an affair of maps drawn up once for all time. Local authorities have only just awoken to the fact of the ' population trap ' which we have emphasized in this book. All over the country, each individual local authority is treating itself as a potential city in the making. Each, for instance, must have its ' industrial zone.' We are in danger of repeating in the most ludicrous way the raw hopes of western American ' towns,' each with its portentous rows of surveyors' stakes plotting out on the prairie the streets of a future metropolis. Over such vagaries there is no real central control, nor even a competent central advisory committee. Perhaps the childish vanity of industrial zones is not in itself a serious evil, but it is a sign of the amateurishness which tends to pervade the whole town planning policy of most local authorities. It is quite obvious that a nation planning for a stationary or a declining population, and for those consequent economic changes which we have ventured to foreshadow, would draw up its plans on quite different lines. It is also evident that plans drawn up at the present moment of transition will need to be fundamentally rehandled as time goes on. Nothing could be more fatal than that the future planning of the country should be tied up for the next twenty years in a pile of learned documents laboriously constructed by local councils or joint committees of local councils, who will then proceed to use them as comfortable pillows.

But perhaps the most ludicrous thing about town planning administration is that it has practically no relation to slum clearance. The two are inevitably connected in some instances, but, where this is the case, the difficulty of adjusting the two schemes—one based upon the proper development of the town's communications and the other on the humanitarian desire to get rid of insanitary dwellings —commonly holds up the whole plan. If a council wishes to drive a new road through a built-up area, it can get the sanction of the Ministry of Health or the Ministry of Transport without very much difficulty; it if wishes to reconstruct a built-up area in order to get rid of insanitary property, again its path is fairly easy; but if it wishes to do the two things at the same time and in the same built-up area, it is doing something anomalous which requires the most intricate negotiation and discussion.

The clearest instance of the lack of connexion between slum clearance and town planning is furnished by the 'cleared site value' provisions of the law relating to slum clearance. The local authority can acquire insanitary property at its value as a cleared site. If, in order to make the best of a clearance job, it has to acquire other property, it must pay the full value. The 'cleared site value' provision was recognized as unfair eleven years ago by a Committee presided over by Mr. Neville Chamberlain and representing all shades of political opinion, but it has never been altered. Local authorities have shown themselves very reluctant to incur the odium of what amounts to a penal expropriation of small owner-occupiers or other persons who do not deserve the unpopularity commonly attaching to slum landlords. But if a local authority does pluck up its courage and incurs this odium it still feels that it would, at any rate, be the height of unfairness to use the property of an owner thus expropriated for any purpose except that of building a better working-class dwelling upon it. It may be that, of two sites in the area, one acquired at the 'cleared site value' and one at its full value, the second is the appropriate one for

re-housing, while the first might be more properly developed for shops or other remunerative purposes; but the local authority is naturally reluctant to take this course.

But the worst defect of our present slum clearance legislation has still to be noticed. A slum is not a definite category of house property. All houses are on the way to becoming insanitary, and every closely built urban area is on the way to becoming a slum. The only question is whether this tendency can be arrested in time by better management of the property or by re-development. Management and re-development depend in turn on the property owner himself, and it is therefore vital that house property which is in a state of decline should either be taken over by a public authority or should be in the hands of the best possible type of private owner. The great vice of our slum legislation has been to frighten the owner long before we have been ready to replace him. We have made the ownership of old house property as risky as possible; it is constantly open to the risk of being expropriated for its 'cleared site value.' As a general rule, the more risky the business, the lower will be the type of man who is prepared to engage in it. For many years before the war, good landlords had been increasingly reluctant to bear the odium of owning old house property. Since the war, we have added to that odium the fear of heavy financial loss. The result has been to accelerate the tendency to create a worse and worse class of slum landlord.

Having thus indicated what appear to be the main defects of our present housing policy, let us consider possible remedies. Let us first consider the question of new houses.

Here, the whole problem, as we have suggested, is to create house owners who will be willing to order from the builder houses to be let to members of the working-classes. With the decline in rates of interest on gilt-edge investments since the conversion of the War Loan, there has been undoubtedly a tendency for the small investor to turn his attention once more to the ownership of urban house

property. This reaction is, however, still uncertain and tentative, and there have been few signs up to now that the small investor is considering the purchase of new houses. Moreover, it is generally admitted that the small private investor is unlikely to be attracted in large numbers to the individual ownership of working-class houses of the smaller type, yet it is precisely this type which subsidized enterprise under the Housing Acts has hitherto failed to build, and which is most urgently needed at the present moment. If houses of this type are to be built on a large scale, it seems inevitable that we shall have to create some form of ' public landlord ' who can place orders for them and offer the building industry a settled demand for this type of house for some years to come. Hence has arisen the idea of the public utility Housing Corporation. It is, perhaps, unnecessary to enlarge on this idea,[1] but it may be desirable to sketch the form which such a corporation might take.

To begin with it is necessary to insist, as against a variety of ambitious schemes which were placed before the Moyne Committee, that the Housing Corporation should be a house owner, not a glorified building contractor. In the Government's policy it is the link of house-owning, not the link of building, which is weak or non-existent. Now, to a very large extent, the ownership and management of working-class houses must be a local matter. The largest unit of new housing with which public utility enterprise will usually be dealing in these days will be of the order of, perhaps, 2,000 houses. Such a housing estate ought commonly to be a ' mixed bag ' with rentals ranging, say, from 8*s*. to 15*s*. a week or even higher, since, for some time to come, any landlord, public or private, will probably need to own a substantial proportion of the larger type of house if he is to make both ends meet. But it is important that public utility enterprise should also concern itself with the building of small blocks of houses not

[1] I put forward this idea in a previous book : *Democracy on Trial*, three years ago ; and my views, there expressed, have not been shaken by the report of the Moyne Committee.

comprised in an estate even of this moderate size. If we desire greatly to increase the volume of house building, we must stimulate supply in detail and not merely in gross. All such operations, from the 2,000 house estate downwards, can probably best be carried on by local public utility corporations rather than by one central corporation. A national Housing Corporation must, therefore, not be a centralized trust, but rather the focus for a number of local corporations. In some cases, such local corporations might act purely as managing agents for the national corporation; in others, they might themselves own their local housing estates, the national corporation providing the finance and acting as a holding company; or possibly, in some cases, the local corporation might even be able to provide its own finance and to act more or less independently of the national corporation. The relations between the national and local corporations would, therefore, be various.

But a central national Housing Corporation is essential and it should probably take the form of a statutory company established by Act of Parliament. Experience in the past has shown that the local public utility society is generally weak unless it has behind it some larger body which can supervise its operations. Moreover, it is only a national corporation which can place orders on a sufficient scale to give security to the building industry, and to get the advantage of cheapness which security brings with it. This is the most important consideration of all, for at the root of the housing problem lies the fact that building costs are, generally speaking, out of relation to costs of production in other industries. It is essential to bring the cost of building down, and only a large buyer will be able to bring the necessary pressure to bear on the building industry. For that very reason, the Corporation, when established, should probably not be in too much of a hurry to get houses built. It may well find that the greatest initial service it can render is to offer a large order for houses at a maximum price, refusing to place its orders until that price is quoted, rather than to rush into large orders at

the ruling price of the day. With all our talk of living in a world of plenty, it remains true that we have not succeeded in reducing the cost of some of the chief necessaries of civilized life, and of these necessaries the brick is unfortunately one.

We shall not, however, get a clear idea of the scope and potentialities of such a Housing Corporation until we examine the two remaining problems of slums and town planning.

As we have already seen, the slum problem is, in reality, two problems. One of these, the slum itself, has been repeatedly attacked by legislation ; the other, the degeneration of urban houses, was attacked by the 'improvement area' provisions of the Act of 1930. None of this legislation, however, and least of all the Act of 1930, seems to have concentrated on the most obvious feature of the whole slum problem. The real charge against the small owner of old working-class property in the centre of great cities is, not that he is morally degraded or careless or inefficient, but simply that he is a small owner. As a small owner, he has neither the capital nor the control over large blocks of property which will enable him to develop his property to the best advantage both of himself and of the community as a whole. It is surely obvious that this evil can only be remedied by concentrating the management and development of large blocks of property in the hands of one agency. This the Act of 1930 failed to do. It enabled the local authority to declare an area to be an 'improvement area,' and thereafter, to some extent, to control its development by issuing instructions to a number of separate owners of house property, but it did nothing to secure that common action by these owners which could alone enable them to manage or to develop their property to the best advantage.

As we have already seen, the same problem of integration arises in regard to slum clearance itself. In a 'clearance area,' the local authority does, indeed, acquire the property itself and can develop it as it pleases, but the

fact that it has acquired a large part of this property on expropriation terms and cannot acquire other parts except by paying large compensation, prevents it in practice from treating the whole area as one development unit.

For such defects there is only one remedy—the creation of public utility bodies which can take over large areas of property as trustees for the owners. There is, perhaps, no reason why local authorities themselves should not create such public utility bodies, with the consent of the Minister of Health. A local authority might be empowered to form a statutory trust company which should issue shares to the owners interested in the area in proportion to the assessed value of their properties. This, be it observed, would render unnecessary the valuation of the area as a whole. Such a valuation must always be speculative and must give rise to endless difficulties of arbitration ; it is a much simpler business to determine the relative values of particular blocks of property within a given area. A statutory trust company so created would be responsible for managing all property in the area, collecting rents and so forth, and would have power to develop the area as a whole to the best advantage of the shareholders as a body. It would be useless to pretend that the operations of such a company would entail no loss to its shareholders. The company would, in general, have to raise capital for development from outside sources, and interest on this capital would rank before the claim of the ordinary shareholders holding fully-paid shares, issued in payment for their property. The development might eventually enhance the capital value of the area as a whole and, therefore, of all the shares, but it might entail a considerable loss of income to individual owners. Moreover, it would be useless to contend that the owners of the best properties would not suffer materially. The frontage owner with, perhaps, business property on a main road would probably be putting more into the pool than he could ever hope to get out of it. One must admit the

force of these objections, but the general answer to them is that the scandal of the degeneration of urban house property in the hands of small owners has become so serious that such owners have to consider what loss it is worth while for them to incur in order to avert a general revolt against private urban property-owning altogether.

But though there is, perhaps, no reason why such statutory trust companies should not be created by local authorities, most local authorities would probably be reluctant to do so. However separate and distinct such a company might be from the ordinary administrative machine of the local authority, the local authority would have to have some voice in the appointment of its directors and in its development policy, and the liaison would tend to be a rather uncomfortable one. It would probably be better that the company, though created to deal with an area marked out by the local authority and obliged to adapt its development policy to the general town plan of that authority, should be created by another agency. Here we return to the conception of a statutory Housing Corporation. Such a corporation could form these local trust companies and could relieve the local authority of the unpleasant duty, which might otherwise fall upon it, of raising the development capital for the company.

Clearly, moreover, such a trust company would often be the appropriate agency for dealing with clearance areas as well as with improvement areas. The application of this procedure to such areas would tend to eliminate many of the difficulties which we have pointed out. It will relieve local authorities of the cost of acquiring clearance areas which, even under the cleared site provisions of the law, is substantial. It would get rid of the unfairness of the operation of the 'cleared site value' provisions, and would remove the dilemma in which local authorities now find themselves placed in dealing with properties acquired under those provisions. In fact, the most effective form of statutory trust company would be one which owned

large mixed improvement and clearance areas, and which enjoyed a substantial income from the State subsidies in respect of re-housing. These subsidies must continue but, instead of being, as now, mere subventions in aid of slum clearance, they would become the key which would unlock the door to constructive development and town planning.

It is hardly necessary to emphasize the superiority of a broad proposal of this kind to those niggling suggestions frequently made in the past for arresting the degeneration of house property into slums. These suggestions have usually taken the form of empowering local authorities to take over properties which require reconditioning as managing trustees for the individual owners concerned. The effect of any such intervention in individual cases must clearly be to interfere with the owner's rights and to reduce his income without necessarily materially improving the capital value of his property. Any action of this kind on a considerable scale would, therefore, only accentuate the danger, which we have already pointed out, of making urban house property a less and less desirable investment for any but the most speculative type of owner.

But perhaps the chief advantage of this scheme is that it brings the whole slum problem into direct and immediate relation with the problem of town planning. And one of the chief reasons for substituting the public utility form of organization for the local authority itself is that in many, if not in most areas, the local authority is the wrong agency for town planning on a large scale. Moreover, if the existing local authorities are the wrong local agencies for this purpose, the Ministry of Health is the wrong central agency. No ordinary Government department can provide the constant advice and direction required for such a task. While joint committees of local authorities, as we have already pointed out, are too much research bodies and too little administrative bodies to deal with town planning satisfactorily, a Whitehall department, on the contrary, is too much an administrative body to be able to give due weight to the research element which is inseparable from

any wise policy of town planning. We need new regional town-planning authorities with administrative powers, and a new central advisory co-ordinating commission. It would be tempting, no doubt, to offer the national Housing Corporation itself as this central town-planning agency, but, though tempting, it would probably be wrong. At any rate, at the outset the success of the national corporation would be seriously prejudiced if it was asked to assume too great a multiplicity of duties. Nevertheless, these two central bodies will have to act in increasingly close co-operation.

It will be observed that some of these issues have already been reported on by the Moyne Committee. That report is an excellent example of the common defect of all such inquiries—good brains wasted on restricted terms of reference, resulting in valuable suggestions for dealing with the fragments of a single great issue. The Central Public Utility Council which that committee has recommended is a step in the right direction, but it is only a faint foreshadowing of that comprehensive Town-Planning-Housing-Slum-Clearance-and-Improvement Act which can alone cope adequately with the needs of the new era.

The public utility idea is generally regarded as applying almost exclusively to trading services, such as transport. The object of this rough survey of the housing problem has been to show the application of that idea to what has come to be regarded as the most important of the social services. But the public utility idea is obviously not generally applicable to the social services proper, for those services are, for the most part, essentially non-remunerative in character. The development of those services must tend in the opposite direction: that of devolution to smaller units. We now proceed to see how this idea of devolution can be worked out in the case of education.

EDUCATION

As we have already pointed out, the social services have been organized on the assumption of large grants from the central government. For some time past it has been increasingly evident that the central government can only maintain these grants with considerable difficulty. Even before 1929, successive economy campaigns, largely abortive though they were, had shown that the direct tax-payer was labouring under a growing sense of grievance. Nevertheless, in 1929, central grants to local authorities were largely increased by the block grants under the Local Government Act of that year. Though, under the Economy Act of 1931, there was some diminution in other grants, notably in those for education, the block grants were not touched. Now it appears to be the intention of the Government to take over sole responsibility for the relief of the able-bodied unemployed. The block grants of 1929, coupled with this assumption by the central government of responsibility for what used traditionally to be regarded in England and Wales (though not in Scotland) as a local poor-law function, have greatly extended the liabilities of the direct tax-payer, and are likely correspondingly to accentuate in the future the grievance which has been increasingly felt by that class of tax-payer ever since the war.

With these increased liabilities, it is already evident that we can only maintain the social services by keeping salaries of teachers, administrators, doctors and the like at a considerably lower level than before 1929. Even apart from the future continued decline in the yield of income-tax which, on the reasoning followed in this book, appears to be inevitable, the tax-payer's demand for economy and the social reformer's demand for an improvement in the social services have already reached a complete deadlock.

Yet the failure of so many campaigns for economy in

the last ten years has not been due to ill will or incompetence in those responsible for government expenditure; it has been mainly due to the fact that the public, including business men, have persisted in the belief that you can have a revolution in public administration without a revolution in social life. The attitude of the professed economist has too often been that of the Member of Parliament who told the President of the Board of Education that there were far too many secondary schools in the country, and then, in the next breath, informed him that it was the settled policy of his business never to engage even an office boy unless he had passed the First Schools Examination.

A revolution in social life is something much deeper than a mere change in policy. We need a change in our whole way of life as a people, and such a change must naturally begin with education.

The campaign for economy in education has generally been based on two assumptions: one, that the policy of successive Governments has been to provide constantly increasing grants to local authorities in order to encourage them in educational extravagance; and, secondly, that this country is spending far more than any other on education. Now neither of these contentions is supported by the facts.

Take the first one. What has been happening in the last eleven years? In 1923–4 the expenditure out of the central exchequer on all branches of education controlled by the Board of Education in England and Wales, excluding pensions for teachers under the contributory superannuation scheme, was about £40,900,000. The comparable figure in the Board of Education's estimates for 1933–4 is £39,162,000, so that, if we exclude teachers' pensions, central expenditure has actually declined by more than £1,500,000 since the period when the Geddes axe was in full operation. But, in this same period, the total expenditure by local authorities on elementary and higher education (including the Board's grants but again excluding

all expenditure in connexion with teachers' pensions) has increased by £7,779,000, from £67,596,000 to £75,375,000. As the Board's grants have decreased by £153,000 the burden on the rates has increased by nearly £8,000,000.

This growth of local expenditure on education, it will be observed, has taken place in spite of the recent cut in teachers' salaries and the previous reduction which took place in 1925. In fact, the local authorities' bill for teachers' salaries has fallen by £2,300,000 during this period in elementary schools alone, so that the growth in local expenditure on other educational objects has increased by about £10,000,000. The really serious fact which emerges from these figures is that central expenditure on education reached some time ago the limit at which it could be maintained, and whenever there has been a tendency for that figure to rise, some action has been taken which has, in effect, transferred the burden of the growing expenditure to the rates. In spite of this, the expenditure out of rates has continued to increase, owing, broadly speaking, not to pressure from the centre, but to local demand.

Turning now to the other contention that we are spending more than any other country, we need only give one comparison. We are spending in Great Britain as a whole, including Scotland, something under £100,000,000 a year out of public funds on all grades of education from the University down; but the corresponding figure for Canada was, three years ago, about $150,000,000, a substantially greater sum per head of population. It is impossible to convict ourselves of extravagance by comparisons of this kind.

But let us approach the problem from a rather different point of view. In 1930–1 the total expenditure in Great Britain from all sources—public and private—on universities and schools aided in any way by the central exchequer, including teachers' pensions, was, in round figures, £110,000,000. This excludes the expenditure of public, preparatory and private schools, and all other purely

voluntary forms of education; but for our present purpose these must be left in a separate category. It also excludes the expenditure of the colleges at Oxford and Cambridge, but the figure of £110,000,000 is sufficiently accurate for our purpose. Of this, some £98,000,000, or nearly 90 per cent., came from public funds, £55,000,000 from the central exchequer and £43,000,000 from local taxation.

Now, to return for a moment to the Canadian comparison, there is one remarkable thing about these figures. The $150,000,000 of Canadian public expenditure was rather more than 90 per cent. of the total expenditure on the universities and schools concerned, but of this sum more than $120,000,000 came from local (as distinct from provincial) taxation—i.e. more than 80 per cent. as against less than 45 per cent. in Great Britain. What is the meaning of this contrast? How is the local ratepayer in Canada able to shoulder a burden of education rates more than twice as heavy as that borne by the English and Scottish ratepayer? Why is it inconceivable that any one should propose the doubling of local education rates in Great Britain?

The answer to this question goes to the root of the whole problem of economy. The answer surely is that a local education rate in Canada, outside a few great cities, is a very different thing from an education rate in Great Britain. It is not a tax imposed by a highly organized County Council with a budget of hundreds of thousands of pounds, administering the schools over the heads of school managers and parents. It is, rather, an intimate local levy made by the school managers of a small 'section' (small in population if not in area) in aid of a school in which practically every person who pays the levy is directly and immediately interested. The unit of education is the school, the unit of administration is, in effect, the school managers—the board of school trustees. We are back in the atmosphere of the Scottish parish school of two hundred years ago; a school which, though owing its existence and its status to compulsory legislation, is nevertheless

the expression of a spontaneous co-operative effort by a community of neighbours. The parish or township or 'section' is rather the natural unit of social co-operation than a grade in the hierarchy of local government. We have, in short, voluntary effort just at the point where it is beginning to turn into government action.

Now it is true that voluntary effort can never be arrested at this point. The Canadian system of local education, like that of the United States, has grave disadvantages, penalizing as it does the poor school district, and it is just beginning to be modified, as it has already been modified in a number of the American States, by a system of centralized grants. But both Canadians and Americans are keenly conscious that, in proportion as considerations of efficiency drive them to consolidate schools, to substitute the county for the district as the unit of education, and to institute a system of central grants from the Province or the State, they are embarking on a road which ends eventually in a blind alley. The fundamental fact about the administration of a social service is that both economy and the prospect of progressive development depend on the existence of a great volume of voluntary effort, such as can only express itself in comparatively small units, in a comparatively small local area, or in a comparatively small non-local association. The moment that administration and finance become organized in units too large to enlist such voluntary effort, economy in its true sense must, to a large extent, be sacrificed, and progress will be limited, and eventually arrested, by the impossibility of raising taxation beyond a certain point.

In fact—and it is vital to insist on this—economy in its true sense consists not in an attempt to reduce the volume of social services—to educate fewer people or to build fewer houses, nor even in an attempt to spend less money on those services; but in the difference between financing those services out of taxation and financing them out of subscriptions. 'Subscription' is, after all, a more accurate name for a local parish education levy than

taxation. In this or that direction it is always possible to run a service more cheaply, and in times like these it is necessary; but the reason why the burden of the social services in this country is impossibly heavy is mainly that we are spending necessary money through the wrong channel, the impersonal channel of government instead of the personal channels of voluntary effort. The principle on which we conduct our social services at present is the principle of impersonality. It is, we say, the duty of the State to educate—the State, not the parish or the district; the unit of politics, not the unit of neighbourhood. It is the duty of the State to maintain the unemployed—again, the political unit, not the trade unit of the industry or the trade union, nor the local unit of neighbourhood. Since the war we have even begun, as we have already noticed, to regard it as the duty of the State to house the mass of the people. So long as this principle governs our action, so long must we fail to secure either economy or progress. The really grave question is whether we have gone too far in this direction to draw back, whether our enormous and overcrowded population has become incapable of organizing itself for social objects in comparatively small units, whether we are condemned to the rigidity of a semi-socialistic State. The only true economist is the man who refuses, in spite of all undoubted signs to the contrary, to despair in this way of the commonwealth. We can reverse our present tendencies, though it will be a long and infinitely difficult campaign. That reversal is the only adventure which remains open to us in the field of politics, the only constructive task to which it is worth while for the young man in politics to devote his life.

The first step in this political adventure must be to arrest our present tendency towards impersonality at the points where it has not as yet gone too far.

It is generally most difficult to recreate, in the overcrowded life of to-day, units small enough to embody active personal social co-operation, as distinct from impersonal social administration. This difficulty forms the main

obstacle to Government economy in social services. The obstacle is especially formidable in the most expensive and unsatisfactory of our social services, the relief of the unemployed. The best prospect of surmounting it in this field probably lies in reviving the trade union as an organ of social co-operation, instead of restricting it, as we have increasingly done in recent years, to the function of conducting industrial warfare. But there is one social service in which we do not need to create or recreate the small unit for which we are seeking, for we already have it. That service is education, for there we have the unit of the school. The school at present tends to be lost in the luxuriant growth of central and local administration and inspection, but it has behind it the great English tradition of the self-governing school, and even the smallest elementary school has become increasingly conscious of this tradition in recent years. Can we not in education show the way back to a true economy in social services?

This is not the place for a learned disquisition on educational administration, but an attempt may be made to suggest a few ways in which the self-governing school might be recognized as the really responsible unit of education.

As a first step, we must get away from the conception that education is a partnership between an entity called the 'State' and an entity called a 'local education authority.' The tax-payer and the ratepayer are the same person, and the question what part should be played respectively by the central exchequer and by the local rating authority in financing local services is purely a question of the incidence of different forms of taxation.

Education itself—at least up to the age of eighteen—is, broadly speaking, a local function, and so far as it is financed out of public funds it should be financed out of local taxation. The central exchequer must continue to make large grants out of central taxation in aid of local rates, but the amount of these grants should be determined, not by the amount of local expenditure on any particular service, but by a calculation of the proportion which,

according to sound principles of taxation, taxes on the ownership and occupancy of land and buildings should bear to taxes on income and consumption.

But the statement that education is a local function means much more than that it should be conducted by the big local authorities of to-day. Within the big area of the county or the county borough public education is almost entirely carried on in day schools, and the younger the pupils the smaller is the area that a day school can serve. The primary school, especially, is an intimately local institution, serving the homes in its immediate vicinity and following closely every movement of population, as neither a local hospital nor a secondary school needs to do. It is surely strange that, in spite of this, the elementary school enjoys infinitely less self-government than the secondary school. It ought to enjoy quite as much; it should have a body of managers directly representing the district served by the school; and important responsibilities should be placed upon that body. There is a widespread demand to-day for equality of treatment for voluntary schools and council schools; why should we not secure that equality by putting on the council school managers the same responsibilities as now rest on voluntary school managers, and increasing the responsibilities of both?

In such a self-governing elementary school the county or county borough council might continue to pay the salaries of the teaching staff according to an establishment fixed from time to time. But the appointment of teachers would rest primarily with the managers, who would also receive from the council a block grant for all other expenses of school management, to be expended at their discretion. There is, however, no reason why this grant should be regarded as covering all school expenses. The school district should be made to feel its local responsibility for improving the efficiency of its school by voluntary subscription and voluntary work. One wonders, for instance, how much money is spent on petty repairs in rural schools which in a Canadian township would be done in off-hours by a

parent or even a school manager himself. One wonders, too, whether a great deal of the cost of school cleaning in rural schools, at any rate, could not be saved in the same way. The change in social habits which this would involve is precisely the change which we need as a nation in every social activity. The average *per capita* cost of elementary schools apart from teachers' salaries and loan charges, and disregarding also the growing cost of the administrative systems of local education authorities, has risen since 1923–4 from about 29*s.* 10*d.* to about 38*s.*, and it is worth inquiring whether school managers, if they were left free to accumulate their funds from year to year and were made responsible for the condition of their school, could not discharge their duties efficiently with an average *per capita* grant from the local authority of between 25*s.* and 30*s.* Such a grant would, of course, be too small in some areas, notably London, but it might serve as an average for the country as a whole. A system of this kind would obviously, moreover, reduce the administrative expenditure of local authorities. It would also be far more effective than the proposal more often made just now, that fees should be charged to parents. In the case of the elementary school, responsibility for the school should rest on every resident in the school district, whether he has a child at the school or not. That is the good old principle which works so well in countries like Canada. But a State-aided school should not be forbidden to charge fees and the clause in the Education Act which now forbids this in the case of elementary schools should be repealed.

A similar question may be asked about the other main item of increasing expenditure in connexion with elementary education—the medical services, the cost of which has risen in this period by more than £1,500,000. Is it really necessary, in order to secure efficient medical inspection and treatment for all school children, to build up a great public service of school medical officers? If the medical profession is not sufficiently well organized or trained to do this work by local arrangement with the

individual school, ought we not to aim at improving the great body of the profession instead of superseding it? Having ascertained by experience what is necessary to an efficient school medical service, has not the time arrived for a deliberate attempt to get the work carried out by co-operation between the local school and the local doctors?

Further, is there any real reason why the age at which compulsory education begins should not be raised and why the school should not be the judge whether and to what extent it is necessary to admit children below the age of seven? That is, by common consent, the age at which primary education, as distinct from the infant school, should begin, and it is, for that reason, the age at which, in principle, compulsion should begin. Our 'infants' departments' are a most valuable form of education and it would be a disaster if the State were to take active steps to exclude young children from State-aided schools, but that is no reason why the State should fill these departments by compulsion. Our low age of compulsory education is not a sign of social progress, but rather a sign of social disease.

But, above all, both the school district and the wider industrial or business area of which it forms a part should be made to realize its responsibility towards the 'bright' boy or girl. Here we come from the elementary to the secondary school, and to a consideration of immediate interest to industry and commerce.

In education, as in everything else, those who demand a certain article must be prepared to pay for it. The business man who requires a supply of recruits for his business with a good secondary education must be prepared to pay for their education in so far as their parents cannot themselves afford it. In every city to-day it is quite easy to ascertain the demand for secondary school boys and girls in commerce and industry and the extent to which scholarships are necessary to supply this demand. Similarly with the trade union which requires a secondary education for its future organizers. But, here again, the proper agency for

the granting of scholarships is the school, not any public authority. Every elementary and secondary school should have its own scholarship fund, provided mainly by voluntary endowment and subscription, and it should have full discretion in administering this fund.

The school is also the proper agency for the selection of its scholars at the beginning of their education and for estimating their capacities at the end. The State should neither conduct nor give official recognition to any examination in the schools. The history of the First Schools examination is a terrible warning of the tendency of any form of State examination, however desirable in itself, to become an artificial label and to create a demand for an artificial product manufactured at great expense to fit that label.

But if the responsibility for scholarships is thus to be transferred from public funds to school funds built up largely by voluntary gift or endowment, what should a scholarship mean? It must mean at least the remission of fees, and in many cases it will mean a small maintenance allowance. But what is the fee which should be remitted? At present the great majority of secondary schools supported out of public funds charge a fee ranging from just under 30 per cent. to just over 50 per cent. of the cost of education, excluding loan charges. On an average, the fees paid in schools which are maintained by the local education authority cover rather less than 25 per cent. of the cost, while the fees paid in aided schools cover about 42 per cent. (or rather less if we deduct fees paid by the local authority in respect of pupils holding scholarships), another 8 per cent. being covered by endowments or subscriptions. Of the (in round figures) 440,000 pupils in all these schools, nearly 50 per cent. pay no fees at all.

Now, broadly speaking, in a system of education based upon the principle of school self-government, public funds ought not to be called on to bear more than half the current cost of secondary education, even in the poorest schools. But if this is to be our aim we must revive the

practice of private endowment of schools. The burden cannot simply be transferred to the shoulders of parents, with the assistance of a small and fluctuating school scholarship fund. The history of all the old foundation schools which have been forced in the last thirty years to take refuge under the shadow of the local education authority proves this. Education, as we have already pointed out in connexion with the elementary school, has always been and must always be largely a co-operative effort, and in so far as co-operation is not to be achieved through the impersonal agency of the State, it must be achieved by a revival of private effort.

Private gifts and endowments will, we may hope, increasingly come to the assistance of the existing secondary schools as more power and responsibility are thrown on their governing bodies, but perhaps where a revival of private co-operative effort is most urgently needed at the present moment is in the foundation of new schools. For the ever-growing pressure on public funds in the sphere of secondary education arises mainly from the fact that, except to some extent among the class who can afford to send their children to a 'public' boarding school, there is literally no agency except the State which appears to be able in any circumstances to start a new secondary school of any kind. The cost of a first-class day secondary school education is, at the outside, let us say £35 a year; but the middle-class parent who is quite able to pay such a sum but cannot pay much more has, in practice at the present moment, no choice but to try to get his child into an overcrowded secondary school maintained or assisted by the State, which will only charge him a fee between eight and fifteen guineas. Unless we can launch a movement to supply new self-supporting schools to meet this strictly 'economic' demand by voluntary effort, it is little good talking about raising the fees of existing schools by a few pounds a year.

It is unnecessary to wander farther through the intricacies of education. The same ideas can be applied to technical and university education; they can be applied,

too, to that transformation and diversification of education after the primary school stage which is now being carried out by the reorganization of our senior elementary schools. But we have been discussing education only as an illustration of a general proposition applicable to the whole range of our social services, and we have said enough to make our point clear. For certain purposes, as we have seen in the first part of this chapter, modern conditions require administration by increasingly large units. In education, the relatively small education area, the urban district or the small borough, is generally, though not always, an ineffective compromise, too large for intimate management and too small for 'rationalized' efficiency. In such areas efficiency is on the whole more costly than in the county or the county borough. But just because for certain purposes, both in education and in other social services, our administration is bound to become increasingly impersonal, it is the more necessary that for other purposes we should labour to re-create the really small local unit and should seek to make it the centre of a revival of voluntary co-operative effort. For if the people of this country need relief from taxation or continuous improvement in social services, they must be prepared to replace public by private expenditure, and substitute personal co-operative work for public administration. The disease from which we are suffering is that type of personal irresponsibility which seizes on the State as the most convenient agent. It is a disease which, in education, affects both the parent who leaves his child to go through the common compulsory mill, and the industrialist who passes the duty of training his employees over to the technical college at the cost of the rates. Irresponsibility of this kind may be the child of excessive legislation in the past, but it is bound to be the father of increasing State expenditure in the future.

There is, indeed, a terrible analogy between our state to-day and that of countries which we superciliously class as 'backward.' In India, there is much talk about

expanding ' nation-building ' services, notably education, but every effort at educational expansion seems blocked by the fact that there is no spontaneous local demand for, or interest in, the village school. Public primary education in India has, for that reason, been obliged to start with the expedient of large percentage grants from central public funds in aid of local schools, and progress is constantly being arrested by the insufficiency of central funds, the low taxable capacity of the people. That is our state to-day, with this difference, that we have gone far to destroy an asset which India never had. Unless we can recapture that asset, there is only one prospect before us, the prospect of expensive stagnation.

One word in conclusion. The kind of voluntary co-operative effort of which we have spoken is only found in one type of society, a society with a good but simple standard of living. Here we touch the deepest reason for high taxation and expensive social services, the fact that our standard of living is far less simple than that of other countries. A high standard of living is not the true name for it, for in some essentials it is lower than that of other countries, lower for instance than Denmark, lower than Canada, lower even than Germany. Moreover, it is not a standard, for the most remarkable thing about it is its lack of standards, of any sense of the central importance of any one or two objects of expenditure. It is rather a swollen habit of living. The only corrective of such a habit is personal responsibility. At first an attempt to thrust back personal responsibility on to unwilling shoulders will result in discontent, in mistakes, perhaps in a period of bungling inefficiency. But these things are better than the only alternative, the alternative which now stares us in the face—social stagnation and the forfeiture of our title to be either a self-governing or a progressive nation.

CHAPTER VIII

UNEMPLOYMENT

THERE is an obvious danger lest such suggestions as have been put forward in the last chapter for the future development of the social services may tend to obscure, rather than to illustrate, the real future direction of social policy. This danger is inherent in our present social organization. The fundamental aim of all such policy in the future must be to free the individual to bear the individual responsibilities which will increasingly fall upon him in the new state of society which is coming to birth. But the social services have reached such a high stage of organization and are so essentially communal in character that it is extraordinarily difficult to modify them in the direction of greater individual freedom. They can only be so modified gradually, and in some of them—for instance, in co-operative agriculture and, as we have seen, in housing—we may have actually to increase the scale of communal organization, and to extend it into new fields. It is all the more necessary to insist that such new measures of control can be justified only in so far as they tend to give the individual wider opportunities of living his own life, a greater sense of security in that life, and a more intimate realization of his individual responsibility. The State, be it remembered, will not be imposing new responsibilities on the individual; it will merely be enabling the individual to realize and to discharge the responsibilities which the new economic revolution will inevitably throw upon him.

This issue of individual responsibility can, perhaps, be most clearly brought out by a study of the overshadowing

social problem of the present and the future : the problem of unemployment.

We have seen that unemployment is likely, not to diminish, but to increase. That is to say, men will be able less and less to rely on being able to gain a livelihood by selling to others the product of their specialized labour, while, at the same time, the profits of capitalist investment, which have enabled the profit taker to employ the labour of others for the satisfaction of his ' amenity ' wants, will tend progressively to dwindle. How, then, can those citizens, who find no man to hire their labour, supply themselves or be supplied with the means of livelihood ?

RELIEF OF THE UNEMPLOYED : THE INSURANCE SUPERSTITION

Let us start from the present state of society, where a man so unemployed has admittedly few, if any, opportunities of supplying himself with the means of subsistence by his own labour. As things stand, he must somehow be supplied by others ; but how and by whom ?

For many years past all questions of social reform have been discussed on the underlying assumption that the individual's responsibility for his neighbour can be shuffled off on some convenient middle-man, but in no sphere has this assumption been so powerful or so fatal as in the sphere of unemployment relief. Controversy in this sphere has revolved round two opposing principles : the so-called ' contributory ' and ' non-contributory ' principles ; but it may well be doubted whether there is, after all, so much to choose between the two.

' Non-contributors ' assert that, in the sphere of unemployment as in the sphere of education and public health, the sole responsibility rests with ' the State.' ' The State ' is to provide full maintenance for the able-bodied worker who cannot secure employment. This maintenance is to be provided out of a supposedly inexhaustible pool of national wealth. Now, this demand when it was first advanced was

by no means so unreasonable as its opponents sometimes suppose. During the nineteenth century, what we have called the increment of commercial expansion was, in fact, enormous—sufficient, in all probability, to finance social services, including the maintenance of the unemployed, on a very large scale. Indeed, much of it was actually used for that purpose, for it was spent in providing unremunerative work for men who would otherwise have been unemployed. It has often been pointed out that the enormous losses of British capital invested overseas, which continued throughout the old era of commercial expansion, represented, in fact, wages paid out in the production of goods which were exported 'on tick' and never paid for. The trouble about the non-contribution argument is not that it is unreasonable in itself, but that to-day it is an anachronism. The increment of expansion is dwindling to vanishing-point; there will, in future, be no great pool of profits on which the State can draw to provide maintenance for the unemployed. That is obvious enough, and is coming to be realized by the rank and file, as well as by the leaders, of the trade union movement, even if it has not yet percolated into the mind of their representatives in Parliament.

What is not so obvious, but is nevertheless true, is that the contributory principle is exposed to much the same sort of criticism. In its modern form, that principle is indissolubly linked with the idea of social insurance, for obviously, if a man is to contribute to the relief of his own destitution, he must do so before he becomes destitute. The defenders of the principle, including not only the whole of the Conservative and Liberal parties, but also many individual members of the Labour party, are apt to preen themselves upon their financial orthodoxy and political purity because they insist on a man's responsibility to insure himself, at least in part, against the risks of life. But the time has come to ask whether this idea of social insurance, which, having originated in Germany, has become politically fashionable in this country since 1912, is not merely another form of the old underlying assumption that there is some mysterious pool of

wealth to which the citizen can get access by going through certain motions and performing a sort of semi-magic ritual. Psychologically and morally, there is almost everything to be said for requiring the individual to contribute to benefits which he desires to receive. Socially and economically, there is almost everything to be said for encouraging, in the mass of the people, the habit of saving and investment. But the idea of contributory social insurance, as it is vaguely conceived by the popular mind, goes far beyond these ordinary maxims. It assumes that, if all men from the age of eighteen invest a proportion of their wages until they reach the age of sixty-five, the capital so invested will create in the course of those forty-seven years an accumulation of new wealth sufficient to provide a retiring pension for all the investors, besides enabling many of them, or their dependants, to draw, during the interval, allowances in case of unemployment, sickness or bereavement. But if, in fact, the power of invested capital to create new wealth progressively declines and the rate of its possible accumulation consequently slows down, as we have suggested is probable, this comfortable assumption fades away. At the end of the forty-seven years, or at any moment during those years, these pensions and allowances must be paid out of the national income as it then stands. They will, indeed, be drawn from that income, not in the form of taxation, as would be the case under the non-contributory principle, but in the form of dividends paid out of the profits of those businesses in which the insurance funds are invested ; but the form in which they are drawn from the national income does not materially affect the result. As a matter of fact, in so far as these insurance funds, administered by the State, are invested in government loans, pensions and allowances will still be paid out of taxation. And, if the rate of capital accumulation slows down and the level of interest rates falls towards the minimum, the eventual solvency of these funds will depend less and less upon the investments representing the accumulated contributions of their members, and more and more on their current

contributions and on the power of the State—as, in practice, if not in theory, the guarantor of these funds—to meet their liabilities by additional taxation. In any case, these liabilities must, at any given moment, be met out of the product of industry at that moment, and that product will not be larger because the person entitled to the profit on its sale is an insurance fund instead of a private capitalist.

This is the theory of the question; what of the practice? Of the existing social insurance schemes, the contributory old-age and widows' pensions are, in fact, backed by no insurance fund at all. There is, it is true, a temporary balance in the Treasury Pensions Account which, it is estimated, will disappear in rather less than fifteen years' time; for the rest, current contributions received from 'insured' persons, employers and the exchequer, are paid out year by year to the beneficiaries under the scheme. The contributions are to be increased at stated intervals up to a point where it is calculated that they will balance current payments to beneficiaries. An account is kept of transactions under the scheme and is subject to actuarial valuation at stated periods, but the State is the guarantor of the whole scheme in theory as well as in practice and, while there is a contributory element in the scheme, there is really no insurance element at all. The question whether at any future date contributions will, in fact, balance expenditure will depend upon the level of wages, the profits of industry and the taxable capacity of the nation. All that Parliament has really done is to define what liabilities it is prepared to bear in the future on certain conditions; it has not in any real sense insured itself against those liabilities.

The state of the National Health Insurance scheme is more complicated, but even more interesting. This scheme started under extraordinarily favourable conditions due to the war and, during the war and the immediate post-war period, it accumulated the vastly greater part of its invested funds. Even so, however, if all the assets and deficiencies of the seven hundred or so approved societies were pooled, it would probably be found that the net income on their

invested funds is not much more than sufficient to pay the 'additional benefits' granted to their members by the more prosperous societies. In other words, the statutory benefits of their members are paid year by year almost entirely out of their members' contributions. If our anticipations are correct that invested funds of this kind will tend to be increasingly devalued in the future, the effect of this devaluation would, therefore, be shown only in a progressive restriction of 'additional benefits,' leaving the statutory benefits untouched. Consequently, here again, there is, so far as statutory benefits are concerned, little enough element of insurance in the scheme. Its strength lies in the wisdom of its authors in limiting benefits to a figure which, under normal conditions, can be paid out of current contributions.

As to unemployment insurance, it has never yet been an insurance scheme in any real sense. Not only has it accumulated no reserve, but it has been unable to pay current benefits out of current contributions. It is frankly nothing but a scheme of taxation. There is no doubt that the unemployment insurance scheme needs drastic reconstruction, but the experience of other social insurance schemes indicates that, even so, the insurance element in it must always be very slight, and that, even when it is established on a sound basis, its incomings will not much more than meet its outgoings.

Indeed, what, after all, is the basis of all insurance? It is a co-operative sharing of risks between 'good' and 'bad' lives; but it is not a means of securing for all insured persons in the aggregate greater benefits than they could obtain by merely accumulating their own capital for themselves at compound interest. Indeed, the number of insured persons who secure greater benefits than this individually is very small, for the difference in the return secured by the good life and the bad one (of course omitting extremes) is comparatively slight. The trouble about the insurance principle as interpreted for the purpose of compulsory State schemes is that, as usual when a principle is applied by politicians and becomes the subject of political debate, the

principle comes to be regarded in the popular mind, not as a matter of arithmetic, but as a matter of magic. The real attractiveness of State schemes of insurance lies solely in the fact that the premiums paid by the individual are supplemented by a subsidy from the State. In other words, their attractiveness lies in the fact that they are, to that extent, schemes, not of insurance, but of taxation. In reality, they solve no problem which taxation cannot solve.

In short, useful as the contributory insurance method may be as one means of relieving poverty and distress with the least possible interference with the processes of industry, it is, at best, only a method of taxing the profits of industry, and the modern attempt to make such funds, as it were, the vicarious repository of all the individual responsibilities of all the citizens of the nation threatens to result in the piling up of vast liabilities backed only by a slowly depreciating national capital. The danger is that the accumulation of such liabilities in respect of a scheme like the old-age and widows' pension scheme, which, in fact, has no real insurance element in it at all, may come to be recognized before very long in its true light as no different in essence from the international war debts which have been the nightmare of the world ever since the Treaty of Versailles. Like these debts, such liabilities will rightly be regarded as representing, to a large extent, dead capital unrelated to the trading capacity of the society of the future and, as in the case of war debts, the society of the future will be compelled to start out in search of some polite synonym for repudiation.

In truth, we must make up our mind to abandon once and for all this blind search after vicarious salvation in material things. If one member of the community lacks the necessaries or the ordinary comforts of life, whether his deprivation is due to sickness or old age or inability to find remunerative work, his wants must be relieved by other members of the community out of their current income. The character of that process is not really changed because some members of the community agree to pool a percentage of their incomes for this purpose, or because, individually or collectively,

they insure against such calls being made upon them by putting a percentage of their income year by year into some sort of savings bank. Under all these forms, when the call actually comes the individual has to meet it out of the income then available to him, and, the more directly he is called upon to meet it, the less danger will there be that the contribution which he makes for the relief of one of his neighbours will result in throwing out of work another of his neighbours whom he would otherwise have employed.

This principle, that the more directly a responsibility of this kind is discharged between one individual and another, the more effectively will it be discharged, may be pushed further. For even to speak of the discharge of this responsibility in terms of income is really to use the language of indirect symbolism. What really happens when a destitute person is enabled to buy, say, a pair of boots? The essence of such a transaction is that the pair of boots is given to him by the person who produces it. Some operative in some boot factory has worked that much longer than he would otherwise have done in order to provide a free pair of boots. He may have been—and, in fact, will have been—compensated for that extra expenditure of energy by the payment of wages. His employer, in turn, may have been—and, in fact, will have been—compensated by being able to sell the boots for their market price. The burden of making the gift is thus passed on, under our present system, to the ratepayer or tax-payer, or to the current contributor to the Unemployment Insurance fund, or to the shareholder in some company in which past contributions have been invested, but, however much this burden may be passed on or distributed, it is, after all, only the bootmaker who can supply the boot.

Moreover, he is the only person who can supply the boot, so to speak, for nothing. He must, indeed, be furnished with the material, and allowance must be made to him for the depreciation on his tools. But, given this assistance, he can make the gift at the cost only of his own time and energy, two commodities of which most people have always something to spare. And, if he is compensated for the

expenditure of his time and energy, it is worth while to consider on whom the cost of this compensation will fall.

We have already hinted that the old wage fund theory—the theory that there is, over any given period, only a limited amount of wealth available for distribution in the form of wages—may have something more to say for itself than has generally been supposed since John Stuart Mill abandoned it many years ago. But, however this may be, it is certain that, under our present economic system, there is, over any given period, only a limited amount of currency available for the payment of money wages. This is certain from the very nature of our existing conceptions of currency. Money is essentially a means of facilitating the *exchange* of goods and services. With the exception of Major Douglas, all critics of our existing currency arrangements have based their criticisms on the assumption that, under those arrangements, the supply of currency tends to lag behind the growth in the volume of trading transactions; and the perfect system which these critics have envisaged is one in which the supply of currency would be directly related to the volume of trading transactions and would thus be a suitable measure of the value of goods *in exchange*. But, in the supply of a pair of boots to a destitute man, there is no exchange of goods or services at all, and the payment of money wages for labour expended in the production of commodities for such a purpose tends, in consequence, to reduce by that much the volume of employment for money wages in some other part of the economic field.

The wage-earner does not appreciate this fact, largely because he has been accustomed to see constant payments made to the shareholder in industry, apparently in return for no services rendered by him to the industry or to the community, or at any rate in excess of the rate of interest which would constitute a fair return for the loan of his capital. Why, asks the wage-earner, should not such payments be made to the unemployed instead of to the capitalist? And in this he is perfectly right. There is, indeed, no reason why wealth should not be redistributed in this way, by the

substitution of the unemployed man for the capitalist as the recipient of part of the national dividend, *so long as* the money distributed in either case is really taken out of the national dividend, that is, out of the profits arising on exchange of goods and services. In other words, if the money received by the unemployed and passed on by the unemployed to the producers of the commodities he needs were wholly derived from the taxation of real profits, the objection to such relief payments which we have advanced would disappear. But we all know that the relief of unemployment is not so financed at the present moment, and obviously could not be so financed as profits tend to a minimum in the future. It is hardly necessary to add that the objection to the payment of money wages for the production of ' relief goods ' applies with at least equal force to the payment of money dividends out of the supposed ' profit ' made on the production and ' sale ' of such goods. The payment of such fictitious dividends must equally tend to reduce the volume of employment for money wages in some other part of the economic field.

This tendency of the cost of unemployment relief to create unemployment is, moreover, greatly accentuated at present by the form in which money is collected for such relief. It is largely collected in the form of a direct tax levied on the employer in respect of each man he employs. Of all conceivable systems of taxation, such a tax on employment is the worst, and it lacks any possible economic justification. Its only justification is the psychological argument that, if a contribution towards unemployment or health insurance is exacted from the worker, he will be discontented unless a similar tax *appears to be* exacted from the employer. The employer may not himself bear that tax ; he may pass it on or avoid its payment by reducing the number of men he employs, but so long as he appears to be paying something his workmen will, it is argued, be content to pay their own contributions out of their own pockets. Childishness is too mild a term for such an argument.

In an earlier chapter we have glanced at the general

character of Major Douglas's currency schemes, but it is at this point that those schemes appear in their true light. Their real intention is to change the nature of currency far more fundamentally than their author appears to realize. Currency is no longer to represent the exchange of goods or services, or to measure the value of goods or services in exchange ; it is to represent the mere production of goods for use and to measure (if such a thing be possible) their value in use. If any man can use goods and therefore demands their production, he is to be enabled to purchase them for money whether or not he has any goods or services to supply in exchange. This idea is, of course, extremely tempting when applied to the problem of the unemployed, and all the more tempting because, as we suggested in an earlier chapter, it is impossible to deny the feasibility of any currency scheme provided that, in fact, it is understood and confidently accepted by the citizens. It is, however, evident that Major Douglas's scheme, if valid at all, could not be confined to the relief of the unemployed. In its very essence it is unlimited in its application. The change in the basis of currency from value in exchange to value in use cuts, in principle, at the root of any limitation on the issue of currency, including all limitations proposed by Major Douglas himself. All citizens will be justified in demanding sufficient currency to purchase all the goods that they can possibly use, and no prudential limitations could withstand the logic of this demand.

But, while Major Douglas's scheme is, for this reason, extraordinarily dangerous, it is not, perhaps, much more dangerous than our present methods of financing the relief of the unemployed. Though these methods are nominally still based on the assumption that currency must represent an exchange of goods, they in fact deny that assumption, since their effect is to withdraw enormous and increasing sums from the tax-payer—for the contributory employer or worker under the Unemployment Insurance scheme has long ceased to be anything but a mere tax-payer—and to pass on these sums through the unemployed to the producers and sellers of goods which are, in reality, not exchanged, but

merely used. This withdrawal is resulting in a steadily growing pressure upon the tax-payers against which they must ultimately revolt, and the revolt, whatever precise form it takes, will, in effect, amount to a demand for the issue of fiat money.

THE IDEA OF DIRECT RELIEF

But to what constructive conclusion do these considerations lead? Apparently to the conclusion that the unemployed must be relieved by the direct services of their neighbours, with the least possible intervention of money tokens. This, at first sight, appears to be an absurdly primitive or an absurdly Utopian proposal. It is, no doubt, precisely the sort of thing that would happen under a communist dictatorship which attempted to solve the unemployment problem by conscription of labour. Such a dictatorship would, so far as possible, collect the unemployed in labour camps where they would be employed on relatively uneconomic development works, that is to say, works on which the return would be so small, or would only accrue after so long an interval, as not to justify the payment of full wages. They would, therefore, receive no money wages at all, or their money wages would be insignificant. On the other hand, they would be fed and clothed by the State. For the purpose of feeding and clothing both these conscripted workers and also other persons who, owing to physical disability or other reasons, were unable to work, the dictatorship would require the various industries under its control to supply the necessary commodities direct to government stores; no payment would be made for these commodities, and therefore no wages paid for their production. But evidently such a scheme would be feasible only in a slave State. Its effect must be that citizens who have been deprived of the means of earning a livelihood would also be deprived of the last thing left to them—their family life. Be it observed, however, that it is this consideration, the effect on the unemployed citizen of the labour camp and the

soup kitchen, which constitutes the real objection to any such proposal, not the demand made on his neighbour for unpaid work in order to relieve his wants.

It is necessary to insist on this because, in the modern world, the idea of unpaid labour has fallen into quite unreasonable disrepute, partly for historical reasons and partly owing to a fashionable economic fallacy. Historically, the whole idea is clouded by vague memories of feudal *corvées* and by the undoubted liability of any *corvée* system to abuse. Memories of pre-revolutionary France and rumours of maladministration in African villages would, however, only apply to the exaction of labour by the State, and would not in themselves account for the horror felt by any trade unionist at the idea of giving his labour for nothing. But on the top of these historical memories came the experience of the early industrial revolution, when a new generation of industrial employers were scrambling for the lowest paid labour which they could obtain. The trade union movement could only hope to succeed in its struggle against such employers by impressing upon every individual workman his duty to demand sufficient remuneration for any work which he might perform. The policy was perfectly sound, but the result has been peculiar. At least two generations of manual workers have grown up with one dominating idea in their mind—that to give an hour's labour for nothing is to take the bread out of his neighbour's mouth. As we have indicated, this idea, when applied to a state of society afflicted by widespread unemployment, may well be exactly the reverse of the truth. It is not the free gift of a man's labour, but the exaction of money wages for the production of what we may term 'relief goods,' which tends to take the bread out of the mouth of other working men.

If this is so, is it possible to imagine any system, short of the communist slave State, under which the citizens of an industrial society could give their labour for the relief of their neighbours? It has become the habit among certain would-be reformers to solve all their difficulties by an appeal to the supposed principles of a really 'Christian State,' but

how would a really Christian State deal with a problem of this kind under present social conditions? Surely in some such way as this. The unemployed in any given locality would form a club under the general supervision of the local public assistance officer or some similar authority. The membership of the club would have to be approved by that authority. Subject also to the approval of that authority, the club would order, on behalf of its members, the clothing or other manufactured goods required by its members. These orders would be distributed among a number of factories, each of which had undertaken to supply a certain maximum amount of the commodities in question. The labour required to produce these commodities would be given free by the workmen, most often presumably in the form of voluntary overtime. The cost of material, in so far as the arrangements for free supply did not embrace the producers of that material, would be a liability on the shareholders of the industrial enterprises concerned, as also would be the charge for the depreciation on the machinery employed. The same division of the burden of the gift could be applied to the transport undertakings conveying the goods—and so on. It would obviously be much more difficult to apply the same idea to the purchase of food. Curiously enough, while at first sight a scheme of this kind looks like a return to primitive conditions of society, it would, in fact, be even theoretically workable only where industry is sufficiently highly organized to enable the burden of the gift to be distributed over a number of individuals. Free gifts of meat or vegetables would impose an intolerable burden on individual agricultural producers; free, or partially free, gifts of bread or sugar would be possible only because of the large-scale organization of the milling and sugar-refining industries.

The most obvious objection to any such proposal, even apart from the criticism that it is impossibly idealistic, is that, however highly organized the production of, say, boots may be, the burden of relieving the wants of the unemployed would, in fact, fall on a relatively small number of people who happened to have adopted a certain occupation or to have

invested their money in a certain industry. But this objection only amounts to a statement that it is not only impossible, but may be undesirable, to get rid wholly of the money factor in relieving the unemployed. It may well be—indeed, as a practical proposition, it must inevitably be—desirable that the State should, by the taxation of the community in general, alleviate in some degree the burden placed by any scheme of free gifts on certain workers and certain capitalists. The point is that any such intervention of the money factor must constitute a tax on employment and should therefore, in theory, be reduced to a minimum, or should, at any rate, be limited to the redistribution of the national dividend by the taxation of real profits. And, while there is great force in the argument that the burden of making the gift should be spread as widely as possible, it would be wrong to admit that those members of the community who have the skill required to relieve the wants of their neighbours, or who are part-proprietors of an industry whose production can supply those wants, have no special obligation to use their labour or their capital for that purpose. On the contrary, what the world needs at the present moment is to realize afresh this kind of individual responsibility, and the disastrous results of attempting to transfer it to the shoulders of other people.

But, it may be asked, is this scheme really put forward as a serious proposal, or only as an excursion into the realms of Utopian fancy? Yes and no. The scheme is certainly not one which we can expect to see introduced to-morrow by Act of Parliament as the basis of unemployed relief; but, if the idea behind it could once be accepted as reasonable, it would transform our whole attitude towards the problem and might well affect our practical treatment of it in many directions. At present, our minds are so soaked in the assumption that the passing of money from hand to hand is a token of social progress—that, in fact, the more rapidly money circulates, the higher must be the civilization—and that no transaction in the field of trade can be respectable unless it is dignified by the transmission of coin, that we

instinctively recoil from the ' mixing of charity with business,' not merely as unpractical idealism, but as subtly degrading. By all means, let a man give his time and his energy to local government, or to the management of hospitals or, in certain circumstances, to the medical care of the sick, without exacting any payment ; but ' business is business,' and the Socialist workman who sneers at that adage when it is used by the capitalist regards himself as a blackleg if he does not conform to it in the selling of his own labour. But once get rid of this prejudice, and the critic may well ask himself in what practical respect the gift idea must be regarded as Utopian ? Granted that it needs a change of outlook, in what sense is it more uneconomic in principle, or more difficult of administration in practice, than our present methods of relieving the unemployed ? And the fact that it requires a change of outlook is certainly no argument against it if the course of reasoning which we have followed hitherto is at all well founded. For, on that reasoning, the one thing certain about the whole of our social economy, and especially about this question of the relief of the unemployed, is that our old outlook is a mirage, and that by keeping our eyes fixed on that mirage we are heading straight for the precipice. Change we must ; and, once this is realized, we may well ask whether the particular change here suggested is not easy and reasonable compared with our present system of taxing employment under the disguise of insurance or with those inflated dreams of new currency systems which are offered to us as an alternative.

And, finally, if it be argued that, while such proposals do not tend to destroy family life as a communist dictatorship would destroy it, they would tend to segregate the unemployed from the rest of the community and make them dependent on a particular form of charity, the answer is twofold.

In the first place, such charity would not, in fact, segregate the unemployed nearly as much as our present system of combined State relief and private neglect. Let us consider a practical application of such charity in a relatively small,

but most important sphere. In recent years 'milk clubs' have been formed in many elementary schools. The growth of the movement has been arrested by the difficulty that some children cannot afford to contribute and the teacher cannot always afford to pay their contribution for them. No 'segregation' could be worse than the exclusion of a few children from a common school meal of this kind. At once, the mind of the reformer has flown to the idea of including school milk under the National Health Insurance scheme, or of requiring the local education authority to supply milk to all school children. What has never occurred to the reformer is the unheard-of idea that the dairy company receiving large orders from a school might so far mix charity with business as to throw in a few pints free of charge. This is obviously the simplest and the only direct solution of the problem, and it is also the only solution which entails no segregation of destitution whatever. A society in which this solution has to be dismissed as Utopian may be highly 'rationalized' in a technical sense, but it cannot claim that its arrangements are based on reason, as understood by the ordinary man.

But, in the second place, in so far as any form of unemployed relief must in some degree tend to segregation, the answer must be that it is no argument against a proposal to show that it too faithfully reflects the real facts. The unemployed, so long as they remain unemployed, *are* dependent on the working members of the community. They can be, and ought to be, relieved of the worst consequences of such dependence. Their homes can, and should, be maintained; they can, and should, be enabled to bring up their children as members of a household and not merely as orphan dependants of the State. But any scheme which affects to deny, or attempts to conceal, the fact of their dependence is bound to collapse. They can, perhaps, be rescued from continued dependence, but they must be rescued, not by any form of money subsidy, but by re-employment. This brings us from a consideration of the purely relief side of the problem to its other and much more important side, the remedial one.

It is, in fact, only in considering remedies that we shall be able to devise a practical solution for the subsidiary problem of mere relief.

RE-EMPLOYMENT: A CENSUS OF EFFECTIVE CAPITAL

If the anticipations of previous chapters are correct, it is certain that, while a number of men now unemployed may be re-absorbed into industry in the normal course, a large proportion can never hope to be so re-absorbed, and, indeed, organized industry will be able in the future to dispense with the services of an increasing number of those now employed. The first aim of any unemployment policy must therefore be to arrest, so far as possible, this continued extrusion of workers from organized industry, and to encourage the re-employment of as many as possible of those now unemployed in their normal occupation. The first step towards this is a drastic change in the present method of levying contributions to the so-called unemployment insurance fund, since these contributions represent a direct tax on employment.

The dilemma, of course, is that the only alternatives to the present employers' contributions appear to be a special tax on industrial profits, an increase in the workers' contributions, or an increase in the State contributions furnished out of general taxation. The second alternative is obviously difficult, especially in view of the fact that the workers' contributions towards old age and widows' pensions are to be increased in the near future. The common objection to the other two alternatives is that industries which are not now earning profits would make no contribution towards the cost of unemployment benefits; but it must be repeated that, as we have already seen, taxation of profits is the only really economic way of raising money for such purposes. The real objection is that taxation of profits has admittedly reached its limit. This dilemma is, however, only an illustration of the fact that no adequate reform of our present legislation is possible without some far more fundamental

reconstruction of the relations between industry and the State than reformers have hitherto been willing to contemplate.

The truth is that the socialist is perfectly right in one of his contentions : that the State—that is, the general body of the citizens—cannot be expected to bear the burden of the wastage of human material resulting from the processes of industry unless it has at least some recognized *locus standi* in relation to those processes. The socialist translates his principle into a demand for State ownership of, or, at any rate, the closest State control over, industry. The only alternative to that demand, for those who do not believe in such an extension of State functions, is some policy on the lines of what has come to be known as the ' corporative State.' We have already touched on this idea in considering the possibility of some form of ' economic Parliament.' In the sphere of policy which we are now considering, it is at least essential that the State should have some definite working knowledge of the volume of employment which can be given by each industry, subject, of course, to all the uncertainties inherent in any such estimate made over a term of years.

In other words, the State must attempt to make some survey of the actual employing power of the nation's capital, and this survey must begin with organized industry. Such a census of effective capital in terms of employment is far more necessary than any census of production ; but it must, of course, be a census, as it were, of policies rather than of accomplished facts. The potential employing power of organized industry, as it is equipped to-day, is enormous, and an estimate of it would be meaningless in practice. What we need is a census of the policies of the managers of industry, based on their practical estimate of probable demand over a fairly short period. Consequently, such a census could only be carried out if each industry were so organized as to be able to define its policies.

An immediate beginning should be made in the organization of industry for this purpose. It will then become

possible to assess the contribution of each industry, and of each employer in the industry, towards the relief of unemployment in the form of block contributions fixed for a term of years, irrespective of the number of men actually employed at any given moment during that period. Though, clearly, such block contributions would have to be assessed in some relation to the number of men employed in the industry at the beginning of the period, this should only be one element in the assessment, and not necessarily the most important. In fact, we should abandon the attempt to plan a system of unemployment relief in terms of insurance at all. The mystification of the 'insurance principle' is becoming an increasing handicap to clear thinking about unemployment. So far, at any rate, as the employer's contribution is concerned, it is, when one comes to think of it, a piece of social blasphemy to regard the employment of a man as a 'risk' against which the employer should insure himself. It would be far nearer the real truth to say that, in employing as many men as possible, the owner of capital is performing a social duty and that, if he neglects this duty, he should make a compensatory contribution towards the cost of relieving the workers whom he fails to employ.

It is admittedly difficult to translate this idea into terms of an assessment of industry or of the individual firm, but a nation which can reconcile itself to the hit-or-miss assessments of purely hypothetical values entailed by our present system of taxation, for instance in the case of estate duties and even of rates, need not strain at the use of similar methods in assessing the employing power of industrial capital. Certainly, an assessment of this kind made in consultation with bodies representing the industries concerned, would be much fairer than the present poll-tax which we levy on employment.

For the same reason, the same method should, if possible, be applied to workmen's compensation. This is too difficult a question to be dealt with here, but there is no doubt that insurance for workmen's compensation constitutes, if anything, a worse tax on employment than contributions towards unemployment or health insurance. Now that we

have established, and are likely to be obliged permanently to continue, a national scheme for maintaining the able-bodied casualties of our industrial system, there is really no reason why that scheme should not be extended to its non-able-bodied casualties as well. The cost of this extension can be met in the same way as the cost of unemployment relief, the employer's contribution to the whole scheme being partly assessed in relation to the accident risk involved in the particular occupation.

We should then have a scheme which was no longer straitjacketed by a supposed adherence to some mystical insurance principle. Organized industry would be providing up to its ascertained capacity towards the relief of those persons whom it was unable or unwilling to employ or who had been disabled in its service, but there would be no fictitious accumulation of these contributions. A realistic scheme of this kind, however, must be based on a realistic conception of what organized industry is. We have spoken above of the 'owner of capital'; but this is a somewhat inaccurate, though a convenient, phrase. Capital in any free society will, it is true, be largely in the hands of private persons who cannot themselves employ it adequately, and who will lend it to producers who can so employ it; but ownership of the capital need not necessarily imply ownership of the producing industry. Under our present social system, subscribers to the ordinary shares of limited liability undertakings are regarded by the law as the owners, not only of the amount of capital to which their liability is limited, but also of the industry itself. Yet, in fact, as we have noticed, they are merely sleeping partners, and the conduct of the industry and the employing power of the capital invested in it depend on its active managers and on the workers employed in it. It is on this *corpus* of active workers, both 'employers' and 'employed,' that the responsibility for the employing power really falls, and it is, therefore, this *corpus*, not the outside sleeping partners, which must be held responsible to the community. Radical as such a statement may sound, the society of the future must definitely get rid of the fiction

of shareholder ownership. The private capitalist who desires to lend his money to industry must be regarded by the law as having an interest in the industry as limited as his liability for its success or failure, whether or not he lends his money at a fixed rate of interest. On the other hand, the employed workers, who are not now regarded as having any proprietary interest in industry at all, must be recognized, with the active managers of the industry, as the owners of the industry, subject to any contractual charges upon it due to the sleeping partners who have lent their capital to it. This is not to say that they should themselves manage the industry through some so-called 'democratic' machinery; the management may remain in the hands of Boards of Directors acting as their trustees, with full discretion to administer the corporate property. But the workers must be called in to co-operate with the State in carrying out the census of effective capital and to negotiate with the State in determining the contribution which should be made by industry towards the relief of the unemployed or physically disabled casualties of industry.

It is at this point that the 'free gift' idea which we have suggested in the preceding section of this chapter begins to materialize as a practical possibility. Clearly, when the managers and workers in each factory and in each industry begin to discuss the employing power of the capital which they control and the amount of the contribution which they can afford to make towards the relief of the unemployed, there will be no point in distinguishing between employers' and workers' contributions. We shall have abandoned the insurance fiction. Confining our attention, for simplicity's sake, to the unemployment problem alone, the process will be that the industry will define its employment capacity in terms of man-hours of labour or man-units of output. Next, it will define the rate or rates of wages it can afford to pay per hour or per unit, leaving out of consideration any contribution to be made towards unemployment relief, but taking into consideration the rate of interest which it has to pay on the capital lent to it. The shareholder, having no

longer the position of a proprietor, must pay his contribution towards unemployment relief through taxation. Next, again, the industry will define its employment policy in terms of the number of men to be employed and the number of hours which each man is to work, or the number of units of output per head. In determining this crucial question of policy, it will have to weigh the reduction in *per capita* wages which will be involved in increasing the number of men it employs, and correspondingly reducing hours of labour or *per capita* output, against the amount of the contribution towards unemployment relief which it will otherwise have to pay to the State. This is the real choice which industrialists, trade unions and reformers are all at present shirking in one way or another. It depends on three variables: wage rates, hours and relief contributions; but to-day two of these are not variable, but are rigid liabilities: a fixed trade-union wage rate and a fixed *per capita* contribution towards insurance. Consequently, the third factor of hours is, in effect, also invariable, or is variable only in one direction, and that the reverse of the one desired; for the insurance contribution can only be reduced by diminishing the number of men employed and either lengthening hours of work or replacing labour by machinery. If industry is to exert its maximum power of employment and to pay out the maximum aggregate amount of wages, it must be freed from these inflexible limitations and regain reasonable freedom in adjusting all three factors.

In practice, the choice must be a compromise and, obviously, the adjustment will be far easier if it proves possible to express the contribution of industry towards unemployment relief partly in terms of increased production, instead of in a money contribution—in other words, in kind instead of in cash. Suppose, for instance, that a firm is employing a hundred men at an average wage of 52*s.* net (after deducting insurance contributions) for a working week of 45½ hours, and is paying a contribution of £433 6*s.* 8*d.* a year to the Unemployment Insurance fund. If the contribution remains a fixed *per capita* charge and the firm cannot increase its wage bill,

a 4 per cent. increase in the number of men employed, coupled with a reduction of 1¾ hours in the length of the working week, must entail a slightly more than proportionate reduction in net wage rates, as the insurance contribution will be increased to £450 13s. 4d. If the contribution is a fixed lump sum, such a policy would still entail a reduction of 2*s.* a week in net wage rates. If, however, the firm could get rid of its contribution altogether, it would only have to reduce its wage rates by rather less than 5*d.* a week. Clearly, a 4 per cent. increase in the employing capacity of industry will not get rid of the unemployment problem, and some contribution towards unemployment relief must, therefore, continue to be made. In fact, it may have to be increased if, as we have anticipated, the yield of taxes on profits declines. In these circumstances, the payment of the assessed contribution partly in the form of goods, produced by an addition to the reduced hours of labour, would not, in itself, be a sacrifice at all, but on the contrary a mitigation of the sacrifice entailed by the contribution. It would, in fact, be simply a purchase of goods by the State out of the contribution due to it from the firm. Nor need the possibility of such an alternative be confined to industries producing the staple necessaries of life. There is no reason why it should not be extended to industries producing material for programmes of public works on which the unemployed are to be engaged.

It may be objected that, as so often with sociological novelties, the 'free gift' idea has thus materialized only to lose its point. If our firm is assessed for an increased contribution of £540 16*s.*, but one-quarter of this sum is credited back to the firm by book entry in exchange for 'relief goods,' thus raising wages to 50*s.* 6*d.* for a slightly longer working week (or alternatively permitting the employment of one extra man), this merely illustrates the inevitable effect of distributing the contributions of industry to the unemployed. They must come back to industry, viewed as a whole, in exchange for relief goods, and each firm producing this class of goods will get back some of its

contributions. Precisely, but it illustrates also the fact that *no more than* the aggregate amount of the contributions (including the State's contribution from taxation) can come back to industry—that the whole transaction creates no new wealth because there is no real exchange of goods or services. Further, the point of the idea is that it translates some part at least of the transaction into terms on which the individual firm can rely and can, in its turn, immediately translate into terms of increased wages or increased employment. It is the vice of all redistributions of wealth, whether of wages or profits, that it creates uncertainty and therefore unemployment; the whole virtue of what we have called 'direct' relief is simply that it tends to eliminate this element of uncertainty and therefore makes possible some degree of deliberate planning.

But schemes on these lines could, at best, only arrest the future growth of the casualty rate in organized industry. They do not touch, at any rate to any great extent, the casualties which we already have on our hands at the present moment. Not many of these can ever be re-absorbed into organized industry as the result of any survey of the employing power of industrial capital. What prospects of useful employment or independent livelihood can we offer to this great mass of workless citizens?

The answer to that question depends upon the realization of two facts: that, in all civilizations of which we have any experience or any knowledge, a large part of the labour of the citizens has always been expended in the first place on work not producing an economic return, and, secondly, on work for the development of the labourer's own property which, while producing an economic return, could have been more efficiently performed, with far less expenditure of labour, if the property had not been in his hands. In other words, a large part of the labour of mankind has always been expended on amenity or semi-amenity work for employers who could afford such luxuries, and on the production of food on the labourer's own land for his own consumption. The nine-

teenth-century economic system tended to discourage labour of this second type. In this country, it completed the extinction of subsistence agriculture which had been begun by the eighteenth-century enclosures ; and in the great agricultural areas of the New World such agriculture was soon crowded out of the economic system. On the other hand, the nineteenth-century economic system probably considerably increased the volume of amenity employment. Such employment was largely financed out of the surplus 'increment of expansion' and can be regarded in much the same light as the phenomenon to which we have already referred—the employment of a large volume of labour in producing goods exported on credit and never paid for. In the last two or three decades, the slowing down of commercial expansion, coupled with the efforts of the State to redistribute wealth by taxation, has tended progressively to restrict the volume of such amenity employment, and this, perhaps, accounts for more of our unemployment problem than is generally recognized. Here again, a census of the employing power of capital in private hands is urgently required, though such a survey would, of course, overlap at all points the survey of the employing power of capital in organized industry, since the two bodies of capital are, to a large extent, identical. Such a survey of private capital must be based on the same principle of the duty of the owner of capital to provide employment or to contribute to the relief of the destitute in lieu of employment ; but it would probably throw a lurid light on the relation between unemployment and the high taxation of capital and income. It might lead to some substantial revival of private amenity employment through a modification of estate duties and other forms of taxation. But, broadly speaking, not much can be hoped from any attempt to revive the private amenity employer, at any rate the private employer of amenity labour on a large scale. As we have seen, no modification of our system of taxation can counteract the inevitable tendency of society in the future towards greater equalization of wealth. There may be an increase in the number of small private employers of

amenity labour, but if we desire, as we must, to restore uneconomic work to its proper place in the economic system, we must do it in a new form. This raises the whole question of public works.

The discussion of public works policy has been fundamentally vitiated by attempts to prove that, in some obscure way, such works can be regarded as economic. If we are to evolve a sound public works policy, we must frankly recognize that the great bulk of such works are amenity works which can never produce any return commensurate with the labour expended on them. Having recognized that fact, however, we should apply the idea of the census of effective capital to those amenity assets which are the precious possession of the community as a whole, and which the community has a direct, though an ' uneconomic,' interest in preserving and developing.

Here, however, we must face a new difficulty. In the past, the private employer has been able to pay full wages for amenity work because he has enjoyed the benefit of the surplus ' increment of expansion ' of the nineteenth-century commercial system. He has thus, in effect, been able to substitute his gardener or domestic servant for himself as the claimant to some part of this increment. The ' wages ' he has paid have been the transfer of a dividend and are, in reality, radically different from wages, properly so-called, paid for the production of goods for exchange. With the tendency of profits to a minimum such a system cannot continue, and uneconomic works must entail uneconomic wages. In fact, labour employed on such works in future will be in much the same position as labour employing itself (so to speak) in subsistence agriculture. In both cases, the labourer will be working for a bare livelihood and little more. Little more, but substantially more than the present scales of unemployment benefit ; for the public works which we have in mind will bring some economic return, and the owner of a subsistence small holding, though he may be the hardest worked member of the community, will be an owner of property, living his own independent life.

There is, in fact, an immense volume of development work to be done in this country, enough to absorb the labour of all the unemployed, on the one condition that that labour is offered on the same sort of subsistence basis as (though unfortunately with much less prospect of independence than) the labour of the smallholder. To this class of public works belong all the schemes of which we have heard so much during the last ten years, such as land drainage and reclamation. Reclamation is, perhaps, the prime instance of how all such schemes have been vitiated by an attempt to justify them on economic grounds. There is no case for reclamation as a means of enlarging the sphere of profitable agriculture, measured by the return on the capital expended ; but there is an overwhelming case for it as a means of offering additional opportunities for the future small owner of land. But to such familiar proposals may be added others far more ambitious, notably a re-planning of all our old urban areas, especially in such distressed regions as Tyneside.

It must, however, be emphasized that schemes of this kind, which have been so often mooted only to break down under practical criticism, are only possible on the assumption that the public expenditure involved, however much it may be reduced by the limitation of wages to a more or less subsistence level, is partly balanced by a reduction of State expenditure in other directions. We have already indicated the sort of changes which we foresee in the organization of the social services. It is in an atmosphere of economy, not in an atmosphere of inflation, that a non-economic public works policy must be carried out. We have already suggested that it may well have to be supported by contributions in kind from organized industry.

We should, however, be wrong if we concentrated our attention mainly on grandiose schemes like the reclamation of the Wash or the re-planning of Tyneside. The larger the scale of public works the greater will be the capital required to employ a given amount of labour. This, at any rate, is generally true of this type of work. There is, on the other hand, an enormous volume of semi-amenity work in every

part of the country which used to be performed by individual labourers and which is not now being done at all. A landowner, for instance, may have spent considerable sums year by year in making good the banks of some small river where erosion would only have minute, if any, results on cultivated land, but where the accumulated results of neglect may eventually entail considerable damage. The landlord's motive may have been mainly sport, but there is, in addition, a remote economic motive which is worth the consideration of the nation. It is intensive work of this kind on a small scale which has given England that garden character which impresses foreigners, and there is here more opportunity for the employment of the workless than possibly in any half-dozen large-scale schemes.

Tentatively and hesitatingly, we have been making experiments on these lines. The Forestry Commission, for instance, is employing the unemployed on development work, the economic return on which must be remote, as well as creating forest holdings. Private experiments have been undertaken in the organization of unemployed camps, in imitation of German schemes, and municipal experiments in the performance of public works by public subscription. The extension of this movement and its definite recognition by the State is only prevented by that ingrained prejudice which we have already mentioned, the superstition of ' trade union rates of wages ' applied to non-productive or only semi-productive work. That prejudice has to be eliminated, and the spheres of economic wage rates and subsistence wage rates defined and adjusted. The task will admittedly be one of enormous difficulty, but the difficulty must be faced and faced at once. Already in the other but analogous sphere of domestic craft work carried on by individuals in the attempt to gain an independent livelihood, we can trace at many points the coming clash between trade-union wage rates and organized industry on the one hand, and the independent producer on the other. This particular problem is one which has been faced, and to some extent at least solved, in Sweden where domestic crafts are organized on a

scale which the Rural Industries Bureau in this country can only envy, but in a society, such as we have foreseen, where division of labour is breaking down, the clash between the old organized system of specialized labour and the new phenomenon of labour in course of de-specialization will result in widespread dislocation unless its dangers are deliberately provided against in advance.

RE-EMPLOYMENT THROUGH THE OWNERSHIP OF PROPERTY

This brings us to the other key to the re-employment problem : what used to be known as peasant proprietorship of land, with its attendant domestic crafts. There are, of course, an infinite number of difficulties to be surmounted in the organization of small holdings or cottage holdings. There is the problem of training, of initial capital, of housing, of markets and so forth. But the real problem, that is to say the only one which is so difficult that it may baffle the reformers, lies in the question whether an extinct tradition of small-scale agriculture, with all the drudgery that such a life involves, can be revived in the mind of the Englishman, or whether his mind has become so irrevocably urbanized that, even if he has the courage to attempt the experiment, he will be unable to carry it through. The answer to that question is, indeed, extremely doubtful, but it cannot be too strongly insisted that, apart from some return to the conditions of subsistence agriculture, we cannot hope to avoid the accumulation in our great cities of a mass of permanently unemployed labour of the same kind as filled the *suburra* of Imperial Rome. Two things are certain : first, that a change of mind of the sort that we have to bring about can only be brought about through education ; and, secondly, that education of this kind cannot be carried out, though it can be assisted, by any school system that has ever yet been invented. At present, our schools in rural areas are endeavouring with great earnestness to counteract the unreasoning tendency towards urbanization. Such schools as the East Suffolk 'area' schools

are making a solid contribution to the training of the rising generation for work on the land. But, while schools may thus greatly assist in giving the future worker some taste for and some skill in small-scale agriculture, they cannot really take the lead in such work for two main reasons. The first is that the school has other purposes and is dealing with all kinds of children ; it cannot, therefore, give a bias to its teaching which is not generally suitable to all its pupils. Just now, notably, the teaching profession is apparently being carried away by a catchword recently invented, the catchword of 'education for leisure.' That ideal is obviously sound when the teacher is dealing with children who, under our present social system, may very well in the future be unemployed or partly employed, and who, at any rate, will have a good deal more leisure than their fathers used to have if they are destined for work in organized industry. But it is probably not only unsuitable, but positively wrong, when applied to a child who is probably destined to earn an independent livelihood and who will have to make his own place in the world by working for himself. And the second reason is one which the teacher of education and the administrator is too often apt to forget : that, after all, all practical teaching in the schools must be, to some extent, make-believe. Short of a 'farm school' in the full sense of the term, there is a certain air of unreality and a certain atmosphere of the amateur in the school garden or the school fruit plot. If the boy is to acquire a real professional interest in such occupations, the greater part of his education in that respect must take place outside the school walls.

One of the great troubles of our educational system in rural areas is that we have applied to agricultural employment a whole series of intensive labour regulations based upon the analogy of child labour in urban organized industries. For the elementary school child, actual work on the farm during the holidays or out of school hours is surrounded by restrictions, apparently based on the supposition that a farm is a factory. The village boy is, therefore, deprived of the opportunity to grow into the actual life of a farm and,

as usual, even the exemptions provided for in the regulations do not take account of newer forms of agriculture. A special exemption, for example, may be applied to harvest, but not to the singling of beet. This system of restriction may be illustrated by a quotation from an actual letter written by an anxious inquirer into social legislation as understood by a rural county council:

> 'The Mudshire Bye Laws would effectually prevent any farmer employing a schoolboy. The law (if I adhered to it) would compel me to get the school doctor's certificate that Tom Smith's health will not suffer from driving my donkey in a lawn-mower. It would further require that I should affix in a prominent position in the place where the donkey is driven a notice stating how many hours Tom does it for (presumably the tennis net would have to be the "prominent place," or one could hang it round the donkey's neck). I should also have to procure a card from the Education Authority, and should be liable to penalty if Tom did not permanently carry it with him when mowing.'

We shall return to this question of education in the last chapter; meanwhile these remarks are intended to illustrate the degree to which our legislation has been influenced by urban conditions, and how radically we must modify that legislation if we are to adapt it to the society of the future. But, indeed, we must modify it in two directions. At present, while we treat the work of a child doing odd jobs on a farm as if he were entering a factory, we have done no more for the urban child than to prescribe a minimum age at which he may enter a factory and we have washed our hands of his subsequent fate, except that we have offered him opportunities of further education in technical schools and the like. To this neglect is due a very large porportion of the juvenile casualties of organized industry, for, usually, the factory which the boy enters has no defined recruitment policy and no policy for the training or promotion of the great bulk of its juvenile labour.

We shall not much reduce the casualty rate in industry merely by raising the school-leaving age or reducing the age of insurance. What we need is a new body of apprenticeship legislation, such as other countries (for instance, the Irish Free State) are now evolving. But it is no longer a question of apprenticeship in the old sense, but of the recruitment and care of all entrants into organized industry, whether they are destined for skilled or unskilled labour. Once more, we must call upon industry, as part of our census of effective capital, so to organize itself that it may be able to lay down for the guidance both of the State and the parent a definite code of employment for young persons between the ages of fourteen and eighteen ; a code which shall define the age of recruitment, the nature of the employment, the opportunities of training afforded by the industry, either independently or in conjunction with technical schools, and the prospects of promotion. As the policy of industry becomes thus defined, the State can establish and administer with increasing efficiency a system of labour permits, thus regulating the transfer of the child from school to organized industry, even above the general compulsory school-leaving age.

On the other hand, while the State thus establishes, by agreement with the industrial associations concerned, an increasingly strict supervision over entry into organized industry, it will need rather to relax than intensify its control over the passage of a child from school into less highly organized occupations, and especially into agriculture. Whether he is employed on the farm or by the village craftsman, the main consideration which justifies a strict supervision over the recruitment policy of organized industry does not apply to him. That consideration is that, after all, the conditions of organized industry are unnatural in the sense that they are remote from the life which the growing child has known, and the shock of transition—the grinding of the gears—must therefore be mitigated so far as possible. It is a very different thing to attempt to hold a child back from active participation in the life which goes on immediately round him out of school

hours. To do so is not to assist school education, but to sterilize it.

All these suggestions are, of course, based on the conclusion at which we have arrived, that the tide of industrialization has turned, and that the great sacrifice entailed by the transition on the wage-earner will be more than balanced by greater sacrifices imposed on the owner of capital. Indeed, in exchange for the drastic revolution in his conditions of life, we are offering the wage-earner a share in the ownership both of industry itself and of the only form of capital which is likely to retain a large part of its value in the society of the future, the ownership of land. Of course, the transition to the new conditions may be—and in all probability will be —gradual and partial. Subsistence agriculture and domestic industries are not the only alternatives to the large scale factory or combination of factories. There may be infinite gradations in the de-centralization of industry and the de-specialization of labour. We may see the revival of the small factory employing only a few hands, not merely as at present in the towns, but scattered through country villages. The worker in organized industry himself may work only part of his time in a factory and part on a cottage holding. In certain industries, we may even see the hiring out of machinery in small units to semi-independent workers. But, whatever the gradations may be, it is well to face the basic change which, to some extent, rapidly or by slow degrees, is coming upon the world—the change for a substantial part of our population from the production of goods for sale to the production of goods for the producer's own consumption. This is the most difficult readaptation that we shall have to make of human nature to new conditions, and a policy which burkes that inevitable change will be a policy deprived of any sound and permanent foundation.

CHAPTER IX

THE INTERNATIONAL SOCIETY OF THE FUTURE

WE now return from domestic to international policy. The preceding chapters have been devoted to a study of certain problems of constitutional and social policy in Great Britain, but these are not phenomena peculiar to Great Britain ; they are only specimens, gathered in Great Britain, of the problems common to all civilized countries, and the solutions we have suggested are applicable, in one form or another, to all such countries. The prospect which has emerged from our study is the prospect which confronts the whole civilized world. It may be summed up in a phrase : it is the increasing *localization* of social life and livelihood.

That is nothing new. It has been, in all ages, the normal condition of human life. Only during rare interludes of abnormal expansion, such as the period which lies immediately behind us, have men been able to regard the whole world as their field of action : and those interludes have always been, and must always be, brief. Henceforward, the individual will be able less and less to indulge in such ambitions. He will be able less and less to rely on the interchange of commodities between distant points of the earth's surface as a means of acquiring wealth ; he will be able less and less to rely for a career on employment in the great commercial organizations which have grown up to carry on such distant trade. Capital will tend increasingly to be embodied in local and personal forms, in land and houses rather than in steel rails or merchant shipping. As wealth and activity tend thus to flow back into old local channels, the personal responsibility

of the individual will tend to be enhanced. As a producer, he will be able less and less to pool his specialized labour with that of other specialists, relying on them to supply all his wants in return for the one technical job he has been trained to do ; as a citizen, he will be given fewer and fewer opportunities to buy himself out of his responsibilities by paying taxes into a national revenue pool or to discharge them indirectly through delegates nominally acting as his representatives. This tendency towards localization may well result in anarchy unless it is held in check, particularly in those fields of agricultural and industrial production where productive capacity will increasingly tend to outrun consuming power as population declines. In some directions, therefore, the State will have to organize and regulate economic life to an extent which it has never before attempted, and will have to work out new ' public utility ' institutions to carry out these duties, but the aim of this new State activity will, in reality, be to protect and rationalize the tendency towards localization, not to counteract it.

It is this conception of protecting and rationalizing the tendency towards localization that offers the key to future international economic relations. At first sight, the tendency would appear to be incompatible with any coherent international policy. In the international sphere, we would appear to have no prospect but a steady growth of economic nationalism. On closer examination, however, the very reverse would appear to be true. Indeed, we have now a better opportunity than ever before of working out an international policy which shall be the direct and logical complement of domestic policy, based on the same principles and serving the same ends.

In the era of nineteenth-century expansion, the only international policy which had any pretence of being based on the same principles as domestic economic policy was the policy of universal free trade. There is really no answer to Bastiat's old dilemma : if it is a bad thing to put an *octroi* wall round a town or village, how can it be a good thing to

put a customs wall round a nation? At least, there is no answer if the statement of the dilemma is expanded to cover free movement of persons as well as free movement of goods. The corollary of free movement of goods within a nation is the free movement of the citizen from any part of his national homeland to any other part; and, equally, the corollary of universal free trade is unrestricted migration. Unfortunately, the nations of the civilized world outside the British Isles, having looked at the theory of universal free trade for some decades after it was propounded, unanimously concurred in rejecting it as the basis of their policy. It was, in fact, obviously incompatible with the other principle of political nationalism which was propounded by just the same school of liberal opinion and came to dominate Europe in the second half of the nineteenth century, culminating in the redistribution of European territories after the Great War. The new nations felt unable to view with equanimity the migration of their citizens to remote centres of world production; moreover, the new nations, born as they had been in the wars of nationality, felt unable to disregard the possibility of future war and could not, therefore, resign themselves to dependence upon foreign sources of supply. Their international economic policy tended, therefore, to be based on wholly different principles from their domestic economic policy, and this illogical divergence has reached its culmination in the chaos of post-war economic nationalism.

But now, on the reasoning which we have followed in the preceding chapters, Bastiat's dilemma appears in a completely new light. The answer to it now is that the freest possible production and movement of commodities inside the frontiers of a nation can no longer be regarded as an obvious good. It never was an unmixed good, for even within national frontiers population does not transfer itself easily from one point to another. The inshore fisherman of a seacoast town on the Channel, finding himself beaten in the shops of his own town by the competition of the Grimsby trawler, can, theoretically, dispose of his boat and seek employment at Grimsby, but he can do so only at a sacrifice

which may be as disadvantageous to the nation as a whole as it will be unpleasant to himself. Laziness and mere traditional associations no doubt play a large part in immobilizing labour, but a healthy love of independence may exercise an even more powerful influence in the same direction. In the new era, however, this freedom of internal trade is so little an obvious good that every nation is finding it increasingly necessary to control internal production and regulate internal trade. If, then, the nations of the world find it necessary in the future, as in the past, to regulate their trade with each other, such regulation will be no longer, as in the past, a contradiction of their internal policy, but a logical extension of it.

The earlier chapters of this book were written before the meeting of the World Economic Conference, but, if the reasoning of those chapters is in any degree sound, the relative failure of the conference was natural and inevitable. The assumption underlying all the preparations for it and the assumption in the mind of almost all the delegates to it was that the world economic order of the later nineteenth century was part of the eternal laws of Nature. On this assumption, all that the nations had now to do was to remove the obstacles to the free operation of those laws which had resulted from the war and from post-war nationalistic policies. Ever since the war, 'enlightened' opinion in all countries had unthinkingly reiterated the dogma of the 'interdependence of nations.' That phrase was equally on the lips of bankers and economists and of League of Nations Union orators. There was no inkling in the mind of these intellectual leaders that, in fact, the post-war nations were becoming economically less and less instead of more and more interdependent, and that the world was ceasing to become the natural and inevitable unit of trade. The more reasonable among them recognized that the principle of economic interdependence must, in any case, be modified to some extent by semi-political considerations tending towards a moderate measure of economic nationalism, but it had never occurred to them that economic nationalism

might, with all its drawbacks, be a better starting-point for the consideration of future economic policy than economic internationalism. Starting from these fallacious assumptions, the conference could reach no practical conclusions.

Yet it would be wrong to regard the conference as a failure. It was a failure, indeed, as an executive congress, but it was probably a marked success as a summer school for statesmen. Before it broke up, many of the delegates had probably realized their mistake and had begun to find a new point of departure for future international consultations. The conference, in fact, marked the first beginnings of a new international policy, a policy starting from the assumption of national regulation, and proceeding from that assumption to devise corresponding methods of international regulation. It marked, too, perhaps, the first dawning idea that such a policy might be a more powerful influence towards international peace than any policy based on an attempt to express the interdependence of nations. We have already suggested that the domestic peace of each nation, the reconciliation of the old class struggle with all its bitternesses, is to be looked for in the realization that, in these days, employer and worker, State socialist and 'private enterpriser,' in fighting politically and industrially for the control of capital, are, in reality, tending increasingly to fight for the possession of an empty arsenal. Much more does that lesson need to be learnt by the nations of the world. The old demand for 'a place in the sun' of world trade, which played so large a part in creating the atmosphere of tension which preceded the world war, was, in fact, even in those days a fallacy. When once the nations realize that there can no longer in the future be any great sunlit spaces beyond the horizon in which their citizens can satisfy their greed or their ambition—when the League of Nations comes to be regarded as an agency, not for reconciling the sharply competing economic interests of its members in the same restricted world field, but for stimulating co-operation between nations whose own selfish interests are more and more confined within their own frontiers—we shall have come nearer to a state of

settled peace than we could ever do by seeking, as some ardent advocates of the League have sought, to build a World State on the basis of the doctrine of international interdependence.

But this is not to say that international co-operation is merely a secondary consideration at the present moment. On the contrary, it is essential. Without such co-operation domestic policies must break down. A change from the old to the new economic order must be a gradual one if we are to escape disaster. Owing to the blindness both of economists and statesmen, we have already lost much time ; we have lost at least thirty years during which we might have discerned the slowing down of economic processes and foreseen its inevitable result. Owing to that blindness, the transition must, in any case, be dangerously sudden. Special measures must be taken to make it as gradual as possible, and those measures must be essentially international in character. In working out our schemes for regulating the international exchange of commodities, we must not only aim at safeguarding the employment of the domestic producers of those commodities in each country ; we must also seek, subject to this consideration, to stimulate the greatest possible volume of international exchange of commodities, both in order to safeguard the employment of those in each country whose employment has, in the past, depended on such exchange, and also in order to prevent the sudden dislocation in standards of living which may easily result from the tendency towards economic localization. And what is true of the interchange of commodities is true also of migration. We have, in a word, to counteract, so far as possible, that contraction of the size of the civilized world which, as we pointed out in a previous chapter, has disastrously accentuated the evils resulting from the slowing down of the growth of population.

The lines of this new policy of international regulation have already begun to be worked out in some recent agreements, and it is unnecessary here to discuss the now familiar expedients of customs duties and ' quantitative restriction.'

We shall, therefore, confine our attention in this chapter to one element in the problem which no statesman has yet seriously faced, but which cannot any longer be shirked, although it leads to some unpleasant and even dangerous conclusions.

If the failure of the World Economic Conference was fundamentally due to the unpreparedness of practically all its members to face the issues of the new era, the Government of the United States must bear a special part of the blame for its actual breakdown. Even if the European delegates had been better prepared, they could have done little in face of the vetoes imposed by President Roosevelt on their proceedings. On the currency issue, indeed, the President was right in substance, though tactless in method. We have, in an earlier part of this book, argued against the superstitious preoccupation both of politicians and economists with currency problems, though Mr. Roosevelt seems since to have lapsed into the same superstition. This preoccupation, amounting to an obsession in the case of the French and certain other European governments, had to be shifted into the background if the conference was ever to get down to the real facts of international economic life; but Mr. Roosevelt would have done well to remember that a psychological complex is intensified, not eliminated, by repression. Mr. Chamberlain may have ventured too far in trying to lay the ghost by kindness, but Mr. Roosevelt's method of autocratic exorcism was a diplomatic mistake of the first magnitude.

This mistake, however, was unimportant compared with his prior veto, acquiesced in though it was by the other nations concerned, on the discussion of the question of war debts. This veto can, of course, be very forcibly defended on the well-known ground that a world conference could not usefully discuss a question which affected only a few nations, but this line of defence betrays a fundamental misconception about the whole issue of international indebtedness. It repeats, in fact, though in a far worse form, the mistake made by Mr. Wilson at Paris at the beginning of 1918. Mr. Wilson had, at that time, only one real chance of forcing a fair

solution of the reparations issue. That chance was to express his willingness to discuss a settlement of allied war debts to the United States, provided that the allies would restrict their reparation demands on Germany within reasonable limits. It is, indeed, possible that he would have been personally prepared to consider such a proposition if it had been put forward by the British Government, but he could have done so only in the teeth of all his personal advisers as well as of Congress. The American attitude which has become so familiar since then had already begun to be defined: the attitude that war debts and reparations were two distinct problems which could not be confused. There was the same sort of logical justification for this attitude as there was for the exclusion of the debt question from the purview of the World Economic Conference, but it was nevertheless an attempt to divorce, in theory, two considerations which were inevitably closely linked, in practice, in the mind of every European statesman and of every thoughtful economist. In a somewhat similar way, if the question of war debts had been allowed to swim into the ken of the World Economic Conference, even on a remote corner of its horizon, the Conference could hardly have failed to observe the fact that this erratic heavenly body was not an isolated meteor, but bore a remarkable resemblance to certain other more familiar constellations, so familiar that their influence on international economic life had, until recently, been almost entirely ignored.

The truth is that almost everything that economists have said about the 'uneconomic' character of war debts is equally true of a large range of international indebtedness which has nothing to do with the war. In an earlier chapter, we have barely indicated the uneconomic character of some recent international borrowings, and also the uneconomic effect of many old international debts on the present course of international trade. It is necessary here to develop the argument a little further from the practical point of view of national statesmen who attempt, under existing conditions, to arrange for the greatest possible flow of trade between

nations compatible with the employment or re-employment of their peoples.

The statesman who tries to negotiate an international trade agreement for these purposes at the present moment is concerned with two things: the exclusion or limitation of imports which might throw a number of his fellow-citizens out of employment, and the encouragement of an international exchange of other goods which will both benefit his home consumers and promote employment in the export trades of his country. In fact, however, he finds—if, at any rate, he is an English statesman—that he cannot devote himself wholly to these two aims because he is bound to provide for a certain volume of imports which are not to be paid for by exports. These imports represent interest due to some of his fellow-citizens who have in the past lent money to the foreign country concerned, or who have bought or inherited shares in the enterprises of that country from the original lenders. If he does not admit these imports, the borrowing country with whom he is negotiating will be obliged to adopt some form of exchange restrictions. If the bridge of commodities moving between the two countries is too narrow to give passage to all the money obligations incurred by one country to the other, entry to the bridge must be restricted. But such exchange restrictions tend to operate arbitrarily, making little or no provision for giving priority of entry to the bridge to those who have built it by actually moving goods between the countries concerned. Indeed, they tend to operate in the reverse direction. A country which borrows money from abroad for public works, municipal or national, cannot export its public buildings or its water to pay interest on its bonds; a railway constructed by foreign capital, which transports goods for export, should, on the contrary, be able to pay a dividend to its foreign shareholders out of the proceeds of the goods so moved; yet, under most systems of exchange restrictions, it is quite probable that it will be the holder of the municipal or national bonds who will get his interest before the railway shareholder gets his dividend; and both may well take

precedence of the foreign merchant who has actually sold goods to the country concerned for which he cannot get paid at all. The builder of the bridge will thus get jostled off it altogether. The interests of every civilized country at the present moment are intimately bound up with the promotion of current trade to meet the day-to-day needs of, and to afford day-to-day employment for, its citizens ; but a large part of the actual international trading transactions carried on between nations is concerned, not with such current trade, but with the discharge of past obligations arising out of loans contracted—it may be forty or fifty years ago—many of which are unproductive in almost precisely the same sense as war debts. It is not very much more difficult for Great Britain to export to the United States in payment of interest a howitzer shell which was exploded or a khaki uniform which was worn out in France in 1917 than it is for a Danish municipality to export its public services or the Government of India to export the buildings of New Delhi.

As usual, a calm consideration of these phenomena has been prejudiced by becoming merged in the general and increasingly unreal controversy between 'socialism' and 'capitalism.' The socialist uses vague language pointing to general repudiation of all inconvenient international debts, though, in fact, he would not be prepared to carry out any such policy in practice ; the defenders of private capital are moved to reply by an indiscriminate defence of the operations of private lending which, if sound, would amount to a denial of the existence of any problem at all. Such sweeping denunciations and justifications lead nowhere. We have, in fact, to deal with two problems which must be carefully distinguished if any practical remedy is to be devised. One is the problem of international lendings which are in themselves from the outset 'uneconomic' ; the other is the problem of international lendings which were originally economic but now, in greater or less degree, represent exhausted or depreciated capital. It will be convenient to consider the second of these problems first.

The obsolescence of many originally economic international lendings is, in fact, only a special and particularly difficult phase of the general problem of trading investments which we noticed in a previous chapter. The conception of a permanent loan is a fallacy peculiar to later nineteenth-century society. In all previous ages, it was *property* that was regarded as permanent; and for that very reason loans were regarded as essentially ephemeral. Earlier civilizations, when land represented the main form of wealth, were concerned to protect the permanent ownership of such wealth by restricting the life of loans secured upon it. The feudal system, coupled with moral denunciations of usury, served much the same purpose in the Middle Ages as the jubilees and *seisachtheia* of early legislation. These guarantees of property against the moneylender only tended to disappear from the codes of civilized nations as trading transactions came gradually to be substituted for land as the main form of wealth, for trade lendings were impermanent in their very essence and could not, therefore, constitute a threat to property. This impermanence of trade loans began to be obscured with the rise of the limited liability company. They began increasingly to assume the character of 'investments.' The lender acquired part ownership of a concern, often possessing enormous fixed assets, and he came to regard himself, and was indeed recognized by the law, as being as much the owner of these assets as the member of a Hindu joint family is the owner of the family land. The essential worthlessness of these fixed assets, apart from the trading transactions which they were created to promote, and the essentially ephemeral character of all such transactions, came to be more and more forgotten. Latterly, even bankers have measured the solvency of the concerns to which they have lent money by their fixed assets rather than by their trading prospects. The hollowness of all this fictitious structure has been disastrously revealed during the last few years.

Much of this misconception of the character of trading investments is quite recent, but certain forms of trading

investments were regarded, almost from the beginning of the nineteenth century, as possessing a peculiar and permanent sanctity. Chief among these were railways. The British Government recognized their inviolability by making them trustee securities, and, on this analogy, an almost equal security was supposed to be attached to the great railways of other countries, such as the Argentine and Canada. This superstition survived the early warnings of American railroad panics, and its baselessness is only beginning to be realized at the present day.

At the same time, any drastic writing down of the value of such international investments, particularly railways, would administer a new and very severe shock to the economic life of lending countries. A large volume of employment, especially 'amenity' employment, has been financed from the interest on such foreign loans, and the failure of dividends from them in the last few years, due partly to trade depression and partly to exchange restrictions, has played no small part in accentuating the unemployment problem. Moreover, in the past such loans have played an enormously important part in building up our export trades and in creating employment in those trades; and they must play a hardly less important part in the future, in proportion to the reduced volume of international trade. Anything like repudiation of past loans would be equivalent to an abdication of the worthy ambition to enlarge the world estates of mankind by developing its waste lands: and such an abdication, intensifying the tendency towards localization and still further contracting the size of the civilized world, might well be the final catastrophe. Like the withdrawal of the Roman legions, it would mark the end of our civilization.

The purpose of this chapter is primarily to draw attention to the real economic problems which statesmen have to solve by international consultation. Only the maddest of doctrinaires could be rash enough to devise solutions for such complex issues in advance of such consultation. It is, however, difficult to resist one conclusion.

In so far as foreign investments have really lost their

earning power—in so far as the capital is, in fact, exhausted—the problem is no different from the problem of domestic investments. The only solution is reconstruction or liquidation, however great may be the dislocation caused. But that is not the special problem of international investments of the kind we are now considering. That special problem is the problem of capital which has not lost its earning power, but which is now earning a return in a different direction. The railway which was built primarily to move wheat or maize or hides to the sea-coast for export, directly or indirectly, to the lending country can now, as the demand for such exports declines, earn an adequate return only by devoting itself increasingly to the internal transport of commodities inside the frontiers of the borrowing country. The foreign capital invested in it is, to that extent, as much locked up in the borrowing country as if it had been invested in the purchase of urban land. Any internationally agreed action in regard to such capital must, therefore, apparently take the form, not of cancellation, but of some system of 'blocked accounts' regulating the application of interest earned by such capital. The foreign shareholder will, therefore, necessarily become increasingly the owner of overseas assets from which he can benefit personally only by moving his place of residence.

That is not entirely a new phenomenon, though it is new on this scale. Many families in the past used to send one or two of their younger members abroad, for an almost life-long residence, to manage family property overseas. One of the outstanding weaknesses of Great Britain as a trading nation in recent years has been the loss of this migratory habit by the upper and middle classes; as one of the outstanding weaknesses of the United States has been the failure of her middle classes ever to acquire the habit. This has, perhaps, a closer connexion than is sometimes realized with a phenomenon of population which is almost peculiar to Great Britain among European nations, though the same phenomenon can probably be detected in the United States. While, in most European countries, the slowing down of the

growth of population has been spread fairly evenly over all classes, in England, on the contrary, while the growth of population in all classes has slowed down, it has slowed down with far greater rapidity in the upper and middle classes, with the result that the population of those classes is probably already actually declining. The social danger of such a state of things is obvious, and it has a special relation to the problem we are now considering. It is doubtful to what extent Great Britain or any western European country can in the future afford to lose a large proportion of its young 'working' men and women by overseas migration, but there is no such doubt about the desirability of promoting the migration of the younger members of its middle classes. In the near future, a nation which has built up its power and prosperity by overseas lending will find itself possessed of great overseas assets which it cannot bring home. Those assets offer to its citizens the opportunity of taking the lead in world reconstruction to an extent denied to the citizens of any other nation. If our upper and middle classes would turn their eyes in this direction, if they would recover a little of that adventurousness which characterized them only two or three decades ago, we might see some reaction from that undue restriction of families among the 'educated' classes which constitutes at present one of our gravest dangers.

But in order to realize the full implications of this idea of assets locked up overseas, it is necessary to develop a little further what we mean by 'world reconstruction.' In this connexion there are two points which seem to deserve consideration.

The first is the extent to which British enterprise overseas has hitherto been confined to *bringing home* wealth by the international movement of goods. True, the very volume of our lendings indicates that, as a nation, we have been in no hurry to bring wealth home, for we have re-lent much of it even before we have received it, but all such lendings have been based on the assumption of a greater ultimate return. When we consider a country like India, there is nothing more remarkable than the comparative failure of English capital to

develop inside the frontiers of the greatest of its overseas possessions the domestic conveniences essential to civilization. Railways, irrigation works, cotton machinery—yes, for these are all enterprises ministering more or less directly to the international movement of goods ; but, in a country where the difficulty of obtaining clean food lies still, as it has lain for a thousand years, at the root of much of the caste feeling against which we lightly inveigh, one may be forgiven for wondering why we have never experimented with a Lyons' Corner House in Bombay or a modern confectionery store in Delhi. These examples may appear both far-fetched and trivial, but surely all our thinking about the problem of India ignores the enormous power of economic, and therefore of social, leadership which British capital might give to future generations of Englishmen in India, at no greater sacrifice than is being made to-day by the Indian civil servant and the representative in India of English commercial houses.

What is true of India is true also of China, and, if Asiatic countries present some peculiar difficulties, those difficulties do not arise in other countries like the Argentine, where a large volume of British investments will increasingly be locked up in the future. All over the world we are international traders, engineers and railway builders, but not shopkeepers nor even manufacturers for the domestic market—nor, it may be added, doctors or teachers. One of the most curious features of modern ' educated ' unemployment is that, when a body of highly-trained professional men like the German Jews are suddenly thrust out penniless on the world, it is found that countries like Brazil have a desperate need of qualified doctors.

And the other point which deserves consideration is the provision of an outlet by migration for those populations in Europe which are still expanding and which are being driven by expansion into industrialization, thus dangerously hastening the localization of economic life and unnaturally restricting international trade. We in Great Britain have talked much recently about the possibility of the British Government acquiring, through a kind of chartered company, large

tracts of land in the Dominions for the communal settlement of our surplus population. If such opportunities were offered, not only in the Dominions, but in countries like the Argentine, they might well, perhaps, call forth in the future a population in this country which could take advantage of them. Let it be remembered that the decline in population which we have been studying in this book is no more an inevitable law of nature than the continuance of the nineteenth-century economic system. The tendency may well be reversed in greater or less degree, but, however this may be, it is certain that countries like Poland desperately need such an outlet ; and it is no less certain that the provision of such an outlet for them is as necessary to the future employment of the citizens of Great Britain as an outlet for the migration of our own people. The accumulation of British assets locked up in foreign countries may well enable us to take the lead in international consultations for this purpose. They are assets which can be acquired by the British or by foreign governments, or by chartered companies formed for that purpose. The British Empire, with its unexampled experience of colonization, can provide the organization and direction necessary to inaugurate a new era of overseas settlement, free from the sufferings which have attended past migrations, especially from eastern Europe into the United States. By using the accumulation of British capital, locked up overseas in consequence of the decline of international trade, for such a purpose, we shall indeed be using it for the internal development of a foreign country rather than for stimulating trade between Great Britain and that country, but that must be the essential characteristic of much of the international enterprise of the future. Before developing this idea, however, we must consider for a moment the other problem to which we have referred : the problem of essentially ' uneconomic ' lendings.

These are, no doubt, in a sense only a special case of the problem we have been discussing. It is impossible to draw a hard and fast line between various classes of enterprises which may be financed by borrowings abroad—a railway or

an irrigation canal which, originally constructed to promote exports, now mainly serves the home market; a tramway company which has no connexion with any export trade but which is a highly profitable concern; a bridge or a school which, though not earning any direct return, is necessary to the internal economic life of the country; and a town hall or supreme court building which may to some extent be regarded as a public luxury. The common characteristic of all these enterprises is that, whatever may be their relation to the internal economy of the particular country concerned, interest can only be paid on foreign capital invested in them by levying what is, in fact, a tax on that country's exports, and to that extent reducing the country's power of consuming foreign imports. Overseas borrowings by State governments or municipalities have thus essentially the same effect as borrowings by any municipality from lenders who are not citizens of that municipality; they result in increased taxation for the benefit of outsiders and to that extent reduce the consuming power of the ratepayers. But there is, in practice, a distinction between international lendings which are essentially uneconomic, as being incapable of stimulating international trade, and international lendings which may, in the first instance, stimulate such trade, though the direction of their earning power may later be changed. The practical distinction lies in the possibility of subjecting future lendings to some form of State control.

State control of international investments has become a common proposal in the mouth of socialists or would-be Fascist dictators, but, when applied, as they are most often applied, to the ordinary international operations of 'private enterprise,' they embody a serious danger—the danger which we have already pointed out—of still further reducing the already dwindling volume of international trade. Shareholders in foreign enterprises are already far too reluctant to re-lend their money, and the individual shareholder needs to be encouraged to take even speculative opportunities of promoting international trade rather than to have his timidity intensified by the admonitions of State investment

boards. What does need to be checked and closely controlled is the sort of delusively safe overseas investment to which the timid private capitalist tends to resort, namely investment in State or municipal loans or in essentially domestic public utility enterprises. The private capitalist who invests his money in an Argentine cold storage plant in the hope of increasing the export of meat from the Argentine to England, may, indeed, be seeking to stimulate trade between the Argentine and England in a commodity, the importation of which the British Government may desire to restrict in the interests of the British farmer; but the British Government has the power to restrict those imports, and, consequently, if it intervenes at an earlier stage to prevent the English capitalist from making an ill-calculated investment, it will be doing so, not in order to protect agriculture within its frontiers, but either in the interests of the individual capitalist or in order to prevent what might be regarded as a waste of the national capital. The function of an investment adviser is, however, one which governments are peculiarly ill-fitted to discharge, and the government which attempts to prevent its citizens from making bad investments may well find that it is restricting the exports which are the immediate consequence of overseas lendings without really conserving the national capital. It is, in fact, the chief danger of socialism, in the present critical phase of the world's economic life, that, by trying to force its citizens to play for safety, it may disastrously hasten the coming of the stationary state and may freeze the economic life of the world into premature immobility.

On the other hand, the governments of the world can, and should, control their own international borrowings and the borrowings of their subordinate local authorities by consultation among themselves. The effect of such borrowings on international trade is clear and calculable. The interest on such borrowings constitutes a tax on international trade, the gross weight of which, and to some extent the incidence of which, can be accurately measured. And not only must future borrowings of this kind be subjected to control; it

will almost certainly also be necessary to consider whether the existing international obligations of public authorities constitute too great a tax on existing international trade. The nations have already experimented, under the Dawes plan and now in the Bank of International Settlements, with an international expert body entrusted with the regulation of the payment of international government obligations. The experiment has not gone very far, for it has now been generally agreed that reparation payments, which formed the main subject of the experiment, must be cancelled altogether ; and it is commonly assumed in Europe that no less drastic treatment will have to be applied to the inter-allied war debts. It is impossible to regret this decision to cancel, since, if there is to be a writing down of international indebtedness, debts arising out of the war and the peace conferences constitute a class of obligation which can more easily be subjected to drastic treatment than the debts of governments to the private citizens of other countries. Yet, from one point of view, it is, perhaps, a pity that the governments and the public opinion of the world have adopted so completely the simple and rough-and-ready expedient of cancellation. As we have already suggested, there is no essential difference between these war debts, including reparations, and the general run of international government loans. The expedient of cancellation cannot possibly be applied to the general run, and its application to war debts has tended to obscure the necessity for a delicate and discriminating reconsideration of the whole volume of public international indebtedness. Such a reconsideration, moreover, must not merely be confined to existing indebtedness ; it must lay down principles for the future, not merely for the restriction, but also for the constructive encouragement in certain circumstances, of international borrowing. And here we return again to the idea of world reconstruction.

We have surely reached a point in our argument when a wholly new view of international relations must emerge. During the last half-century the whole character of international relations has been profoundly affected by an almost

universal assumption as to the economic purpose to be pursued in the development of 'new' territories. That purpose was conceived to be the restoration on a world scale of the balance between agriculture and industry, between the production of primary products and the production of manufactured goods, which was tending to be destroyed within the frontiers of the industrial nations. The most imperialistically-minded nations sought to acquire colonies for this purpose; otherwise the nations sought to assist 'new' independent nations to develop their territories for the same purpose. Thirty years ago, Mr. Joseph Chamberlain conceived the idea of rationalizing this policy within the British Empire. His scheme has now at last been to some extent brought into force by the Ottawa Conference. It was commonly said at the time of that conference that the delay of thirty years had been fatal to the full application of the policy, since, in the interval, the Dominions had ceased to be exclusively or mainly interested in primary production and had themselves become industrialized. Since the conference, however, it has been increasingly realized that, however true this view may be, the industrialization of the Dominions is not the most serious threat to the scheme of what has come to be known as Empire Free Trade.

The most serious threat lies, on the contrary, in the fact, not that the Dominions cannot afford to import English manufactures, but that England cannot afford to import the primary produce of the Dominions. It is on this rock that both the colonial policy of the Great Powers and the general system of international lending are now splitting. In fact, both old colonial ambitions and the international financing of 'new' countries are becoming a baseless anachronism. The balance between industry and agriculture must be restored—there is, in fact, a more desperate need of such restoration than ever before; but the balance must now be regarded as no longer one between different forms of production, but as one between individuals. It is a balance between those individuals who can still expect, whether in industry or in agriculture, to earn their livelihood exclusively

by selling their produce to others, and those who must to an increasing extent supply their own needs by the ownership and cultivation of land.

Such a contrast between commerce and industry on the one hand and subsistence agriculture on the other is, of course, an almost absurd over-simplification of the facts. The balance is rather one between individuals earning their livelihood in a whole gradation of occupations according to the size of the market for which they work. The most local of these gradations will centre round a market of some kind, and the more the revival of small-scale agriculture takes the form of community settlement the better. But, for an increasing number of the individuals who go to make up the balance of life, the unit of occupation will be the neighbourhood, not the nation, the empire or the world. Few, if any, threads will run from these neighbourhoods to overseas centres of government. The emigrant, even if he settles in a colony of his own nation, will minister very little, or not at all, to the prosperity of that nation. There will, indeed, continue to be one motive for colonial policy—the frankly military motive, the ability still to recruit the emigrant for the defence of the home frontiers. This military motive may, in some cases, notably in the case of Italian ambitions in North Africa, extend to the building up of a more or less compact local empire, strategically dominating a particular region. The passing of the economic motive will not of itself exorcize the ghost of Caesar or Louis XIV, but it will greatly reduce the number of such phantoms which have in the past haunted the policy of all great nations, and will make it easier to exorcize the few that will remain.

And our power of exorcism will lie largely in the new motive of simple humanity which new economic conditions will tend to introduce into the international counsels of statesmen ; for the problem which statesmen have now to grasp and solve is simply the problem of how to employ, or endow with property and the means of livelihood, their individual citizens. That is the common interest of all nations, to whichever nation the unemployed may belong.

This problem involves all the familiar factors which are the common talk of the day, the adjustment of customs duties and the regulation of quantitative restrictions, as well as the more novel factors which statesmen have hitherto been too timid to handle: the supersession of the chaotic exchange restrictions of the present day by some coherent rehandling of existing international indebtedness and the control of future international government loans. But it involves also, in addition to these comparatively negative policies, a constructive policy of migration.

The localization of human life and livelihood, while tending to narrow the markets of the world, demands an extension rather than a contraction of the field of human settlement. The gradual decay of large-scale industrialism, even if it be coupled, as we have suggested may be the case, with a demechanization of industry, may create such a land hunger as the world has not known since the Dark Ages. That land hunger, and especially the land hunger of rapidly expanding peoples like those of eastern Europe, can only be satisfied by a revolution in the whole character of land settlement in the New World; a revolutionary change from large-scale agriculture for export to small-scale agriculture for a local market. This is the fundamental problem which faces both the Dominions of the British Empire and the United States, and also South American countries like the Argentine. This is the problem which, far more than any Empire free trade in goods, constitutes the common interest and the bond of unity of the British Empire.

This may, at first sight, appear to be an absurd assertion. If there is one subject likely at the present moment to arouse the maximum of opposition to joint action within the Empire, it is the bare mention of the word 'emigration.' And rightly so, for the revolutionary change necessary to accommodate any new migration of this kind has, as yet, hardly even been contemplated by the governments concerned. Yet it remains true that the experience of the British Empire in colonization and settlement, and the capacity of the English-speaking nations and certain South American countries to receive new

colonists, make this *bloc* of nations at once the goal of the world's hopes and the only possible agents of world reconstruction.

And surely, there lies at the root of these considerations an idea which might well be preached so as to sweep the civilized world, and scatter like a gale the ashes of anachronistic international jealousies and ambitions. The world is facing to-day a castastrophic dislocation of the very means of livelihood of its peoples. The extent of that catastrophe has not even yet begun to be visualized, even after years of economic depression. It is a catastrophe before which all the little old worn-out doctrines of socialism, communism and imperialism dwindle into futility. We are left face to face with the simplest of all human obligations : the duty to save increasing numbers of human beings from such dereliction as the citizens of civilized states have never known, and, indeed, from actual starvation. We cannot offer them those glittering prospects of wealth and a continually rising standard of living which have been dangled before their fathers ever since the industrial revolution, by Marx and Lenin as much as by the apostles of industrialism from the Manchester school to President Hoover. We cannot revive for their supposed benefit the old world economic order which is now passing. But we can still give them, by international action, the means, not only of livelihood, but of a decent independence. If we are to do so, we must adopt policies which, by old national standards, may seem idealistically unselfish or even unpatriotic. Each nation may have to resign the ambition, which the greatest of them have cherished, to retain their citizens within their own allegiance, thus increasing their political power and their capacity for war. Each nation which sends its citizens abroad may have to export with them, or in advance of them, capital to be employed in preparing their new homes, from which little or no return can be expected in the form of international exchange of goods. The receiving nations will have thrown upon them new problems of assimilation as well as the burden of a revolutionary change in the character of their

agriculture. Yet these sacrifices are not to be weighed for one moment in the balance against the needs of these orphans of our misdirected civilization and against our elementary duty towards them.

This statement of some of the issues of world reconstruction admittedly ignores two of the most serious problems involved in any redistribution of surplus world populations: the problem of Japan and the problem of India. No one can offer a rough-and-ready solution of these problems. The obstacles to their solution are not merely racial, as any serious student of the Indian impact upon East Africa knows. The most serious difficulty of Indian immigration into those regions is the tendency of the Indian artisan to obtain a monopoly of the crafts, and so to block the natural avenues of African native education. But it is useless, though it is the common expedient of the reactionary, to ask that the most difficult phase of a problem should be solved before any attempt is made to deal with its easier phases. At least, a western world which had recognized its solemn obligation towards its own unemployed, and had made that obligation the standard of its policy, would surely have viewed the recent action of Japan in Manchuria in a somewhat different light. The judicial decision passed upon the actual dispute by the Assembly of the League of Nations might have been no different, but it might have been supplemented by a more constructive consideration of the ultimate issues involved in the 'imperialistic' policy of Japan. As to India, the present growth of her population is not so rapid that it cannot be absorbed, partly by the development of new areas of settlement within her own frontiers and partly by industrialization. It is doubtful whether, even if an outlet for migration were open to her, it would counteract the existing tendency of an already overcrowded country towards industrialization.

But if Japan and India present special difficulties in any programme of world reconstruction, Russia presents a special opportunity. We have already observed how large a part has been played by the sudden withdrawal of Russia

from the economic community of nations in accelerating the pangs of transition from the old economic order to the new. It is surely one of the most ironic tragedies of human folly that the revolutionary leaders of Russia, coming into power as the apostles of a new economic order, should have wasted fifteen years in trying to build up within her own vast territories a fresh edition of nineteenth-century industrial imperialism at precisely the moment when that old order was struggling vainly for survival in western Europe and America. The truth is that the peculiar constitutional experiments of Soviet Russia, her monopolization of capital in the hands of the State and her experiments in party dictatorship, are merely superficial disguises to conceal her fundamental enslavement to the old out-worn ideals of nineteenth-century industrialism. She, too, has succeeded in unbalancing agriculture and industry, and it matters little that she has done so by terrorizing her agriculturalists rather than by stifling them with free imports of agricultural produce. At the outbreak of war, H. G. Wells summed up his impressions of Germany in one telling phrase about ' this drilling, trampling foolery ' in the midst of a civilized Europe. Even more truly might one speak to-day of the clanking, snorting foolery of Soviet industrial imperialism in the midst of a Europe struggling against the collapse of precisely the same system.

It is necessary to say this because nothing has been more pathetic than the way in which the organized working men in Great Britain and other countries have been hypnotized by this Russian experiment, failing to detect under its bombast the repetition, in a worse form, of all the old blunders and savageries committed in the early days of the industrial revolution. But, whatever may have been the vagaries of this Soviet experiment, it is foredoomed to failure, and to immediate failure at that. Russia cannot resurrect within her frontiers a system which is dying outside. Indeed, the whole motive of her experiment has been the same, on an enormous scale, as that which, as we have seen has actuated the apostles of the class struggle in other countries—the ambition

to capture the arsenal of world capitalism ; and, let us repeat it, that arsenal is emptying fast. World reconstruction, the slowing down of the acute transition through which the world is passing, depends more than anything else on the ability of western Europe and America to get into touch with Russia again and to bring her once more within the economic community of the civilized world. In realizing that, the Labour and Socialist parties in this and other countries have been fundamentally right, however wrong they may have been in their estimate of the Soviet experiment itself. There are signs of change in Russia ; the trial of English engineers at Moscow was itself, perhaps, a sign, a betrayal of weakness and doubt. The world outside cannot hope to break down the barriers against communication which the Soviet Government have themselves erected, but it can be ready to take advantage, in the spirit which we have tried to indicate in this chapter, of any gap in those barriers which may be opened in the future. It would be cowardly for any writer connected with Conservative politics not to assert in this connexion that, if a careful and discriminating reconsideration of international indebtedness is a necessary condition of the international economic policy of the future, it is, above all, necessary in the case of Russia ; and that to allow the question of Russia's debts to obstruct the gradual readmission of Russia to the economic community of nations would be to sacrifice an enlargement of the area of the civilized world, which all western nations desperately need, to an attempt to reclaim old capital to the loss of which the civilized world has already adjusted itself.

But the difficulties which a new policy of world reconstruction will have to overcome owing to the special problems of Japan, India and Russia are as nothing to the obstacles which it will encounter in the state of mind of western nations themselves. We have said that a simple appeal to the common human duty of the civilized world would be compelling. It would, no doubt, be compelling as an appeal to international co-operation ; but no preaching of a new political or economic ideal can change the mind or train the

hands of the individual citizens of the nations, whose future work and prospects in life are to be so fundamentally different from what their parents, their teachers and their political leaders have led them to expect. No policy such as we have dreamt of in this chapter can come into being, except with the support of an educational movement, in the widest and deepest sense of education, which will attune men's hearts to a new era. To this, the most difficult task before us, we must devote our concluding chapter.

CHAPTER X

THE SPIRIT OF THE NEW ERA

THE question which we have set ourselves to answer in this chapter is how the mind of man may be changed to meet the new conditions of life which face him in the future. Let it be repeated, however, that these conditions, though new by the standard of nineteenth-century philosophy, are by no means new in the history of the world. For that reason, if for no other, we shall get no assistance from those educational theorists, of whom the United States especially offers some pathetic examples, who are busy planning 'efficient' methods of schooling for the citizens of the future.

To these men efficiency in education is the natural culmination of that peculiar conception of the relationship between human beings engaged in industry which is expressed in the American phrase 'human engineering.' In harmony with this conception, the 'educationist' is to subject the material with which he has to deal, the mind of the child, to a sort of chemical analysis, and its properties are to be charted and labelled. That process is to be supervised by the scientific psychologist. The chart completed, a blue-print is to be drawn up of the machinery required to transmute this material into the desired form. Here the authoritative guide is to be the scientific expert in teaching method. And the desired form—alas, for human aspirations towards a scientific attitude!—is to be, not, indeed, the modern industry of 'human engineering,' but a guess made by the educator, under the influence of the latest political and economic theorists, as to the sort of 'democracy' into which

men will organize themselves in the twentieth century. That guess is to be erected into a dogma and, like the Stars and Stripes in the old American school, the child is to be taught to worship it.

It is easy to jest—indeed, it is difficult to be serious—about such naïve ambitions, which we have hardly caricatured in our description of them. But let us not forget their sinister side, for they are the same ambitions which have repeatedly degraded the human spirit and wrecked human life throughout the history of the world. Russia has offered us the latest example of their results and Germany seems about to tread the same path. Moreover, reason and historical experience unite to warn us that these ambitions constitute, in fact, the chief danger against which civilization has to protect itself at periods of transition, when old assumptions, however fallacious, and old traditions, however bad, are breaking down. At such times men are prone to be captured by theories and to make those theories the instruments of education; and in doing so they choose the wrong one of two inexorable alternatives—they choose to base education on the will to power instead of on the formation of character.

The conception of 'character,' in the sense in which civilized men have used the word from the earliest ages, is inseparable from the ideas of social life and social duty; and, ever since the Western world received the Christian faith, 'social duty' has been recognized as meaning the duty of service. Service, moreover, in the literal sense. To serve does not mean to lead other people in the way you think they ought to go; it means to minister to other people's wants, to comply with other people's requests and, in the last resort, to obey other people's commands. And these other people must be real people. History is red with the footsteps of men who, in order to 'serve an ideal' (as the shoddy phrase goes), have trampled the lives of their fellow-men. It is easy to 'love humanity' in China or Peru, but in such vague affections there is no foundation for character. Character can only be founded on the recognition and discharge of actual obligations to men and women who are in fact, and not merely

in theory, members of the same society and are, therefore, in a variety of ways dependent upon each other.

This truth is the foundation of the whole moral system that the Western world has built up for a thousand years. In the language and thought that we of the Western world inherit, the language and the thought which are our only instruments of education, religious duty has always meant membership of an organic body, a ' communion,' involving definite obligations, while social duty has become centred in the local and national institutions which go to make up the State and with the obligations of local and national citizenship. In this sphere the claims of the common life are constant and pressing ; here service is seen clearly to mean sacrifice even to the uttermost ; here a man approaches, as near as he can approach in his merely social capacity, to the ideal :

> To have to do with nothing but the true,
> The good, the eternal—and these not alone
> In the main current of the general life,
> But small experiences of every day,
> Concerns of the particular hearth and home.

The conception of social obligation must not, indeed, be limited to such local and national citizenship, but it must begin there ; there is no deadlier influence on character than the internationalism which is really a method of escape from the irksomeness of immediate duties and which enables a man to protest his love for humanity while hating or neglecting his neighbour.

And now observe the alternative. It is admitted that society must be based on authority and loyalty—there are no anarchists in the world to-day. But once reject the social authority which is based on the life of the community as it exists, once throw doubt on the allegiance due to ' society as at present constituted,' and your only alternative is to base authority on some social theory of your own and to struggle for power to impose that theory on others. But theories are the curse of education. They do not convey knowledge;

they stifle thought. Nearly all bad education comes of an inability to distinguish between knowledge and theory. Confuse the facts of biology with the theory of evolution and you get the Dayton trial. Squeeze the industrial history of the last century into some economic theory—Marxian, Protectionist or Cobdenite—and you get a familiar type of political prig. Try to reconstitute society on the basis of Aryanism and you awaken the beast in a decent people. Tell a man to regulate his life according to a code of the Rights of Man drawn up by yourself and you get the guillotine.

The revolutionary theorist, whatever form of authority he may seek to set up, has one hall-mark by which he may always be known. The reformer who comes not to fulfil the law but to destroy it, the lawyer who asks ' who is my neighbour ' and is determined to find some other answer than the simple one that points to the sufferer who is nearest to him, the man who rejects the standard of the common life in favour of some theory of power, be it Kaiserism or Hitlerism or the dictatorship of the proletariat, is always marked with the doctrine of hate, that doctrine which begins with contempt for his neighbour and ends in Louvain or the pogrom or the revolutionary tribunal. His theory may be humanitarian, it may be noble, it may be a justifiable reaction against other theories, it may even, in parts, be true ; but on him falls all the more that majestic condemnation which Jeremy Taylor levelled against certain of his contemporaries : ' God has ways enough of rewarding a truth without crowning it with success in the hands of such men.'

It is too often forgotten by easy railers against Hitlerism that democracy is peculiarly liable to this error. It has itself been preached as a gospel of power, rather than as a recognition of the fundamental fact of human equality and human obligation. As a theory of government, as we observed in the first chapter of this book, its essence is a constant contention for office which easily deepens into a struggle for power. It is especially forgotten to-day that, by the testimony of some impartial Germans, the schools of Germany had, since the war, become the centre of ' social

democratic ' teaching which at least fringed on propaganda ; and the popular success of the Hitlerist reaction may be in no small measure due to the resentment thus aroused. The American ' educationists ' to whom we have referred may angrily reject the imputation of propaganda or of carelessness for the social obligations of ' society as at present constituted ' —as angrily as such imputations would be repudiated by the very members of the Labour party who passed, at their annual conference some years ago, a resolution setting up ' a competent Workers' Committee ' to report ' how far the present books, pictures and other materials used in the schools foster a *bourgeois* psychology, militarism and imperialism, and how far, under a workers' administration, this might be counteracted and a proletarian attitude towards, and outlook on, life might be cultivated.' But, however innocent may be the intentions of such theorists, however they may protest their loyalty to what they regard as the essence of established institutions and social loyalties, they would do well to remember that there can be no compromise between the two inexorable alternatives—between acceptance of the social authority which is based on the common life as it exists and the struggle for power based on a theory. If the second alternative is chosen, the theorists need not flatter themselves that they will be able to set limits to the struggle ; and if such a struggle is added to the strain of the transition through which our civilization is passing, it will dissolve it in chaos as surely as the king-making of the pretorian guard dissolved the civilization of Rome.

' But what then,' it may be asked, ' becomes of your change in the mind of man to meet the new era ? Your whole case is that the society of the future is going to be fundamentally different in many respects from the society of the past. Are we to understand that, nevertheless, you offer as the basis for your scheme of education nothing but a strict allegiance to the social institutions of the present ? ' By no means. It has been necessary to say what has been said in order to clear away, at the outset, all the swarming bees which seem to settle in the bonnet of any one who begins to speak of a ' new '

education—bees whose ludicrous buzzing conceals their power to sting. But having done so, let us repeat that, as we have already suggested, the elevation of existing forms of government into theoretical dogmas is as dangerous as revolutionary theorizing. The recognition of the authority vested in established governments is as much a social obligation as a man's duty to his neighbour ; but to-day, as in the days of the divine right of kings, efforts to rationalize that obligation by fitting it into some logical theory result only too easily in reducing it to an intolerable absurdity. If, however, that obligation is assumed as a fact, in precisely the same way as one's duty to one's neighbour is assumed as a fact, and if the two obligations are brought into the most intimate relation with one another, there is no limit to the change of heart which may be brought about in a people, except the limit of the real needs of its citizens.

That, surely, is the secret of Mussolini's success. It is the respect in which Italian Fascism fundamentally differs from the hectic theorizing of its imitators in Germany or elsewhere. Mussolini has, in fact, propounded no new doctrines of government or social organization. He has shown an almost English capacity for effecting a revolution without changing the ultimate seat of social authority. The Italian teacher who is required to accept *ex animo* the whole Fascist view of life is, in fact, asked to do no more, though no less, than to impress on the mind of his pupils the essential unity of all social obligations, from the sphere of the home and the neighbourhood to the ultimate sphere of political allegiance. That, after all, is the idea which lies at the root of the Fascist party system and the organization of the corporative State. The citizen is no longer to be obliged to fulfil his various social obligations through an equal variety of associations. He is no longer to belong to one association for purposes of juvenile welfare, to a second for the protection of his industrial interests, and to a third for the purpose of choosing his representative in Parliament. He is to manage boy scouts, conduct trade union negotiations and influence the conduct of government through one all-embracing agency—the Party,

and all his social obligations are focused in his obligation as a member of that party. Fascist dictatorship differs, in fact, from communist dictatorship precisely to the extent to which it does not embody a struggle for power—to the extent to which it aims, not at constituting an elect body of saints, a kind of theocratic oligarchy, but at embracing the mass of the nation.

It was much the same idea that brought about the close identification of the trade unions with the political Labour party in Great Britain in the first thirty years of the present century. Originally, the motive for that combination was not to enlist industrial associations in a struggle for political power, so much as to bring the exercise of political power into closer harmony with those social duties which the trade unions had been formed to carry out. The danger of any such attempt at the unitary organization of the whole range of social responsibilities is, of course, the danger of a change of emphasis—that the political motive of a struggle for power, instead of being softened by contact with the discharge of ordinary social obligations, may become the overriding motive and may come to dominate every phase of social life. This has been, or at least was for some time, the tendency of the alliance between the trade unions and the Labour party, and it is, and must always be, the weak point of the whole conception of Fascism ; but at the present moment it would probably be true to say that, while the tendency of the Labour alliance in Great Britain has been dangerously to exalt both political considerations and considerations of personal ambition, the effect of Fascism on Italy has been rather to relegate both politics and personal ambition to their proper and comparatively subordinate place in the social scheme. It represents a revulsion from the windy political abstractions and the appeals to personal selfishness, which characterize party politics in a democracy, towards simple ideas of social equality in the living of a common life and in the service of the common welfare.

This is a lesson which we in Great Britain, in common with all the English-speaking nations, have a special need to learn

on the threshold of the new era. Political aspirations and personal ambition have come to be the dominating motives of much of our popular education. Some time ago our education began to pass through a curious phase, marked by a sanguine idealism about the infinite possibilities of education, both as a means of social regeneration and as a path to personal success. The race was to be improved, mankind was to be redeemed, by the acquisition of knowledge. Knowledge would give man control over the material world and would thus enable him to perfect society. Moreover, this process of social perfection was to work itself out through the personal successes of educated men. By ' getting on ' themselves, by rising above their inherited environment to opportunities of power, position and wealth, they would elevate their fellow-men.

Of course this is no new idea. We are not the first generation of men who have put the tree of knowledge in the place of the tree of life. But in our day this age-old error has become an almost universal heresy, in proportion as we have sought to establish universal State education. As always when an idea is taken up by ' democratic ' politicians, this superstitious reverence for education has been exaggerated into an indiscriminate idolatry and the idolatry, in its turn, has been formalized into the ritual of an educational ' system.' More curious still, perhaps, this system has fallen under the influence of another idea, peculiar to our day. It began with a strong reaction against formal teaching methods, against cramming, against a rigid curriculum—a revolt against the copy-book maxim and the multiplication table ; it has ended in a cult of ' child psychology ' the practical conclusion of which, in the hands of many of its practitioners, seems too often to be that the educator must appeal to the child's emotions in the first instance rather than to his mind, that every subject must be made interesting, that the duller subjects must either be postponed or taught in a ' brighter ' way. This cult has been very popular in America and has, indeed, been the forerunner of those ' blue-print ' ideas of American education to which we have already referred. At first sight

the two tendencies, the cult of freedom for the child and the ambition to fit him into the preconceived framework of the society of the future, might seem to be directly contradictory; and the contradiction has been forcibly pointed out in some recent debates between educational experts in the United States; but the reconciliation between the two lies, perhaps, in the conception embodied in the sublime remark made thirty years ago by an eminent American sociologist[1]: 'the goal towards which all the efforts of the scientific legislator would tend would be a state of society in which no one should be obliged to do anything that is in any way distasteful to him and in which every act should be so agreeable that he will do it from personal preference.' Those who cherish such rainbow-tinted views of the future of the race may easily believe that they can mark out, with all the authority of scientific high priests, a way of salvation for mankind through education which shall also be a primrose path for the individual.

Such rainbow-tinted views are not characteristic of the ordinary Englishman, but in our more practical way we have indulged in the same idolatry. We have not talked much about regenerating society; instead, we have talked about strengthening the nation and doing justice to the individual. The motives of political and personal ambition have, perhaps, been all the more dangerous to us for being more difficult to detect under our comparatively commonplace phraseology. Consider, for a moment, the implications of that automatic catchword with which, for years past, our people have met any proposal for educational economy: the cry that 'as a nation we cannot afford to economize in education.' Surely that catchword embodies precisely the fallacy which we have been discussing. It assumes that education pays for itself in terms of national economics. That has never been and never will be true. From the purely mundane point of view, a large proportion of the money spent on education has always been, and will always be, wasted. The teacher is to be envied because he has the continual satisfaction of seeing hundreds

[1] Lester F. Ward: *Applied Sociology*.

of his old pupils living a decent and useful life in the world ; but surely every teacher has to struggle against the continual disappointment of realizing how rarely exceptional ability, or even good average ability, gets the opportunity of showing all that it is capable of. For the last generation, at least, we have been suffering from the delusion that this is a phenomenon confined to the children of working men and that, given more opportunities for secondary education, we could get rid of this constant apparent waste of human material. But it is a delusion ; for the waste has always been quite as evident in the public schools and in our ancient universities. It will always be true of all education that many of the highest manifestations of the human intellect have no practical value whatever.

The hard fact is that ability—not merely intellectual cleverness but sound practical ability—is a far commoner thing than we sometimes suppose, and such ability does not entitle its possessor to any particular prospect of eminence, or even of special usefulness, in the world. If this is true of practical ability generally, it is even more true of intellectual brilliance. A certain general level of education is essential to a peaceful and orderly civilized society ; a large number of individuals need specific training for skilled occupations and for positions of responsibility in industry, commerce and government ; and the rare genius needs to be fully equipped for creative work. Up to that point education may be said to pay for itself in the strict mundane sense, but when education goes beyond this, as we all wish that it should, it must justify itself, not as a contribution to national efficiency and, therefore, a profitable investment for the tax-payer and ratepayer, but as a preparation for eternity and, therefore, as the prime duty of the parent towards the child and of every individual towards himself.

It is not fashionable to introduce eternity into discussions of policy, but educational policy cannot be considered apart from it. The only real aims of education are the two indicated by the greatest treatise on education yet written, the Book of Ecclesiastes : that a man should rejoice in his labour

and should remember his Creator in the days of his youth. Measured by that standard, our aims have tended to be at once too ambitious and too modest—too ambitious because we exaggerate the tangible dividend which, as a nation, we can draw from the brains of highly educated individuals; too modest because we measure the effect of education by the amount of those dividends. It is curious that the very people who dislike the idea of vocational education are often the most anxious to justify education on the ground of its material value to the nation.

What we may call the ambitious view of education is wholly out of harmony with the traditions of our secondary schools. Consider for a moment the education of the favoured rich, whom it has been the fashion to envy. What, in effect, was the destiny reserved for the able and successful public school man thirty or forty years ago? The brilliant scholar passed through a series of academic triumphs to the obscurity of country parsonages or country manor houses, or to the drudgery of the Home or Indian Civil Service; often, no doubt, to positions of great responsibility but very seldom to 'the paths of glory' or of wealth. It is only very recently that industry and commerce have sought recruits from among such men. As every public schoolmaster knows, we, as a nation, have always used razors to cut grindstones, and it has been the schoolmaster's pride to turn out the best cutlery for that purpose. There are quite as many Cromwells guiltless of their country's blood in the villas of Cheltenham as in the churchyard of Gray's *Elegy*. Indeed, so willing have we been to put great intellectual talent to humble uses that we have continually raised the standard of the entrance examinations to the public services; yet he would be a rash man who would assert that the public services have been markedly more efficient during the past twenty-five years than they were before. No doubt this system has produced many misfits, yet surely the distinctive and admirable thing about our traditional system of secondary education has been its acceptance of the idea that the competitive successes of school and university life were but

intended to fit the distinguished student to merge himself more completely and more anonymously in the undistinguished drudgery of a 'service.'

In contrast to this comparatively narrow, perhaps over narrow, tradition of the old grammar school and public school, our new system of State-controlled secondary education has grown up in the last thirty years very largely as the minister of personal ambition. That does not mean that the secondary schoolmaster has been any less imbued with modest ideals of 'service' than his public school colleague; it does mean that the motive of the student has very largely, and indeed inevitably, been the idea of rising beyond the limitations of his birth and early upbringing into regions where his talents will be appreciated. This character of the secondary schools has exerted a profound influence downward on the elementary schools and upward on the universities; and now, after all our efforts to expand secondary education to embrace all promising talent, we are finding that, in fact, the talent we have thus exploited is too often a drug on the market—that our pet scholars cannot find employment at all, let alone employment commensurate with their attainments. Having ridden on the rising wave of personal ambition, these schools are being in a measure forced back on more modest professional standards and are beginning to realize, in common with all types of schools, from the elementary school to the university, that in the old controversies about vocational education we have confused two very different things. Vocational training *as a method of education* is, generally speaking, as unpopular with business men as with teachers. The Englishman, whatever his occupation, has an ingrained belief in the value of a 'good general education' as a preparation for all professions. But all education, however general it may be in its *method*, has a vocational *purpose*. It may easily miss that purpose by indulging in exaggerated ambitions of giving talent full opportunity to display its capacities, but, in so far as it does miss that purpose, it fails in its function both towards the community and towards the individual.

Yet the very fact that we are realizing this—the very fact that during recent years there has been a very real change in the spirit and method of our education which has passed unnoticed in our noisy controversies about educational politics—throws into stronger relief our comparative failure to change the effect of our education on the children of the nation. That failure would be much less ominous if we could say, as many ignorant and impatient people are saying, that the defects of our education are due to faults of curriculum or teaching. But what are the facts? During the last ten years there has been something like a revolution in schools of all types, yet the revolution has apparently not produced the results at which it aimed. Never have schools of all types, from the elementary to the public school, offered their pupils so many options or insisted less on a rigid curriculum—and never, perhaps, have their pupils shown less individuality or tended to conform so closely to a standard type. Never has so much importance been attached in the schools to manual training—and never has the world so lacked the salt of craftsmanship. Never have we taught so much cookery and housecraft—and never has our national diet been so dominated by the canning factory. Never has the problem of vocational education been so consciously faced—and never has it been so difficult for our school pupils to find their vocations. Never has religion been taught, and religious worship practised, so widely in the schools—and never has the rising generation appeared so ignorant of the meaning of religion. Why have our efforts produced so little result?

No doubt one answer to this is that we are living in an increasingly anti-educational world. All the outside influences which a juvenile encounters to-day tend to counteract the influence of the school. Especially, it is vain to hope that a school can teach religion when the Bible has disappeared from so many homes, and when the members of the rising generation are assured on all hands that, if they go to church, they need not be afraid of hearing anything which they would not hear (as an American once said) at a meeting

of the Ancient Order of Elks. Critics of education would do well to bear this fact in mind. Yet it is impossible to deny that the schools are themselves at least partly responsible for their own comparative failure. There are, perhaps, three reasons for this.

The first is our old enemy, the examination system. The only sound principle in education is that laid down by Fascist Italy in its comprehensive educational reform : the principle that all school examinations should be purely internal and should not be recognized outside the school for any purpose whatever. The significance of this principle in Italy is that it is the direct counterpart of another principle, that all schools should be recognized as a preparation for work. The use of a ' General School Examination ' as a test for entry into employment or into a university, or as a preliminary requirement for the higher examinations of professional institutes, is, in fact, as much the enemy of true vocational training as it is the enemy of true liberal education.

But the second reason is more important and less familiar. It is that the schools have too ambitiously aimed at ' civilizing ' their pupils. It would have been very much better if we had stuck to the narrower conception of the school as an agent of discipline. A school culture will never make a satisfactory national culture. As so often happens, we have reacted against the rather hard school discipline of the past, only to find ourselves exercising a subtler but much more tyrannous discipline over the individuality of our pupils.

The old conception was that civilization and culture were the business of the child's parents and his home surroundings, though the school might provide an opportunity for the child to adapt his social graces gradually to the kind of society in which he would have to live in after life. But the school's main business was to accustom the child to social and intellectual discipline *for certain purposes.* The whole secret of the process lies in those words ' for certain purposes.' In so far as the public schools tended to turn out a social type of public school man with a certain range of ideas, they failed in their function ; in so far as they taught a man to accept

the discipline of a 'service' without allowing his own individuality to be swamped by that discipline, realizing that professional discipline, like school discipline, is not a bondage to which a man's whole character has to be conformed, but is merely a necessary instrument for certain restricted purposes—to that extent they achieved the amazing success which we all acknowledge.

The old elementary school had much the same ideal, but to-day, in contrast to this, our State-controlled education has more and more aimed at moulding the child's character from the earliest possible age. We catch him as young as possible, and the great argument used by teachers against raising the age of compulsory attendance is that the child at six or seven would be more difficult to teach. True, forty years ago, children entered the elementary school at an even earlier age, but the old enormous infant class in a 'gallery' school could aim at very little more than a mechanical discipline. The child learnt to sit still *for the purpose of school order*. He did not learn to respond nicely, in harmony with other members of the class, to the stimulus of music and so on. Education, we say, has become much more individual, but have we succeeded in doing much more than substituting unconscious for conscious discipline, by accustoming the individual to conform to the evolutions of a small class as it was impossible for him to conform to the evolutions of a big one?

And here one must clear up the confusion that often arises when one talks about individual initiative or adventurousness. When a head master, some time ago, perhaps somewhat indiscreetly, criticized the rising generation for its lack of these qualities, there was a chorus of references to young Arctic explorers, as indicating the injustice of these criticisms. But adventurous spirits of this type will always exist; they are the salt of the earth, but it is a salt which the earth is in no danger of losing. What the world is in danger of losing is the man who would rather perform the drudgery of life, and enjoy the relaxations of life, in unfamiliar than in familiar surroundings; who would rather work in an office in Shanghai

than in an office in London and would rather ride his pony round Indian villages than play lawn-tennis in Upper Tooting. The continuous mild pressure of modern enlightened education upon character is apt to deprive a man of the power to choose consciously to which of several alternative professional disciplines he will deliberately submit himself in after life; it tends to conform him at the outset to tame surroundings from which only, so to speak, the exceptional lonely adventurer will break away.

These considerations have an intellectual as well as a social application. It is almost a platitude to say that the intellect that is allowed to luxuriate too early will neither grow to its full height nor achieve its full spread later. Here again, too much emphasis on free development and optional courses defeats its own aim, leading, not to individuality, but to a certain orderly type of low stature.

The third reason for our comparative failure is closely connected with this. It may be summed up in the question whether, in recent years, since the revolution in our educational methods began, we have not lost the power of teaching with authority. We have broadened the range of teaching into many fields; and few elementary school teachers, however well trained, can be expected to have more than a superficial acquaintance with all of them. The broadening may have been right, but it cannot have been right that, in broadening, education should have tended to lose all backbone. After all, the indispensable backbone of primary education is the much-despised three R's; of elementary technical education, training in intelligent manual work; of secondary and higher technical education, languages and a basic knowledge of natural science; and of all education, religion. In these fields, at any rate, teaching can be authoritative, and no teaching which is not authoritative is any good. In science, for instance, much of the work in school laboratories is treated as a sort of 'play-way' approach to knowledge, and we have allowed this laboratory work to crowd out definite class teaching. Over the whole range of the school curriculum, our pupils rarely get to-day the feeling

that certain central subjects are an indispensable equipment with which they cannot trifle, and which are to be regarded, not as an opportunity for them to develop their own individuality, but as things which they must get right and not wrong and in which rightness and wrongness, truth and error, are definitely distinguishable. Here we have the same problem of discipline from a different angle. And, if any reader is inclined to revolt against the statement that religion can be taught authoritatively, let this be said. Authority does not, of course, mean cramming a child with those hard and fast definitions which are commonly known as dogmas ; nor, of course, does it mean that authoritative teaching of religion should be given to children whose parents do not want such teaching. It does mean that the religious teaching now being given to at least 75 per cent. of all the elementary school children in this country, in Council as well as Church schools, should be given, not as a healthy moral exercise with which to start the school day, but as positive and revealed truth. It does mean that, as we said earlier, if education is not a path to eternity, it is the most disappointing of blind alleys. It does mean that the message which created a new world two thousand years ago, by opening out the end of that blind alley, was delivered ' with authority and not as the scribes,' and those who transmit it to each succeeding generation must speak with the same accent.

Hitherto we have been speaking solely of school education, but schools, though they are the best field in which to study certain defects in the spirit and methods of education, can, perhaps, never be the primary field of dynamic educational reform. That is partly due to the fact that, especially in these days, all schools are units in a highly organized system, intensively administered, and they therefore suffer from the tendency to immobility common to all such systems. This is, indeed, less true of England than of any other country, for with us the individual school has always maintained a certain tradition of independence. We have not fallen, as for instance Canada has fallen, under the tyranny of a rigid

'grade' system. But there is another, and more fundamental, reason why the function of the schools, particularly at this moment, must be to receive and apply cultural standards rather than to set them. Much of the 'ambitious' atmosphere of the schools is, in fact, only the atmosphere of youth. It would, indeed, be a poor sort of school which was not infected by that free air of infinite possibilities that blows through the mind of the growing child—which did not in some degree look at the world through the same rose-tinted spectacles. Personal success and political dreams may be, and are, very poor adult interpretations of adolescent idealism, but though such misinterpretations may be positively degrading if they are pushed as far as they have often been in recent years, they are in some degree inevitable and pardonable. It is when the educator gets outside the school and finds himself face to face with adult classes, composed perhaps of young men already settling down to the lifelong drudgery of a trade, that he begins to strike his spade into that poorer soil and be braced by that harsher air in which education has to bear its real fruits. And, above all just now, it is in the hundreds of centres springing up all over the country, in which the unemployed are seeking some occupation for brain and hand, that the educator can come to real grips with the educational problem of the future. Here he will find those tendencies which we have seen working in the schools magnified into clamant, and apparently almost insoluble, social evils.

He will find, in particular, two things which are partly the result and partly the cause of the defects in school education which we have been discussing.

In the first place, he will find the reason why the vocational motive in education has tended to fade out and why it is so difficult to revive. The explanation lies in the familiar phenomenon to which we have so often referred in this book, specialization by division of labour. In the light of education that phenomenon takes on a grimmer air. It appears, not merely as a piece of social mechanism invented to serve the needs of economic expansion and now losing its usefulness,

but also as a creeping paralysis which has tended to destroy one of the healthiest motives of human activity and one of the strongest influences in human culture.

Under such a system of specialized labour, all vocations tend to be narrowed until they become unsatisfying ; yet, on the other hand, any attempt to broaden the vocational idea is regarded as a social crime. Professionally, a man must not extend his skill beyond a certain narrow range. He must observe the union demarcation rules. On one condition only —and this is one of the supreme absurdities into which we have drifted—can he hope to exercise a wide range of skill, on the condition that he becomes a so-called unskilled labourer. Such a labourer is excluded from many occupations, but he may at least attain the same varied competence which has, in the past, characterized many agricultural workers and village craftsmen.

These familiar limitations, however, on a man's professional activity are, perhaps, relatively unimportant. What is far worse is that he is taught to regard himself as a social traitor if he supplies his own needs with his own hands. He may be allowed to grow vegetables in an allotment, but beyond this he may hardly go. If he builds his own house he is taking the bread out of the mouth of professional bricklayers and plasterers. And this, be it observed, is not really a question of trade union doctrines. Trade unions may regard the practice of any craft by an amateur for his own benefit with suspicion, knowing how easily the amateur grows into the professional—how the housewife who quilts her own beds begins to do the same for a friend or two and, finally, to enter the market as a regular producer for sale. But trade union policy in such matters, especially at this time, is, perhaps, more flexible than is generally supposed. It has certainly been so in other countries like Germany, where the building of houses by unemployed men was some time ago accepted by labour organizations, and there is no reason to suppose that it will not be so in this country. What really hinders any wide extension of the individual's activities is the instinctive habit of regarding nearly all occupations as

mysteries requiring a high degree of specialized training, and the consequent feeling that a man who does these things for himself is not only perhaps ' doing somebody else out of a job,' but will be providing himself with an inferior article at great expenditure of labour, whereas the richer man who pays to have the work done for him will not only get a better article but also will be spared the drudgery. As usual, it is the better-to-do members of society who set the pace for its poorer members ; and all the superstitions which tend to vitiate education are first invented by the most educated people. Educational reform has little chance unless it starts in the sphere of ' upper class ' education. In recent years, the mystery attaching to carpentry and simple engineering has tended to disappear with the growth of ' practical ' instruction in the schools ; and it is significant that this more or less coincided with the Oundle experiment and with the development of a new handiness in public school boys and university men, centring round the internal combustion engine of the domestic motor-car.

It is this restriction of the scope of vocations and of the individual's handiness which has contributed more than anything else to squeeze out of the mass of our population the quality of adventurousness. Adventure can be expressed only in one form, in the hope of rising to some managerial position in industry ; and the path to such positions has tended to lie, in most industries, not through apprenticeship and foremanship, but through the commercial side. Hence the crowding of evening classes by young men who want to learn the office arts of industry. It is surely the supreme irony of history that the era ushered in by the industrial revolution, which opened with the preaching of the gospel of individual self-help *à la* Samuel Smiles, has ended in a civilization in which no individual is able or is allowed to help himself and in which the mark of good citizenship is complete and absolute dependence on others for the most elementary needs of life.

But that contrast is instructive, for it suggests that a similar contrast, though reversed, may characterize the era on which

we are now entering. It may well be that the new industrial revolution, born in an atmosphere of 'rationalization,' may tend, on the contrary, to restore to an increasing number of individuals, not the ambitions of the self-made man, but the opportunity for each to administer a little property of his own, supporting out of it both himself and those to whom he owes a family duty and creating both for them and for himself an individual standard of living, not wholly dependent upon the standards of the crowd. That idea, the idea of *self-support* in its widest sense, must increasingly become the key-note of much of our education. As we have seen, the assumption, so common at the present time, that we are in the midst of a 'machine age,' is a fallacy. The machine age is not the one in which we are living, but one from which we have just begun to emerge, groping and stumbling in the unaccustomed surroundings of a new and very different age; and with the machine age must vanish that conception which Americans were so fond of preaching just before the crash, that a whole people could be converted by scientific discovery and education from manual labourers to black-coated tenders of Robots. The personal ownership of property and the localization of human life and livelihood mean, to any people brought up under the conditions of nineteenth-century industrialism, an adventure as bold as any crossing of the prairies in a covered wagon. It is only the nineteenth-century mind, an intellectual growth of yesterday, that has been foolish enough to measure adventure by the space on the earth's surface that the adventurer can cover. One half of the problem of all education at the present time is how men's minds may not only be fortified to engage in that adventure but deepened to appreciate its adventurousness.

That is one thing that the educator will find—the stunting of man's joy in labour to the measure of one routine task and its divorce from practically every taste or want felt by himself and his family. When the routine task is lost, the whole faculty is atrophied. And the other thing the educator may find, if he looks deeply enough beneath the surface, corresponds to the other half of the Ecclesiast's teaching: it is, to

use the old commonplace of Greek philosophy, the enfeeblement of man's capacity for leisure. What that capacity means can only be touched on here, but it is the vital centre of all human energy, of all man's power of rising superior to his environment, and therefore of his power of survival and revival.

'Education for the use of leisure' has become recently the catchword of the whole teaching profession. We are only just beginning to realize its inadequacy when applied to the modern man, whether unemployed or employed in his severely restricted vocation; for such men are starved of work as much as of leisure. But we have scarcely yet realized the inadequacy of our conception of leisure itself. While using the old language, we have, in fact, forgotten the whole point of the Greek distinction between leisure and work. Leisure is not relaxation or distraction—that elementary fact, no doubt, we know. But neither is leisure a stretch of time to be filled with a variety of cultured occupations, with the reading of history or poetry, or indulgence in amateur drama or folk dancing, or a little dabbling in philosophy and political science. It is a condition of mind. 'Leisure is greater than work; so much greater, indeed, that it is the very end of life to which all work is but a means. But it is not a bare leisure of which this can be predicated, it is a full and concrete leisure which must have a content of proper action. And therefore Aristotle asks the apparently paradoxical question—in what work must leisure be spent? First and foremost, the answer runs, in a "contemplation" which sees all things in the light of a final purpose to which they are always moving.'[1]

Whatever may be thought of that definition, it is surely true that man's capacity to use leisure in thought, and in those studies that minister to thought, depends on his possession, so to speak, of a scheme of thought. His ideas must not run hither and thither, playing without connexion about any object which occupies his attention at the moment; they must move, at however great a distance, round one central conception. 'Liberty of will,' said Jeremy Taylor in one of

[1] Barker: *The Political Thought of Plato and Aristotle.*

his sermons, ' is like the motion of a magnetic needle toward the north, full of trembling and uncertainty till it were fixed in the beloved point.' It is that central point which modern so-called culture tends to lack. We are still choked by the mass of pure fact or approximately verifiable hypothesis which science has discharged upon the world, and befogged by popular misinterpretations of those facts. That era is passing. The physicist is beginning to co-ordinate, there is a return to philosophy ; but this new movement of thought has hardly yet begun to touch the mass of mankind. They, as every man must inevitably do, have groped for the last half-century for a philosophy. Not finding it in the paths of knowledge to which they have been introduced at school or by any subsequent learning—finding, indeed, in those paths only what often appears to be a flat contradiction of the truth of any existing philosophy and of the possibility of constructing any new one—they have turned to seek it in politics. They have snatched at the ideal of a regenerated commonwealth in which political power, being used for social welfare, would raise mankind to undreamt-of levels of material and spiritual health. That ideal of the co-operative commonwealth, coupled with implicit faith in political power as a means of constructing such a commonwealth, has been by no means confined to holders of socialist dogmas. It has been a religion rather than a political programme, and in England social democracy has been a watchword of hope to men whose natural bent of mind is essentially conservative.

This habit of ' seeing all things in the light ' of politics, this adoption of politics as ' the final purpose to which they are always moving,' has narrowed and degraded men's capacity for thought in the way already indicated earlier in this chapter. The ideal of social democracy, however modestly interpreted as the servant of simple human needs, is inseparable from the immediate struggle for power which goes on in a democracy, and that struggle destroys the value of the ideal as a centre of ' contemplation.' Politics does focus thought, but through the wrong end of the telescope ; it dwarfs all things to its own measure. ' What did Shakespeare think of

democracy ? ' asked one of the early students of the Workers' Educational Association, and the question is typical of a whole range of minimifying thought, from Labour party pamphlets to the writings of Mr. H. G. Wells, whose men and women bulk to full life-size in his novels, only to dwindle to miniature as they become like gods in his Utopias.

There is no conception of the human mind which does not dwindle in this way when it is expressed in the language of a purely political idealism. Thus Christian writers and preachers, too prone to reflect, if only on the surface of their teaching, the mental habits of the day, have in recent years tended to express all the hopes of the gospel in terms of ' the kingdom of God.' In doing so they have surely been curiously oblivious of an historical analogy. It was to a world newly organized for peace under a world-wide empire that the promise of peace on earth was given, it was to a nation dreaming of the restoration of the kingdom of Israel that the kingdom of God was preached ; but not the peace of Caesarism nor the kingdom of a political Messiahship. Christ adopted the phraseology of the kingdom, but only to throw it back, as it were, in the face of His hearers charged with a wholly different meaning, much as one might offer a feast of reason to a glutton. He did not deny the kingdom, but He set a condition for entry into it which removed it infinitely beyond the reach even of the most inspired statesmanship. Whatever different shades of interpretation may be put upon His words, however differently different minds may judge the balance in them between the twin ideas of individual regeneration and social renovation, that tremendous phrase 'except a man be born again' gave a new centre to the thought of mankind for two thousand years, such as no political ideal has ever given or can ever give. Only in recent years has that centre become blurred, as men have turned back into the mists of mere political dreaming—those mists which seem always to veil the declining years of an old world order.

The missing of this analogy by Christian writers shows a strange insensitiveness, but it is, perhaps, insensitiveness to

the facts of history rather than to the overwhelming weight of Christ's central teaching. The modern Biblical critic seems often unable to realize the horror of the cataclysm that was to fall on the world to which Christ preached—immediately, within forty years, on the people among whom He moved, and later, after a brief Indian summer of settled government, on the civilized world as a whole. Thus a recent writer rejects with contempt the view ' that Christ did not propose to His followers the establishment of a kingdom in this world at all . . . that He regarded this present world order as something about to come to an end,' on the curious ground ' that if Jesus uttered ' certain sayings attributed to Him ' He was wrong.' Surely, whatever other meaning may attach to the apocalyptic language of the New Testament, it is, if anything, too feeble to describe the utterness of the collapse which was to overtake ' the present world order ' of Jewish and Roman civilization.

But bad as the influence of this political philosophy on men's thinking has been, it was all that many of our fellow-citizens have had to lend any coherence to their thinking at all. And the greatest human tragedy, perhaps, of the last two or three years is that, almost in one night, the hope of the great co-operative commonwealth has crumbled into nothing. Shaken by the war and the disillusionment of the peace treaties, it was shored up for a time by the belief that only the follies of a few ' imperialist ' statesmen had stood between the world and a new age in which, as General Smuts assured us, all things would become new. It could not survive the new shock of ' democratic ' failure to deal with economic problems. The feverish efforts now being made in Germany to revive it are merely an additional proof of its collapse. It is that intellectual ruin which constitutes the whole of the real crisis of civilization. It has withdrawn from the great mass of our fellow-citizens, and certainly not least from the unemployed who now fill our ' occupation centres,' the one focus in their thinking. Beneath all their demand for intellectual, in addition to manual, activity lies the vague hope that, through scientific or humanistic studies, they

may, perhaps, win their way back to some sort of focus; but the lack of such a focus threatens their whole power of digesting knowledge. Without that element of unity, knowledge is as ineffective for the formation of character as food without vitamin is ineffective for the nourishment of the human body.

Moreover, the man who lacks, as it were, a motive for thought loses thereby the motive for action. That is the subtle disease which renders so difficult the task which we described above as the fortification and deepening of the human spirit for the adventure of a new era. This disease thus lies at the root of both the weaknesses we have found, and in its cure lies our real task and our real hope.

This, then, is the twofold barrier — the simultaneous paralysis of the two faculties of varied work and coherent thought—which tends to shut out from man's view the prospect of the future and hold them back from rising to the height of that prospect. For it is a height. The easy criticism which will assuredly be levelled against this book by political idealists of every school is that it is pessimistic. But, if we can but shake off for a moment the assumption of our decaying nineteenth-century inheritance, is it not rather open to the charge of being insanely optimistic? It may be too much to hope that a civilization so soaked in the habit of dependence as ours has been can win back to independence of action and of thought, but if it were possible, what man who knows his fellow-men would not prefer a world of independence to a mere world of plenty?

Here, in this concluding chapter, we have set ourselves to consider its possibility. We have found a twofold barrier, but one half of it is breaking down. The system of over-specialized labour is collapsing. We may blindly refuse to pass through the growing gap, or we may crowd into it and trample each other in confusion, but nothing can re-erect it. The other and more formidable half of the barrier remains, but it is tottering. If we lack a central motive for thought

and action, at least we have come in these years to a realization of our loss. If

> having given loose
> To a schoolboy's vision, we have raised a pile
> Upon the basis of the coming time
> That fell in ruins round us,

we have at least rid ourselves of an obsession. And perhaps we are beginning, amid the ruins, to perceive once more that monumental truism which mankind seems so slow to grasp, that a regenerated society can only be composed of regenerated men. To expect a change in human nature may be an act of faith ; but to expect a change in human society without it is an act of lunacy.

To-day, as throughout history—in Great Britain or America, as throughout the world—man's power of thought and action, his culture, his whole character and the character of his civilization, will always and everywhere depend on the extent and nature of his belief in the possibility of his own re-birth. The perversion of that belief into a deification of humanity lies at the root of all human corruption. There are signs to-day of a new perversion of it on a grand scale, in an alliance between communist politics, militant atheism and the new speculations of biologists ; an alliance which will seem to offer man almost infinite prospects of realizing his godhead through the mere culture of his body and his mind. But, whatever dangers of perversion may attend that belief, the denial of it makes a hopeless and a barren world, whether the denial takes the form of the legalist's ' how can these things be ? ' or of the Stoic's bland unconsciousness of sin, or of our own past unthinking faith in pure ' democracy.' To-day, as in the days of Nicodemus, the condemnation of a faithless and perverse generation is, not that it is not ready to snatch greedily at new teaching, but that it has forgotten the one obvious truth on which any such teaching must be based. We have set ourselves to be masters in Israel, the enlightened heirs of the ages, and we do not know these

things. What is offered us to-day is the opportunity to know them once more.

That opportunity consists in the freeing of the individual from the slavery of political ambition—that over-mastering preoccupation with the building of a continuing city of 'civilized' men, which is as different from a reasonable patriotism as the cult of the Caesars was different from the early Roman's love of his republic. We have been so sunk in that slavery that we can hardly realize what it means. It organizes every instinct of altruism, every motion of Christian charity, into corporate selfishness. There is no inhumanity which humane men will not commit as members of an association formed for the public welfare. There is no irresponsibility like that of the 'responsible' administrator of such an association, entrusted with the interests of its members; unless it be the irresponsibility of its members who have deputed him to do their thinking for them. From these inhumanities and irresponsibilities men are being forced back to simpler standards, to personal independence, concrete duties and direct responsibilities. They will be called on to exert every faculty of hand and brain in winning for themselves and for others the opportunity of an independent livelihood. In that simple but enormous task they will be neither stimulated nor distracted by visions of a new and more perfect social organization. Their motive must be the simple salving of individual human lives, not the building of those lives into some more imposing political structure. The hope which will sustain them in their efforts, the magnet to which their freed thought will swing, can be nothing else but an implicit belief in the intrinsic value of the individual human life and a dawning perception of its destiny as 'the grub that prepares a chamber for the winged thing it never has seen but is to be.'

A world concentrated on that task and on that hope may witness a release of human energy and a concentration of human thought of which political idealists and experimenters have never dreamt. But it may also witness something much more. A world thus forced back on the foundations of human

duty, will be a world forced back on 'the simplicity that is in Christ'; and it is not only political society that is moving in this direction. Of all the results of the war, the most significant may well be that it destroyed the two nations, Russia and Austria, which typically represented the entanglement of Church and State. Since then there have been many signs that everywhere the Christian Church is being forced away from political alliances and thrown back on her authentic mission. From such a Church to such a world may come a renewal of that incredible message of the 'new creation,' which is a stumbling-block to the seekers after political dominion and foolishness to the political philosopher, but which, to those who have put away such childish things, is nothing less than the power of God and the wisdom of God.

PRINTED IN GREAT BRITAIN BY
WYMAN AND SONS, LIMITED
LONDON, FAKENHAM AND READING