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ECONOMIC FREEDOM
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ECONOMIC FREEDOM
AND PRIVATE PROPERTY

by
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PREFACE

ALTHOUGH economic liberty is a department of political and legal liberty, it invites under present circumstances separate treatment. Until the Great War the philosophies of State Socialism and Communism were, to most Englishmen at any rate, dim, far away abstractions, fit to attract a few poetic visionaries and harmless fanatics, but for people engaged in practical life hardly worth bothering about. Now all that is changed. Working models of the so-called totalitarian state have been erected in Russia, Germany and Italy. Communism, National Socialism and Fascism have become of vital concern to all intelligent citizens. They enter into everyday politics ; they disturb finance ; they dislocate trade. Their huge armaments are a menace to peace. Their insolvencies have destroyed the faith of investors. Their exchange restrictions have made commercial transactions dangerous or impossible.

Nor can we confine our attention to the situation in foreign countries. Within the last two or three years the British Labour Party has developed a programme which brings an extreme form of Socialism to the forefront of our political stage. But so far criticism has appeared mainly in political speeches and in newspaper articles. As yet no modern writer has elucidated the connection between internal and external free trade or shown how close is the partnership between Socialism and Protectionism, though Mr. Elliot's experiments in agriculture have made it plain

enough to farmers and consumers. It is my object in this book to examine the whole subject comprehensively, testing new theories by old and comparing past with present experience.

F. W. H.

London, October 1935.

CHAPTER I

INTRODUCTORY

AS POLITICAL ECONOMY is a branch of the supreme science of politics, so economic liberty is a department of the larger subject of political liberty, on which I have written in a previous book, entitled *Liberty and Tyranny*.

I

By economic freedom in a modern State, I mean the right of every individual, under guarantees of equal law and independent justice, to pursue whatever trade, profession, or calling he likes – as artist, lawyer, journalist, architect, builder, shopkeeper, merchant, manufacturer, farmer, shipowner, etc. ; to engage in any lawful employment for wages or profit ; to save and invest, and to own property. This freedom to earn, buy, spend, and own is a cherished right of English and American citizens. It is subject, of course, to local and national taxation for the common good by common consent ; but it is a right, not a privilege ; and as such it has never been denied by King or Parliament, or President or Congress, though its enjoyment is restricted, as it is protected, by law. Thus in our mines and factories liberty is limited by provisions for safety and health. Legislation has also been passed in most countries to safeguard the health of women and children if they are engaged in industry, and to regulate collective bargaining between employers and trade unions.

The right of employees to strike and of employers to lock out their men has frequently been restrained, and it seems quite reasonable that in Government occupations, as well as in some essential trades, disputants should be bound to submit their quarrels to compulsory arbitration.

Where precisely the line should be drawn between proper and improper interference by the State in social and industrial conditions depends largely upon circumstances. But the principle is clear, and can be presented in the form of a paradox. Liberty is legally limited in order that it may be lawfully enjoyed. The freedom of the few must often be restricted in order to enlarge the freedom of the many. One man cannot be allowed to enslave another, even if the other agrees to be enslaved. But every new proposal to aggrandise the authority of the State should be subjected to jealous scrutiny. At present there is far more danger in most countries of too much interference than of too little. The rule of the bureaucrat is extending. The vital principle of competition is being challenged. The rights of individuals to employ private capital and engage in private enterprise are questioned or denied. Even in England free markets are being encroached upon, and our old law against monopolies is becoming a dead letter. In some countries private property has been confiscated by the deliberate depreciation of paper currencies ; in others by taxing it out of existence ; in others by open robbery or repudiation. It would be difficult to find a single important State whose Government since the war has not curtailed, often with disastrous results, the legitimate liberties and natural rights of individuals in the sphere of property, industry, and commerce.

In his famous essay¹ Mill remarks :

¹ See Mill, *On Liberty*, chapter v, "Applications."

“ In the first place, it must by no means be supposed, because damage, or probability of damage, to the interests of others, can alone justify the interference of society, that therefore it always does justify such interference. In many cases, an individual, in pursuing a legitimate object, necessarily and therefore legitimately causes pain or loss to others, or intercepts a good which they had a reasonable hope of obtaining. Such oppositions of interest between individuals often arise from bad social institutions, but are unavoidable while those institutions last ; and some would be unavoidable under any institutions. Whoever succeeds in an overcrowded profession, or in a competitive examination ; whoever is preferred to another in any contest for an object which both desire, reaps benefit from the loss of others, from their wasted exertion and their disappointment. But it is, by common admission, better for the general interest of mankind that persons should pursue their objects undeterred by this sort of consequences. In other words, society admits no rights, either legal or moral, in the disappointed competitors to immunity from this kind of suffering ; and feels called on to interfere, only when means of success have been employed which it is contrary to the general interest to permit—namely, fraud or treachery, and force.”

When Mill wrote, the English nation had emancipated itself from the old, and had not begun to experiment with the new, brand of State Socialism. But what he has to say about economic liberty is well worth transcribing :

“ Again, trade is a social act. Whoever undertakes to sell any description of goods to the public, does what affects the interest of other persons, and of society in general ; and thus his conduct, in principle, comes within the jurisdiction of society : accordingly, it was once held to be the duty of governments, in all cases which were considered of importance, to fix prices, and regulate the processes of manufacture. But it is now recognised, though not till after a long struggle, that both the cheapness and the good quality of commodities are most effectually provided for by leaving the producers and sellers perfectly free, under the sole check of

equal freedom to the buyers for supplying themselves elsewhere. This is the so-called doctrine of Free Trade, which rests on grounds different from, though equally solid with, the principle of individual liberty asserted in this Essay. Restrictions on trade, or on production for purposes of trade, are indeed restraints ; and all restraint, *quod* restraint, is an evil : but the restraints in question affect only that part of conduct which society is competent to restrain, and are wrong solely because they do not really produce the results which it is desired to produce by them. As the principle of individual liberty is not involved in the doctrine of Free Trade, so neither is it in most of the questions which arise respecting the limits of that doctrine : as for example, what amount of public control is admissible for the prevention of fraud by adulteration ; how far sanitary precautions, or arrangements to protect work-people employed in dangerous occupations, should be enforced on employers. Such questions involve considerations of liberty, only in so far as leaving people to themselves is always better, *cæteris paribus*, than controlling them : but that they may be legitimately controlled for these ends, is in principle undeniable. On the other hand, there are questions relating to interference with trade which are essentially questions of liberty ; such as the Maine Law, already touched upon : the prohibition of the importation of opium into China ; the restriction of the sale of poisons ; all cases, in short, where the object of the interference is to make it impossible or difficult to obtain a particular commodity. These interferences are objectionable, not as infringements on the liberty of the producer or seller, but on that of the buyer.”¹

Mill’s argument for excluding from his survey economic liberty and freedom of trade merely because the objections to marketing restrictions or protective tariffs differ from the objections to a censorship seems to me untenable. I

¹ It may be thought that I am quoting Mill at too much length ; but Mill *On Liberty* is a classic, and as I think him wrong in excluding (or almost excluding) economic liberty from his treatise, I am anxious to state, in his own language, his grounds for so doing.

take it that the average citizen, when deprived of his economic liberty and reduced to economic servitude, will feel it quite as much as if he were deprived of a free Press. It is necessary, therefore, to examine carefully the nature and scope of economic liberty.

Every train of philosophic reasoning, and all the illustrations with which the history of the past and contemporary experience abound, lead to the conclusion that economic liberty depends on the existence of private property and competition. If these two are assured, material progress is certain in any well governed and peaceful commonwealth.

But the acceptance of this proposition does not altogether relieve legislators and administrators of their difficulties. With the best will in the world an English Cabinet or an American President must often be perplexed by problems as hard as those "cases of conscience" which puzzle the student of ethics. The task of the Government of a new colony with complete freedom and no evil inheritances would be simple. But any fair critic of Governments in our own time must make allowance for existing laws and customs and for financial conditions which are the legacies of the past.

We cannot ask more – though we cannot ask less – of a good Government than that it should keep steadily in view the main requisites of liberty, and remove as rapidly as possible all artificial and pernicious obstacles to the freedom of internal and external trade.

If the most obvious of these evils – protective tariffs and quotas – were suppressed, many gross inequalities and injustices brought about by price-raising combinations (which are really conspiracies against the consumer) would disappear. Their teeth would be drawn by the healthy

competition of foreign imports. That is why under free trade from 1860 to 1914 Great Britain was immune from the trusts and cartels which exploited the inhabitants of protected countries, and free also from the parliamentary corruption and log-rolling that always attend upon tariff-making.

II

But even when freedom of trade has been established, there will still be many difficulties in the path of a Government which is honestly seeking to maintain a maximum of economic liberty. What should be the legal rights and duties of employers and trade unions? How should natural monopolies, such as railways or water supplies, be regulated? How should dangerous driving on the roads be dealt with? And so on.

Then, again, there is the problem of protecting consumers against unfair prices. In mediæval times English law sought to prevent the unfair exploitation of consumers in local markets by prohibiting forestalling and engrossing. In the old law books we find vivid descriptions of these offences. Thus, according to Jacob's *Law Dictionary*,¹ forestalling is the buying or bargaining for any corn, cattle, or other merchandise by the way as they come to fairs or markets to be sold, before they are brought thither; to the intent to sell the same again at a higher and dearer price. It was also illegal to dissuade people by word or letter from bringing such things to market. All endeavours to enhance the common price of any victuals, and practices with a tendency thereto, such as spreading false rumours, were criminal at common law, as "very oppressive to the poorer sort," and of general inconvenience. "Regrating"

¹ Fifth edition, 1744.

is described as the practice of buying up grain, fish, butter, cheese, pigs, poultry, or any other victuals brought to be sold at a fair or market, then selling them again in the same fair at a profit, and so making them dearer ; “ for every seller will gain something, which must of consequence enhance the price.”

In Blackstone’s time the statutes had been repealed, but the practices were still indictable at Common Law, and he explains that they were rightly punishable as “ making the market dearer to the fair trader.” Engrossing, he wrote in his *Commentaries*, must injure the public “ by putting it in the power of one or two rich men to raise the price of provisions at their own discretion.” In 1844, when trade was being rapidly freed from restrictions and the Mercantilist theories were discredited, these offences were abolished by Act of Parliament, and speculation was practically freed from restrictions on the utilitarian ground that as a rule they do less good than harm.¹

With the revival of Protection, however, and of Mercantilist ideas favouring home producers, there are certain to be strong demands for counter-measures such as have been attempted in the United States by the Sherman Act. For it is characteristic of a Protectionist Government that it tries to protect the producer against competitive prices and the consumer against unfair prices. When it has created conditions favourable to trusts and monopolies, corners and pools, it passes laws (usually ineffective) to punish and break up the very combinations which it has fostered.

Whether the abuses of speculation – such as attempts to “ rig ” a market – can be suppressed without unduly

¹ I have examined the pros and cons of speculation in *Wall Street and Lombard Street*, Part II, chapter iv.

restricting useful enterprise is still a debatable question. In a country with the psychology of the United States, which resembled a huge gambling-table during the boom of 1928-9, there can hardly be a doubt that legislation to protect banks, stock exchanges, and produce exchanges against another such disaster was urgently needed. In Great Britain also there is reason to think that new measures ought to be devised for the protection of investors and honest traders against fraudulent company promoters and unscrupulous speculators. Legitimate liberty is not to be confounded with licence. But the line is difficult to draw. An illustration may be taken from a very recent event—the “Pepper Crisis” of February 1935, which caused several failures among brokers in Mincing Lane and inflicted heavy losses on many innocents in the City of London.

Early in 1934 an impression was spread about in the City that commodity prices were likely to rise considerably during the year under the influence of several factors. Certain experts, who thought that the Government wished to stimulate trade by raising prices, predicted that the management of sterling would be inflationist. They also pointed to the restrictions which had been imposed, or were likely to be imposed, on rubber, tin, and other metals and commodities. Working on these ideas, several speculative brokers, hoping to make fortunes from the expected rise of prices, sought financial aid from one or two big City men, and obtained enough money to organise a series of pools, which concentrated attention upon Far Eastern produce. A Baltic Exchange firm, Strauss & Co., with a branch in India, became heavily involved in forward purchases of nuts, seeds, etc. But prices went against it; and, by the end of the year, the

position was hopeless. Its manager in Calcutta committed suicide, and it failed with liabilities of half a million.

Meanwhile one Garabed Bishirgian, a metal broker of Armenian origin, had won the confidence of several important people. With their aid he got control of an old and respectable Mincing Lane firm, James & Shakspeare, which had carried on business for ninety years. It was refloated at half a million, and acquired by agreement the firm of Bishirgian & Co. Intelligent purchasers of the new shares – even if they were not original participants in the pool – must have been aware that the new venture was going to embark upon speculation ; for the prospectus stated :

“The carrying of stock on the London market for account of client is essential to the successful development of the company’s business, which has been retarded in the past by the inadequacy of its capital resources.”

Some of the new directors and shareholders were deeply involved in the pepper gamble before the flotation took place. Among the principal shareholders were a leading London banker and the chairman of a big tobacco company, who also controlled a large investment company and a smaller private finance company, with interests in the pepper pool and in another pool which had been organised to raise the price of shellac. The operations of the pepper pool during 1934 raised the London stocks of white pepper from the normal figure of about 2,400 tons, representing roughly a year’s consumption in Great Britain, to over 13,000 tons ; at the same time they succeeded in raising the price of white pepper from about $8\frac{1}{2}d.$ to $16d.$ per pound. But they failed to corner the supplies. The organisers of the pool had estimated that the pepper crop

would be small ; but it proved to be large, and the Dutch growers were delighted to let the conspirators have all that they wanted at prices far above the average. A good deal of black pepper was converted into white pepper to take advantage of this new and profitable market, and many small stocks in the Far East, at Singapore and elsewhere, poured in their contributions. So the cornerers were cornered. Mr. Bishirgian and his collaborators were never able to unload and to realise their paper profit. The financial strain became more than they could bear. The smash occurred at the end of January, 1935, when the nominal price was still about 15*d.* per pound.

James & Shakspeare failed for half a million, and brought down two firms of brokers in Mincing Lane which had acted for them. Many other firms had suffered, but were propped up by the banks. A new pepper pool was formed to take over and nurse the pepper baby. When the market re-opened, the price was fixed at 8½*d.*, but it was quite nominal.

Consumers of pepper did not suffer appreciably. They usually buy very small amounts ; and as the retail prices are always excessive they are seldom altered. Probably very little pepper was sold to shopkeepers at the high prices which prevailed in Mincing Lane towards the end of 1934. But many Mincing Lane brokers and merchants were hard hit when James & Shakspeare broke ; and demands were made in the Press, and in the House of Commons, for an investigation which would disclose the names of all the members of the pool.

Ought the old laws against forestalling to be revived in a modern form, to prevent gambling in futures wherever such gambling menaces consumers and creates scarcity prices ? Here is one of the borderland cases where it may

be argued that liberty of buying ought to be restricted in the general interest. The answer may be, and probably is, that legislation of this kind in most countries usually does more harm than good. On balance, speculation in futures has been advantageous in England. But in the United States it has been thought necessary to curtail and control stock exchange and produce exchange gambling since the disastrous experiences of 1929 and 1930.

It is probably best that each exchange market should govern itself by rules and regulations appropriate to the commodities in which it deals. But if these prove inadequate to restrain and prevent the cornering or rigging of a market, freedom of trade may require legal protection.

III

To discover Mill's opinions about economic liberty, we must turn to his *Political Economy*, and to the chapters in which he treats of property, communism, slavery, peasant proprietors, the stationary state, and the probable future of the working classes. Mill is a calm and judicial observer. If he has a fault, it is that, having himself never engaged in ordinary business, he could not sympathise with what he calls "the struggle for riches." He saw its bad and base side. He did not appreciate the interest, the excitement, the spirit of adventure, of invention and enterprise, or the many sterling qualities by which a good man of business, a captain of industry, a merchant, or a shipowner, builds up a fortune, and at the same time, by finding profitable employment for others, advances the welfare of the people. But he recognised that a competitive struggle is a far better employment for the energies of mankind than the old struggle of war (which he supposed to be almost obsolete), and far better than that the

minds of men should "rust and stagnate." He was rightly anxious for a better distribution of property, and favoured legislation to that end, so long as it was consistent with the just claim of the individual to the fruits of his own industry. His aims have been achieved to an extent which few then dared to look for. Mill himself was not very hopeful. In a famous and much-quoted remark, he struck a note of exaggerated pessimism : " Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes."

It was, of course, the twenty years' war, the ruin of our customers, the dislocation of shipping and exchange, and the raising of a high tariff barrier against imports, even of food and raw materials, that counteracted until the end of the forties the benefits of machinery. Mill should have seen this, and guarded himself against misconceptions. But if we accept his verdict as literally correct for the England of 1795 to 1845, we may observe that the first edition of his *Principles of Political Economy* was published in 1848, the year of the Irish famine, only two years after the repeal of the Corn Laws, and before Mr. Gladstone's great Budgets of 1853 and 1860 set the country fairly on the path of progress and prosperity. Mechanical inventions had not failed ; the world was much less poor than it would have been without them.

Looking back over a period of forty years, during which economic liberty and free trade had been in operation, another English economist, as careful, as judicial, and as sympathetic with Labour as Mill, was able to write towards the end of the nineteenth century : " The average

money income of the people has more than doubled, while the price of almost all important commodities, except animal food and house-room, has fallen by one half or even further." Alfred Marshall's optimism contrasts with Mill's pessimism ; for the times had altered. Instead of suffering from war and protection for half a century, our people had enjoyed peace and free trade for a similar period. Marshall could rejoice that the principles he shared with Mill had borne fruit in a great advance of popular welfare.

It is a mistake to identify Mill with the economic theories of the Socialists, though he might approve of their moral sentiments. It is true that he heartily praised the co-operative movement, then in its infancy ; but the co-operative movement is Liberal rather than Socialistic. An individualist who detests the bureaucratic control of business may well support schemes for giving the work-people a share and a voice in the management of industrial undertakings. Mill thought that the time was ripe for such experiments ; but he made it clear that with the main purposes of Socialism he was in complete disagreement :

"While I agree and sympathise with Socialists in this practical portion of their aims, I utterly dissent from the most conspicuous and vehement part of their teaching, their declamations against competition. With moral conceptions in many respects far ahead of the existing arrangements of society, they have in general very confused and erroneous notions of its actual working ; one of their greatest errors as I conceive is to charge upon competition all the economical evils which at present exist. They forget that wherever competition is not, monopoly is ; and that monopoly in all its forms is the taxation of the industrious for the support of indolence, if not of plunder. They forget, too, that with the

exception of competition among labourers all other competition is for the benefit of the labourers, by cheapening the articles they consume."

Then, after pointing out that even in the labour market economic freedom is a source, not of low, but of high wages, wherever and whenever the competition *for* labour exceeds the competition *of* labour, he continued :

" It is the common error of Socialists to overlook the natural indolence of mankind. . . . Competition may not be the best conceivable stimulus, but it is at present a necessary one, and no one can foresee the time when it will not be indispensable to progress. . . . Instead of looking upon competition as the baneful and anti-social principle which it is held to be by the generality of Socialists, I conceive that, even in the present state of society and industry, every restriction of it is an evil, and every extension of it, even if for the time injuriously affecting some class of labourers, is always an ultimate good. To be protected against competition is to be protected in idleness, in mental dullness ; to be saved the necessity of being as active and as intelligent as other people."

In a summing up and general endorsement of Mill's argument, we may readily admit, with him, that the mere desire for gain and profit, or for the accumulation of wealth, ought not to excite admiration, though the desire for success, in whatever trade, calling, or profession we are engaged, is surely a natural and laudable ambition. Everyone admires the successful athlete. No one objects to rivalry in sport or art, and only very superior persons profess to despise the successful business man, who has won his way by fair competition without the aid of protective tariffs or quotas or subsidies. If the desire for comfortable subsistence and economic security is right and reasonable, we ought not to belittle the virtues of hard

work, thrift and economy by which men attain it. If we bestow praise on the rich philanthropist who provides charitable relief, we need not grudge it to the successful business man who provides profitable employment by his organising ability and enterprise. Thrift and efficiency go hand in hand. They are public as well as private virtues. There are no more useful citizens than those who apply principles of economy and efficiency to the public service as Ministers of the Crown, as Members of Parliament, or as town councillors. No doubt generosity is more attractive than frugality ; but those who have never been frugal can seldom afford to be generous ; and the very common trait of profusion among spending authorities is not a virtue but a vice. Those to whose hands the management of public money is committed should regard it as a sacred trust ; they should see that it is economically administered, that the purpose is good, and that full value is obtained for the expenditure.

In the sentimentalism which too often gushes out in a prodigal outlay of public money, these solid virtues and useful qualities are apt to be despised and neglected. The magic of private property, the rivalry of business, the invigorating exertions required by fair and free competition, the love of independence, are not sordid elements in human society, but indispensable ingredients of personal and civic freedom. The indolence and routine of a bureaucracy are not untainted by self-seeking, and in many countries government and corruption are interchangeable terms. The instinct for gain is universal, as universal as the desire for leisure and for pleasure to which the acquisition of money contributes. But this instinct and the magic lure of ownership are motive forces which make communities rich, and provide them, through the exertions

of individual taxpayers, with the means of promoting public improvements and amenities of all kinds. No State can be prosperous and progressive when its population is poor and lazy ; and if, as in some of our modern dictatorships, the ruling officials discourage or prohibit their subjects from making money, from acquiring and holding property, or from benefiting in any way by their exertions, however hard they work – in such a State universal poverty is certain. That explains the prevalence of famine, ever since the peasants were deprived of their land, in a country which used to be one of the great granaries of the world. Terror and fear are poor incentives to labour.

IV

Of all the dangers to economic liberty in countries like Great Britain and its self-governing Dominions, the United States, Holland, Sweden, Norway, Denmark, Switzerland, etc., which have long practised and enjoyed the art of self-government, the most insidious is the extension of the bureaucracy. This danger is so closely connected with the argument for a strict limitation of government interference that it requires special attention in these introductory observations. But before dealing generally with this question, I would like to guard myself against a possible misunderstanding. In what I have to say, it must not be supposed that I am making a covert attack on the civil service or the civil servants of Great Britain. On the contrary, I share to the full the general confidence of all classes in their ability and integrity. Their quality is guaranteed in most cases by an admirable system of open competition, which eliminates favouritism and jobbery and ensures a high standard of competence at entrance, though it cannot of course provide for promotion by merit.

That must depend largely upon the character of the political heads of the Departments, who are responsible to Parliament and to public opinion for their administration. How far this preliminary *caveat* applies to the civil services of other free countries, I leave to the judgment of my colonial and foreign readers.

In cases where Government interference does not involve a direct infringement of liberty, three objections are advanced against it by Mill.

The first is where the thing to be done will probably be better done by individuals independent of the government than by government servants. Speaking generally, the persons best fitted to conduct a business are those personally interested in that business. The principle was recognised in British legislation and administration until quite recently; but it is now challenged by the Socialist movement, and I shall deal later on with this challenge and with the encroachments which have already taken place.

The second objection applies to those cases where individuals may not do a particular thing so well, on the average, as government officials. Even then, in Mill's judgment, it is better in many cases that it should be left to voluntary action; for experience is invaluable in helping to build up the qualities of free citizenship. The initiation and conduct of industrial and philanthropic enterprises, the voluntary working of local government and of co-operative societies, the management of joint stock companies by shareholders, and so on, all contribute to the training of citizens and to the political education of a free people, "habituating them to act from public or semi-public motives, and guide their conduct by aims which unite instead of isolating them from one another."

There is one sentence of Mill to which, in the light of recent experience on the Continent of Europe, we can hardly attach too much weight. "Without these habits and powers," he insists, "a free constitution can neither be worked nor preserved ; as is exemplified by the too-often transitory nature of political freedom in countries where it does not rest upon a sufficient basis of local liberties." Extensions of Government control and management deprive a country of the varied experiments and endless diversity of development which can only be achieved by the voluntary operations of individuals. The proper business of the State is not to do things itself, but to circulate information, and, in the case of local government, to provide for efficiency and economy by inspection and skilled supervision.

A third, and in Mill's opinion the most cogent reason, for restricting the interference of government is "the great evil of adding unnecessarily to its power." Every function superadded to those already possessed by officialdom enlarges its influence, "and converts more and more the active and ambitious part of the public into hangers-on of the government or of some party which aims at becoming the government" :

"If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities, and the public charities, were all of them branches of the government ; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration ; if the employees of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life ; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name."

The dull uniformity and indolent routine of a bureaucratically governed country are fatal to progress. The more perfect the organisation, the more complete the bondage. Even if Parliament and popular elections survive, the ruling authorities and the permanent chiefs of the innumerable Departments soon become "as much the slaves of their organisation and discipline as the governed are of the governors."

It follows, then, that the great body of a self-governing nation, if it is to preserve freedom and efficiency, must be independent of bureaucratic control. The very civil service itself is certain to degenerate, unless its powers are checked and limited by the constant criticism of a watchful Parliament, an independent Press, and a vigilant public opinion. It is essential, but not enough, that independent judges and juries should safeguard the people against the inroads of discretionary authority. If once the civil servants and government employees become numerous enough and powerful enough to control the elections, all the safeguards against unjust and confiscatory taxation, all the incentives to industry and enterprise will gradually disappear, and democracy will be doomed.

v

In free countries like Great Britain, which the followers of Karl Marx denounced as "capitalist,"¹ it is worth observing that the most extreme Socialists, while they seek on the one hand to overturn our institutions and constantly express their admiration for those of Soviet Russia, complain bitterly against any infringements of liberty which

¹ Capital is wealth used for production. A capitalist country is a country where individuals may acquire wealth and use it as capital to employ labour and promote industry under competitive conditions.

they detect in the legislation of Parliament or in the decisions of the courts of law. If a Socialist is imprisoned, or expelled from a university for an offence against discipline, or if his future activities against the "capitalist" State are threatened by a Bill to prevent sedition in the army, they raise a mighty clamour, though they are well aware that, once they have achieved their object and established a Socialist State, personal liberty will be snuffed out. Similarly in their invectives against private capital, which after all only means private wealth and savings invested or employed for productive purposes, they do not in their popular expositions admit that the socialisation and confiscation of capital and goodwill must be extended – as it has been extended in Russia, and as it would be extended in Mr. Bernard Shaw's Socialist State – to the almost complete suppression of private liberty, and (as we understand the term) of private property. They tell the English trade unionist that he is "a wage slave"; but under Socialism all workmen are reduced to serfdom. Mute and unarmed, they have no private opportunities for advancement, and they are deprived of the trade unions or other voluntary organisations which might have helped them to enforce a living wage against their sole employer, an omnipotent bureaucracy.

Occasionally, in the past, distinguished men, calling themselves Socialists, have denied that true Socialism aims at the suppression of individual liberty and private property. Thus, at a meeting of representative French Socialists, on May 30th, 1896, M. Millerand asked: "What is the minimum programme whose acceptance is binding upon whoever claims the title of Socialist?" His answer was :

"At the stage of development which the Socialist party has reached, I consider it to be its interest as well as its duty to define

its frontiers with all possible precision. Whither is it going? By what paths does it propose to attain its end? Is it true that it has for its aim the suppression of liberty and confiscation of private property, for its means the recourse to force? These are the traits with which our opponents of every kind usually agree in delineating the Socialist party. Yet does it not appear on the face of it that all the points of this pretended definition – suppression of property, recourse to force – form the crudest antithesis, the most brutal contradiction, to our doctrines as well as our facts?

“Is not the Socialistic idea completely summed up in the earnest desire to secure for every being, in the bosom of society, the unimpaired development of his personality? That necessarily implies two conditions, of which one is a factor of the other: first, individual appropriation of things necessary for the security and development of the individual, i.e. property; secondly, liberty, which is only a sounding and hollow word if it is not based on and safeguarded by property.”¹

Quite recently, in the summer of 1934, French Socialists and Communists were reported to have formed “a united front” against Fascism. But even if French Socialists obtained a majority in the Chambers and were able to form a Government, it is doubtful whether they would embark on the nationalisation of private capital and the confiscation of private property. An excellent authority on political and economic ideas, past and present, in France – Monsieur Y. M. Goblet – wrote to me not long ago: “In France at the present time there is not thought to be any real danger from the Communists. Perhaps the reactionaries are inclined to exaggerate their numbers and power. French country people are staunch landowners, and the Parisians are fundamentally bourgeois.” In a land of small proprietors like France the right to possess

¹ For Millerand's Address, see Ensor's *Modern Socialism* (London, 1904), pp. 48 *seq.*

property is naturally regarded as a natural right. In 1791 the Declaration of Rights stated : " La propriété est un droit inviolable et sacré." Two years later La Déclaration des Droits de l'Homme set out the principle more fully : " Nul ne peut être privé de la moindre portion de sa propriété sans son consentement, si ce n'est lorsque la nécessité publique, loyalement constatée, l'exige, et sous condition d'une juste et préalable indemnité."

Before the Revolution the Physiocrats had laid it down that Property, Liberty and Security are the three pivots of society.¹

But for the loud assertions of modern Socialists to the contrary, I should hardly have thought it necessary to argue that the right to acquire and possess property, along with the right to earn, and the right to buy or sell freely, are inherent in any complete conception or definition of what is meant by personal liberty. History and experience prove that in every country where personal liberty has existed there has co-existed with it the right to hold property. And if there had been no history, and no previous or contemporary experience, common sense would surely convince any fortuitous collection of liberty-loving individuals, who might meet together for the purpose of forming a free community or State, that one of the fundamental laws of their constitution should be the right of every partner or citizen to acquire and hold property. All rights, indeed, have their limits, and it might well be wise in such a case to provide by law that no individual be allowed to possess more than a certain amount of land – seeing that land is a natural monopoly,

¹ Communism cropped up in Paris – as we shall see – in 1847–8. It was defeated by the country folk, and its doctrines were severely handled by Bastiat and by Thiers in his *Du Droit de Propriété*. After the Franco-German war the Communists seized and controlled Paris for a short time.

and that its wide distribution undoubtedly tends to promote the welfare, strength, and liberty of society.

In a free country you cannot prevent the lazy, the profligate, and the thriftless from reducing themselves to beggary. Unless you deprive the average man of his chief incentive to industry, and rob exceptional talents of their reward, you cannot have equality of incomes or property. In a siege or blockade the commander may ration the inhabitants and the garrison ; but a Government which, in peace-time, confiscated the property of all its subjects, and then levelled their incomes (as Mr. Bernard Shaw recommends) by distributing its revenues among them equally, would be creating a poor, servile, stagnant society, whose members, dispossessed of property, would be wholly dependent on the Government for their daily rations, as is now the case in the industrial areas of Soviet Russia.

No bad definition of a civilised State would be one whose laws and police ensure the security and property of its citizens. That is a minimum requirement ; but it implies independent justice, and freedom from illegal detention. A country which has these safeguards including the Habeas Corpus, or its equivalent, enjoys far more liberty and security than is possessed by the subjects of most Governments at the present day. Real freedom must include economic freedom, and with it the right to acquire and hold property. Otherwise personal liberty becomes a void and empty conception. This does not mean that an oligarchy of industrial millionaires or big landowners is desirable. Far from it. In the passage I have quoted, Millerand argued, and with good reason, that large combinations of capital in industry and large landed estates are prejudicial to liberty, because they interfere with freedom

of trade and with economic independence. *Latifundia perdidere Italiam* — “large estates were the ruin of Italy.” England too has suffered from the loss of its small freeholders. The first object of a good system of taxation is to raise fairly the necessary revenue. Its second may well be to promote by moderate graduation the diffusion of wealth. Irish prosperity was restored in the half-century before the Great War by compulsory land purchase of large estates, and their subdivision among peasant proprietors. But the “socialisation” or nationalisation of banks, industries, and all the means of distribution and production would be a far more dangerous encroachment on liberty than the indifference of pure *laissez faire* to plutocracy. Under a régime of free competition, free land, and free trade, with a graduated system of direct taxation, the dangers of private monopoly are not formidable, and can easily be dealt with on liberal principles, which permit the breaking up, or the control, or acquisition by public authorities, of private, and especially of natural, monopolies.

Those who recognise that individual property is essential to individual liberty may well hold that its maldistribution should be within the purview of Government. I grant that enormous fortunes may be pernicious in a modern democratic State, especially when unscrupulous millionaires lay hands upon the newspaper Press, or pile up fortunes by corrupting Parliament, and buying tariff rates, or quotas, or subsidies, for manufacturing concerns which they control. Graduated taxation of incomes and of death-duties has been adopted in Great Britain and many other countries ; and its effect is not only to raise revenue on the principle that the broadest backs should bear the heaviest burdens, but also to check the

accumulation of great fortunes and to diminish excessively large incomes by abstracting half, or even more, in taxation.

The only societies in which liberty would be likely to flourish in association with a partial community of property are free cities of moderate size, or free village communities, or garden cities with local autonomy. There is much to be said for combining small private properties in country districts with common lands ; but a system of Communism, worked by a centralised bureaucracy, and maintained by terrorism, is probably the worst despotism under the sun. Yet Socialists insist that property is an obsolete, as well as an ancient, superstition. To believe in it is a heresy; to desire it is a sin. So the extinction of private property and private capital has become their grand objective. In their eyes, private property is robbery. In Russia, to keep and enjoy the fruit of your labours, to eat or dispose of the crop you have gathered in, is a crime against the State.

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Even in the United States and Great Britain there has been a tendency of late to undervalue liberty, and this tendency has been especially marked among the younger generation. I think this is due partly to their absorption in mechanics, partly to disgust with politicians, partly to the concentration of their minds on propaganda for peace. And who can wonder or complain that the horrors of the last war, and the danger of another explosion, have diverted thought and energy from the pursuit of freedom to the pursuit of peace ? Another cause, predominant perhaps in the minds of the working classes, has been the spread of unemployment, especially since the economic blizzard of 1930 and 1931. Any political pretender or economic quack is sure of a hearing in times of severe depression.

A Douglas or a Townsend can make an appeal to millions when he promises them work and prosperity. In the United States, the consumers – that is to say, the whole population – have suffered for half a century under what Mr. Hoover, in his chapter on “The Abuses of Liberty,” calls the “big and little economic tyrannies to which the greed and love of power in men incline.”¹ Hence has come a widespread desire, rising at times to a fierce passion among the poor and among a disinterested class of thoughtful people, to dethrone these economic tyrants, including the big corporations, and to exalt the humble and oppressed.

Had the spirit of Jefferson been alive, the first step of American reformers would have been to enlarge economic liberty by removing or greatly reducing the protective (and often prohibitive) tariff under whose shelter so many powerful and ruthless trusts have flourished. Free competition is the only effective security against monopoly; but American reformers, instead of applying this remedy, have preferred to tilt against combinations of manufacturers by anti-trust laws, and more recently to regulate private industry by what has been called the New Deal. But this subject requires separate treatment, and we must reserve it for consideration in our next chapter.

¹ See the *Challenge to Liberty*, by Herbert C. Hoover, 1934.

CHAPTER II

THE DIVISION OF LABOUR AND FREEDOM OF TRADE

I

FREE TRADE, or free exchange, is in reality an internal law of every progressive and prosperous human society. The most reactionary of English Protectionists does not propose to "safeguard" the manufacturers and farmers of Yorkshire from their competitors in Lancashire by a tariff. The most reactionary of American tariffmongers does not suggest that the forty-eight states of the Union should be protected from one another. Within the Union free competition and free exchange are the touchstone of prosperity and progress. Thus in a limited sense the wisdom of free trade is generally acknowledged, and there is no valid argument against its extension from counties to countries or from inter-state to international commerce.

Free trade is based on the principle of the division of labour – a principle as old as human society – which was explained at Athens more than two and twenty centuries ago by Plato. In his famous *Republic* we are shown how a growing society divides and subdivides its labours.

Men first gathered together in village communities for security. But no sooner was a society established than division of labour came into being. Plato sketches the growth of a primitive society. The first necessities of

primitive man are food, houses, and clothing. Living in isolation like a wild beast, he procured food, shelter, and clothing for himself and his mate. After joining a community, he had the choice of remaining in economic isolation or sharing his labour with the labours of others. Which course would be best ? Should each villager pursue one occupation or try to be a jack of all trades ? The answer, of course, is that the workman who specialises and sticks to one job, and then exchanges his surplus for the other things that he wants, will be far better off than the man who divides his time and tries to pursue several trades at once. So our villagers, learning by experience, divided their labour instead of their time, and, living together in peace, thrived by co-operation. The very smallest village community will require a number of men and women – some to grow food, others to spin and weave and make clothing, others to build houses, and so on. How will they proceed ? They will barter their surplus products or bring them into a common stock for distribution.

Here then we have the economic reason and justification for men coming together instead of living in solitary isolation. The arguments are overwhelming. In the first place, nature has provided men and women with a diversity of gifts and capacities and tastes. One may prefer an open-air life ; another may prefer to spin or weave under cover ; another may like to keep a shop ; another may choose to fetch and carry, transporting the goods which others produce. But, besides these diversities of nature, it is obvious that work is better done when the workman has one occupation than when he has many. Practice makes perfect. Things are produced more plentifully, and easily and better, when a man follows

the calling for which he is best fitted and leaves other jobs to others.

From this first little village community there is a natural expansion of wants and services. The agriculturist must not be diverted from his work to make his own spade or plough. Similarly the builder, the shoemaker, and the weaver will want others to make their tools and machinery. In this way carpenters, blacksmiths, artisans, and mechanics will spring up to share in the needs and tasks of the village, which is now growing into a small town or city-state. Besides ploughmen and diggers there will be needed herdsmen to keep sheep and cattle and horses, in order to provide wool, milk, meat, and hides, and animals for the plough and for transport. In course of time it will be found impossible for the city to supply all its own wants. For however well it may be situated – so Plato remarks – “to find a place where nothing need be imported is well-nigh impossible.”

So there must be another class of citizens to bring supplies from other cities. But these merchants must not go out empty-handed ; for if they do they will come back empty-handed. They must take with them articles which some of the citizens of the other city want for the purposes of exchange. Therefore what they produce at home must be not only enough for themselves ; there must be a surplus, to accommodate and supply their foreign customers.

Thus the expanding needs of the city have brought into existence a class of importers and exporters who may be called merchants, to distinguish them from the shop-keepers at home, whom they supply with foreign goods. Plato, be it remembered, lived at Athens, a city-state with a harbour and a large overseas trade. So in constructing

his Republic he assumes that there will be sea transport, as well as land transport, to be provided for ; and this made it necessary that a number of the citizens should be seamen.

Besides all this, for the purpose of exchange, the inhabitants of the city-state must have a market-place and money, and dealers who will frequent the market-place, giving money in exchange for goods to those who want to sell and taking money from those who want to buy. Thus we have our city complete, with its food producers, clothiers, shoemakers, mechanics, shopkeepers, merchants and dealers in money ; and we see in a quite simple and intelligible way how the vast intricate system of the modern world has been developed, under which each of us is dependent upon myriads of other human beings, not merely in his own village or town or county or country, but in all parts of the world, for things of daily use and consumption.

For more than two thousand years the science of political economy made no advance. The advantages to human society of the division of labour and of the free exchange of surplus products had been amply demonstrated, one would have thought, in this famous Greek masterpiece. But commercial jealousy, short-sighted greed, political and religious dissensions, tyrannical ambitions, racial animosities, and the natural pugnacity of mankind all contributed to obscure plain elementary truths and to prevent the diffusion of common sense or commercial wisdom. In the Middle Ages a multitude of fallacies were invented ; and even astute statesmen were led to believe that trade regulations, commercial restrictions, and cunningly devised taxes upon imports and exports would enrich instead of impoverishing a State. Wonderful ingenuity was expended on diverting business

from its natural channels and depriving industry of its just rewards.

At last, in the eighteenth century, there was born, in the little Scottish town of Kirkcaldy, Adam Smith, the great practical philosopher of modern times, who took up again the principle of division of labour and made it a key to unlock the science of political economy. He found in all civilised countries a system of so-called "protective" tariffs and mediæval restraints on trade. In most European countries there were trade guilds and close corporations, which hampered enterprise and hindered labour from finding a free market. Many cities were surrounded with walls, and at the gates stood officers to impose taxes or tolls upon everyone who brought food or goods to sell in the town. At the frontiers or ports of every country most of the products of foreign countries were prohibited or taxed. Everywhere the gospel of scarcity was proclaimed, the gospel of freedom and abundance rejected.

In 1776, after many years of study, Adam Smith published his masterpiece, *The Wealth of Nations*, which shows the folly of taxing or forbidding the free flow of goods and services, and traces the principle of the division of labour into every branch of business and commerce. One single passage may serve to exemplify the argument that gradually induced his own countrymen to adopt his policy, and so made Great Britain, a hundred years after his death, the foremost manufacturing and commercial nation of the world, with a mercantile marine equal to that of all other nations combined :

"It is the maxim of every prudent master of a family never to attempt to make at home what it will cost him more to make than to buy. The taylor does not attempt to make his own shoes, but

buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their own interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or what is the same thing, with the price of a part of it, whatever else they have occasion for.

“What is prudence in the conduct of every private family, can scarcely be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.”

Adam Smith's wonderful book, the most fascinating that has ever been written on trade, and on the rules that should guide public economy and finance, had immediate and extraordinary success ; for it converted before his own death two Prime Ministers, Lord Shelburne and William Pitt. Indeed, there can be little doubt that a long step would have been taken by Great Britain under Pitt towards a free trade system but for the French Revolution and the terrible wars with France, which lasted from 1793 to 1815. The restoration of peace found British commerce hampered and harassed by taxes, prohibitions, and restraints of all sorts and descriptions. Some reductions and relaxations were made ; but the British tariff remained highly protective until the reforms of Sir Robert Peel, which took place during “the Hungry Forties.” In spite of a rapid increase of population, British exports, which were valued at about an average of 37 millions a year from 1821 to 1825, had fallen to 36 millions a year between 1826 and 1830. Protection was too strongly entrenched to be expelled, until at last a widening of the franchise

in 1832 made it possible to reform the fiscal system.

The Anti-Corn Law League was established at Manchester in 1839. Richard Cobden and John Bright translated Adam Smith into the language of the platform and converted the country to free trade. In 1846 the Corn Laws were abolished by a Conservative Prime Minister, Sir Robert Peel, and a complete free trade system was established by Mr. Gladstone's famous Budgets of 1853 and 1860. British trade and British revenue advanced by leaps and bounds as the protective shackles were removed ; and by the year 1870 the value of British exports had risen to 199 millions sterling. In 1850, when the Navigation Laws were repealed, the British mercantile marine totalled 3,565,000 tons ; in 1870 it totalled 5,691,000 tons. In 1880 it totalled 6,574,000 tons.

Meanwhile the mercantile tonnage of the United States, which had been our chief competitor, diminished as ours increased ; and though other factors were at work it is fair to assume that this decline was largely due to the adoption by that country of an increasingly protective tariff, which made shipbuilding expensive and restricted overseas trade. From a total of 1,586,000 tons in 1850 the mercantile marine of the United States was reduced to 1,353,000 tons in 1880. The proportion of American trade carried in American vessels sank from 82 per cent in 1840 to 16 per cent in 1885 ! Meanwhile the proportion of British trade carried in British ships rose from about 58 per cent in the fifties to 72 per cent in 1885.

We need not multiply commercial statistics.¹ They all

¹ The trade cycles chart compiled by the late Mr. Joseph Kitchin shows that in 1850 the overseas trade of the country was 171 millions sterling, or £6 2s. per head. In 1900 the respective figures were 877 millions, and £21 1s. In the same 50 years real wages doubled, so that the average English workman was twice as well off in 1900 as in 1850.

confirm the cardinal economic truth established and formulated in *The Wealth of Nations* : " In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest."

Here it is enough to note how completely Smith's theories, and the arguments of his disciples from Shelburne and Pitt down to Cobden, Peel and Gladstone, were justified by the results. If there were space, it could be shown by statistical evidence how the expansion of trade and capital was accompanied by a general rise in the standards of living and comfort. From the growing surplus of income and revenue vast sums were found, not only for railways and roads, but for public health, education, parks, baths, libraries, art galleries, museums, and all the amenities of modern life. It requires some imagination to conceive the miseries of the people ninety years ago. Under the Corn Laws wages in most of the English counties ranged from seven to nine shillings a week for agricultural labourers ; and in periods of depression there were few working-class families in Great Britain and Ireland which did not feel the pinch of starvation.

In the light of these experiences is it not strange that 150 years after the publication of Adam Smith's *Wealth of Nations*, and 86 after the Repeal of the Corn Laws, a " National " Coalition Government, blind to the teachings of theory and history, should have dished up a modern edition of the old discredited protective and preferential tariff ? Within a year or two its failure was proclaimed by the miserable state of British shipping, by a doubling of unemployment, by a disastrous decline of overseas trade, and by the desperate confession that subsidies must be paid to areas distressed by Protection – a pitiful

solace for the trade of which they have been robbed by law.

Free trade is neither an empty formula nor an impracticable ideal, but a natural and logical system founded on common sense. It is almost self-evident that, if commerce is free and untrammelled, its volume will be larger than if it is strangled by restrictions and burdened with taxes. It is equally obvious that, if prices are artificially raised, consumption will decline ; the people will buy less in the shops ; the shopkeepers will buy fewer goods from the merchants ; and the merchants will have to reduce their orders to the manufacturers. Consequently employment will be diminished, because necessarily the volume of production depends on the volume of consumption. Taxes on consumption, therefore – and especially taxes upon food, clothing, boots, and other articles which are bought by the working classes – must reduce the manufacturing output, and so tend to diminish wages and employment.

This is surely an overwhelming objection alike to taxes on consumption and to an excessive public expenditure, which must lead in the long run to an increase of direct and indirect taxation. Besides being more costly to collect, indirect taxation by customs and excise duties is worse than the direct taxation of income, because it raises prices and diminishes consumption ; but free traders offer no objection to the taxation of luxuries such as beer, spirits, wine, and tobacco so long as the whole produce of these taxes, apart from the cost of collection, goes into the public Treasury. From 1860 to 1914 this was the case with practically the whole of the indirect taxation of the United Kingdom. The duties imposed by our customs tariff were either on commodities such as tea, wine, and tobacco not produced at home ; or else on articles such as beer and

spirits, in which corresponding excise duties were laid upon the home brewers and distillers. But the object of the protectionists and of a protective tariff is not to raise a customs revenue, but to divert it from the Exchequer into the pockets of the home producer or manufacturer. The protectionist asks for customs duties, without a corresponding excise, on a foreign product which competes with a home product. Under Protection, while prices rise, the revenue suffers, because the more protective the tax the less the revenue. The effect of increasing the price at home is to increase the profits of home manufacturers in the home market, and to reduce the home consumption. Employment therefore diminishes ; exports fall with imports ; trade is diverted from its natural channels ; inefficiency is encouraged ; trusts and monopolies are fostered ; the cost of living and production is raised ; and all the industries that flourish in a free market are depressed.

II

Next in interest to the British tariff comes that of the United States. In the closing months of 1926 I travelled through most of the States of the Union studying economic conditions. It was my fourth visit in the course of twenty years. I was more than ever impressed by the size and resources of a continent as large as Europe, with an equal diversity of soil, climate, mineral wealth, and industries, whose forty-eight constituent States, linked together in a federal and economic union, are exempted from the curse of rival armaments, and enabled to trade freely with one another.

In contemplating these States, abounding in natural resources and throbbing with restless energy, the economist

may well marvel that so vast a territory, with a good rainfall in most parts, a climate excellent in some and almost everywhere tolerable, should have remained practically uninhabited, that its splendid forests should have been uncut, its rich virgin soil, its mineral wealth unexploited, for hundreds, nay thousands, of years after the ploughman, the woodman, the miner, the artificer, the spinner, and the weaver had played their part in developing extensive regions of Asia, Africa, and Europe. The Red Indians may have entered Canada and the United States from Asia about the time of the Siege of Troy, when the Empires of Egypt and China were already old, if not decrepit. But they never thrived or multiplied except as warriors and hunters. They barely scratched the soil ; and when, in the sixteenth and early seventeenth centuries, Spanish, English, French, Swedish, and Dutch adventurers began to explore and plant settlements in North America, they found a forest primeval, uncultivated prairies, and navigable rivers in a new world admirably suited to colonists who carried with them the arts and crafts of an ancient civilisation.

If there had been at that time a larger surplus of population in Europe, with better means of transportation, the development of the North American continent might have been far more rapid. Even after the middle of the eighteenth century, when the British had defeated the French in Canada, our various colonies were still divided by commercial jealousies and tariffs. But the attempt of George the Third and his Ministers to tax the American colonists without their consent united them in common action which ended in the Federal Constitution and a Customs Union. From that time forward the United States of America have enjoyed complete free trade among

themselves, and internal peace, with the exception of the Civil War period from 1861 to 1865.

Remembering that the original Union comprised only thirteen States, and that the thirteen stars on the American banner have since multiplied to forty-eight, anyone acquainted with political economy and with the economic history of the North American continent will readily understand why a population expanding in the course of 150 years from three or four millions to 120 millions, exploiting virgin lands and forests, coalfields and oilfields, along with iron, copper, gold, silver, and other metals, should have attained an extraordinary measure of prosperity. Americans possess the largest and richest free trade area in the world. Can we wonder that in the race for wealth they outstripped all other countries ?

Nevertheless in eras of prosperity Americans have often found a causal connection between the tariff wall that surrounds the United States and the progressive wealth of the people. "Post hoc ergo propter hoc" is always a telling argument. If two things accompany one another, a mind untrained in logic – as most minds seem to be – is apt to connect them as cause and effect.

Yet, as a matter of fact, there has been no continuous unvarying tariff, or tariff policy, in the 150 years of American history. There have been tariffs for revenue, and tariffs for protection ; tariffs reduced in the interest of the consumer, and tariffs raised in the interest of the manufacturer. The highest tariff in American history was followed in 1929 by the longest and severest industrial depression of modern times.

At the elections for the Senate in the autumn of 1926, Mr. Wadsworth (who lost his seat) claimed during his campaign in New York State that the high

Fordney-McCumber tariff was the only really well-balanced tariff in the whole history of the United States ; though the duties, he confessed, were much too low on many agricultural products. When an appeal for freer trade appeared in October, 1926, above the signatures of Mr. Pierpont Morgan and other leading bankers, Mr. Coolidge and his Secretary of the Treasury, Mr. Mellon, repudiated the argument in its application to America, but were ready to admit that Europe was suffering from a multiplicity of tariffs. In defending the American system, Mr. Mellon went a long way towards an admission of the free trade argument. He maintained that American prosperity was due partly to the American tariff, partly to the immense area of free trade which it enclosed. He would agree that a protective tariff is very bad for Ireland, or Portugal, or Latvia, or any small country. According to this theory, tariffs are good for trade only if they enclose an extensive territory and a big population, partly industrial, partly agricultural, with complete freedom of exchange for its various products. Mr. Mellon was therefore able to bestow a limited approval on the Bankers' Manifesto and to support their main contention that the high tariffs, which interrupted the trade of the European continent, should be reduced, and if possible removed, in order to promote recovery and future progress. He would apparently have favoured the establishment of a great free trade area for Europe like that of the United States, fenced in by a more or less prohibitive tariff, exchanging with the outer world only those surpluses which the wisdom of its tariff-makers, assembled in a European congress, from time to time permitted.

But Mr. Mellon, and most of his friends in President Coolidge's Administration, supported by the leading

Republican newspapers – realising, I suppose, that if free trade is good between nations and States it must also be good between continents – anchored their faith in Protection for the United States to another theory, namely that the tariff is necessary in order to maintain American standards of living and to protect American wages from the competition of goods manufactured in countries where wages are lower.

There is no rational or scientific foundation whatever for this theory that low wages produce cheap goods or tend to improve either the quality or quantity of an industrial output. Indeed, if we may learn from experience and history, the reverse would be much nearer the truth. Manufacturers for export are as a rule most successful in countries where wages are high ; and in any given country those manufacturers who pay the highest wages are usually most formidable to their competitors at home and abroad.

In Bombay the cotton mills have very long hours and very low wages ; but the Bombay millowners are always asking for more and more protection against Lancashire and Japan. Again, in America very high wages have always been paid by the manufacturers of motor-cars, tools, and machinery ; yet many of them have out-distanced their British, French, and German competitors, whose wage-scales have been much lower.¹

There must be something seductive and plausible in the theory that low wages give an advantage to manufacturers ; but the manufacturers, who advance it as a plea for Protection in Washington or London, have seldom been known to raise wages after their prayers have been granted

¹ In the textile trades Japanese wages are far higher than before the war ; yet Japanese competition is far more formidable in 1935 than it was in 1913.

by the legislature. To say that you can increase efficiency or cheapen production by merely raising or by merely lowering wages would be untrue. But there can be no doubt that on the whole the manufacturing and commercial expansion in modern times of great industrial countries like Great Britain, Germany, the United States, and Japan, has been associated with remarkable improvements in the standard of living through rising wages, shorter hours, and better factory conditions.

Enough has perhaps been written to demonstrate that the prosperity even of those American trades which were conspicuously prosperous before the slump of 1929 cannot be ascribed to the "prosperity tariff." It may be urged that the unprosperous textile trades would be still worse off if they were deprived of tariff support, and if their weak constitutions were exposed to the bracing air of competition. That is a proposition which can be neither proved nor refuted ; but it can hardly be gainsaid that the great and efficient iron and steel, automobile, and machinery industries of America do not require a tariff, and would be sure to benefit if the cost of living and production were reduced by a general lowering of the tariff wall. It is still more certain that the shipping and shipbuilding industries would gain enormously from an approach to free trade. Under free trade there is no reason why the American mercantile marine should not flourish as it flourished seventy or eighty years ago, when the American tariff was as low as, or lower than, the British.

Then there is the case of American agriculture, the most important by far of all American industries and now in a state bordering on insolvency. Already, during my visit to the States in the autumn of 1926, large tracts of land in many of the Eastern States were going out of cultivation.

In the wheat- and barley-growing areas of the Middle West, notably in Iowa and Kansas, thousands of farmers had gone bankrupt, and hundreds of State banks, which had lent out freely on farm and cattle mortgages, had closed their doors. On an average the value of agricultural land in the great farm belt had fallen about 80 per cent in the last six years. Why? Mainly, it would seem, because the price of the agricultural surplus had fallen in the world market (and consequently in the American market) much more than the price of manufactured articles in the protected markets of the United States. The American farmer, whose meat and wheat and cotton and hide prices are governed by the world markets, because in these and many other agricultural products there is a surplus for export, finds that what he sells is cheapened by competition, whereas what he buys is made dear by Protection. No wonder if he complains that the tariff is the cause of his distress, and asks for subsidies, or perhaps demands that the Government should fix the price of his products in the home market on a remunerative basis at the expense of the general taxpayer and consumer. What he needs above all is the right to exchange his surplus for the manufactures of foreign countries which have been debarred from entering the United States.

III

It would be unprofitable at this stage to examine the efforts made by the Administrations of President Hoover and President Roosevelt between December 1929 and December 1934 to counteract the economic blizzard which overtook the United States after the Stock Exchange collapse of October 1929. I was in the United States when "the New Era" of fictitious prosperity ended in

widespread ruin, and I have watched every phase of the "recovery." Gigantic and costly experiments were tried to stem the tide of depression. Friends of the New Deal admit that mistakes have been made ; its opponents will hardly admit that any good has been achieved. A year or two hence, when the smoke has cleared away from the battlefield and the casualties have been counted, it may be possible to assess the gains and losses due to the Government's intervention in industry.

Here I shall only add a few general considerations on the wider field of national and international policy that has been opened up by the world-wide reaction against *laissez-faire*, and the equally strong reaction now evident in its favour. In the first place, as Mr. J. M. Keynes made clear some years ago in a lively and provocative tract,¹ *laissez-faire* is the name for an economic doctrine, founded on experience, that Governments should not interfere with business and commerce. No Government, no great statesman, no great political philosopher or economist (so far as I am aware), has ever adopted the rule without qualifications and exceptions. Rightly interpreted and limited, the maxim is an excellent one, alike in private and public life. The best-intentioned meddling in other people's affairs is apt to do more harm than good. So, too, State planning and bureaucratic intervention in business are usually mischievous and costly. Far from being out of date, the principle of *laissez-faire* was never more desired and never more needed than to-day. Over and over again, when they have been called together to advise Governments since the war, economists have recommended the liberation of commerce. Trade has been strangled by economic nationalism, just as it was strangled

¹ *The End of Laissez-Faire*, 1926.

by mercantilism. When the French Minister Colbert, at the end of the eighteenth century, asked the French merchants what more he could do for them – “*Que faut-il faire pour vous aider ?*” – they replied : “*Laissez-nous faire.*”

The absurd restraints imposed by Governments in Colbert's time upon traders have been equalled or surpassed since the Great War. In the United States, for example, large sums of public money have been expended in destroying crops or livestock in order to raise prices. In Great Britain, 50 millions have been spent on making it profitable for farmers to grow unprofitable crops of sugar-beet. Restrictions have been imposed, with Government assistance, on the production of rubber, tea, tin, and other commodities. Under the coffee valorisation scheme in Brazil, vast quantities of coffee have been bought to be thrown into the sea. Nearly all Governments have taxed consumers to discourage imports and have used public money to subsidise exports, although every import into one country is an export from another.

We must be careful not to confuse the subject by extending *laissez-faire* into a general rule against all State activity. There is plenty of useful work for national and local authorities to undertake. We must distinguish, as Bentham advised, between agenda (such services as education and public health), and non-agenda (such as Protectionism and the nationalisation of private undertakings).

One of the finest problems of legislation, it has been said, is to determine, at any given time, what a central or local authority ought itself to do, and what it ought to leave, with as little interference as possible, to private initiative and enterprise. A century ago J. R. McCulloch, one of the best commentators on Adam Smith, pointed out

that no solution of this problem can be applicable at all times, and to all conditions. No sharp line of demarcation can be drawn between the positive and negative duties of Government. In special emergencies temporary measures may have to be adopted which would be wrong in ordinary times ; but it may be laid down that “ without the security of property, and the freedom of engaging in every employment not hurtful to others, society can make no considerable advances.”

It was well said by Quesnay, one of the French Physiocrats, that the best and surest police of internal and external commerce, and the most profitable to every nation and every State, consists in free competition. He meant that as a safeguard to the consumer and as a guarantee to all producers that their costs of production would not be unfairly and artificially enhanced, no police measures, no interventions of State officialdom, no system of subsidies and bounties, can be compared in efficiency with the preservation of the natural right of all individuals to exchange their services and products freely – to buy in the cheapest and to sell in the dearest market.

This does not involve the idea that a negative description of liberty as absence of restraint is adequate or satisfactory. “ It is not in the absence of restraint, but in the presence of opportunity, that freedom really consists.” Or, rather, it consists in both ; but if taxation for such purposes as public health, public amenities and a good system of education are needed – as they are – to extend and ensure equality of opportunity, then economic freedom is all the more necessary to create and sustain the earnings and profits from which alone a modern State can procure an adequate revenue.

I may conclude with an American illustration. In 1934, Mr. Henry Wallace, the very able Secretary of Agriculture in President Roosevelt's administration, wrote a pamphlet entitled *America Must Choose*. The choice, in his judgment, lay between a simple lowering of tariffs, so that American farmers and efficient manufacturers might regain and enlarge their foreign markets, and what he called "nationalism," by which he meant the continuance of prohibitive Protection and a multitude of internal devices and restrictions for the purpose of counteracting the unfair results of the tariff, and more especially the glut of agricultural products. To quote his own words :

"If we finally go all the way toward nationalism, it may be necessary to have compulsory control of marketing, licensing of plowed land and . . . quotas for every farmer for every product for each month in the year. We may have to have . . . a far greater degree of public ownership than we have now. It may be necessary to make a public utility out of agriculture . . . every plowed field would have its permit sticking up on its post. . . . As yet we have applied in this country only the barest beginnings of the sort of social discipline which a completely determined nationalism requires. . . . Our own manoeuvres of social discipline to date have been mildly persuasive and democratic.

"I would hate to live in a country where individual thought is punished and stifled, and where speech is no longer free. . . . If we follow the strictly nationalist course . . . we must be prepared for a fundamental planning and regimentation of agriculture and industry far beyond that which any one has yet suggested. . . . It may require a great amount of governmental aid to take care of people formerly engaged in import and export business. It will mean the shifting of millions of people from the farm. . . . But these are minor considerations in comparison with the extraordinarily complete control of all the agencies of public opinion

which is generally necessary to keep the national will at a tensivity necessary to carry through a program of isolated prosperity."

There would be more isolation than prosperity in the United States or any other country which adopted the full measure of economic nationalism prescribed in the above passage, and in other addresses on the same subject by Mr. Wallace. If it were not for the rapid strangling of trade, and the diversion of production from natural to artificial channels in so many countries since the war, I should have regarded Mr. Wallace's alternative to free trade and competitive economic liberty as a fantastical impossibility. But we know that the new principle of making one blade of grass grow where two grew before has been applied recently on quite a large scale in the United States (and elsewhere) to relieve hog-raisers, cotton-growers, cultivators of tobacco, etc., from the state of insolvency to which they have been reduced by low and unprofitable prices. The aim of our Corn Law Repealers in England was the rational one of substituting plenty for scarcity by throwing open our ports to the surplus food which other countries were eager to exchange for our surplus manufactures. The enormous grants of public money which the Government has paid to American farmers to plough up their cotton crops, to kill their hogs, or to refrain from growing tobacco, etc., is a stupefying application of the theory that scarcity and high prices are landmarks of prosperity, and that, when economic isolation has been achieved by protective tariffs, the resulting glut of exportable commodities should be removed by Government intervention. But such a policy, pursued to the bitter end at the cost of the whole body of consumers and taxpayers, would inevitably involve

any nation and any Government in bankruptcy. It follows, therefore, that the alternative of freer trade must eventually be adopted, unless Reason and Common Sense are to be dethroned from the government of mankind.¹

¹ In this chapter I have made free use of some pages in *Safeguarding and Protection*, a book now out of print, which I wrote eight years ago.

CHAPTER III

PRIVATE PROPERTY AND SLAVERY

AMONG ALL CLASSES and ranks of society in a modern country the instinct to acquire property, and thereby to enlarge one's command of necessities, comforts, or luxuries, is the most powerful incentive to industry and enterprise. It seems to be an innate propensity of mankind, and is associated with many natural and rational desires, such as provision for marriage, or for security in old age. The craving for ownership is almost universal. More than eighteen centuries ago Juvenal praised the man of modest means who had the good sense to leave his dingy lodging in Rome to buy a house in a small country town with a good kitchen garden from which he could provide a meal for a hundred vegetarians. Great are the pleasures of possession :

*“ Est aliquid, quocunque loco quocunque recessu,
Unius sese dominum fecisse lacertæ.”*

“ It is something in any place or corner to have made oneself lord and master of a single lizard.”

So small may be the objects of human exertion—a pet lizard, a pet dog, a pet parrot. In a free country “ the wage-slave ” of Socialist literature saves up to buy a freehold home. In a slave State a negro on a plantation, with no hope of reward, would do a minimum under his master's

eye to avoid the lash. For a starving man in Russia, a bread card may serve as an incentive to exertion. In England, working men may toil harder for a cottage, a garden, or a little farm, than the wealthy to provide themselves with a palace or a park. Clearly the happiness of work is associated with material rewards – with the pleasure of being able to buy what we want, with the joy and pride of ownership. Adam Smith held that “a small proprietor, who knows every part of his little territory . . . is generally of all improvers the most industrious, the most intelligent, and the most successful.” Arthur Young, who favoured large farms, admitted, in a well-known passage of his *Tour Through France*, that “the magic of property turns sand into gold and rocky grounds into scenes of fertility.”

Once liberty has been established, there is little fear of its overthrow in a country where property has been widely distributed. Property, liberty, and security go together. The right to earn, the right to own, the right to buy and sell freely, demand even-handed justice and a reliable police. Strip men of their property, and they are helpless against the tyranny of a bureaucratic State ; for property is essential to that independence of character which creates and maintains equal laws and free institutions. Had Hampden been a serf on a great estate, or a clerk in a Government office, he would not have protested against ship-money and thereby arrested the progress of arbitrary government.

When they are moralising on the evils of “the Acquisitive Society,” Socialists denounce the love of property and the desire of men to obtain a material reward for their exertions as sordid. When they are trying to show that their plans would be workable, and that they can provide attractive substitutes for private property, private profits,

and "cut-throat" competition, they declare that public spirit and love of their fellows are strong enough motives to make men toil in the fields and factories ; if not, then they can be forced to work by fear of punishment and industrial conscription, as in Russia. In his Utopia, Mr. Bernard Shaw proposes to put both motives into operation. The good are to work altruistically ; the slackers are to work under compulsion. Thus the Socialist State aims at eliminating the motive of private gain and establishing economic equality, but ends by subjecting the people to slavery.

Nothing is more absurd in the writings of modern Socialists than their pretence that "true" liberty requires the suppression of economic liberty. They would have us believe that the competition which keeps society alive and makes progress possible is a cruel and terrible thing. Yet no one objects to rivalry in sport ; and no one complains that the winner of a match is rewarded. No one proposes that all the competitors in a race should be compelled to go at the same pace, or that the prizes should be equally divided at the end. Socialism has many devotees. Your modern Socialist may be a sentimental philanthropist, an unworldly visionary, an academic professor, a bureaucrat, a political tub-thumper, or a person who dislikes work and cannot understand that the very same pleasure which attends rivalry in games and success in sport attends also success in the professions, in the arts, in handicrafts, in commerce, and in manufactures. To be efficient and to reap the rewards of efficiency, to be skilful and to reap the rewards of skill, are pleasures not unworthy of ordinary men, similar in kind and not necessarily inferior in quality to those of the athlete.

A hundred years ago our civil service was recruited by

favouritism. In the middle of last century, under the influence of Liberalism, a civil service reform was instituted, and nearly all departments of government (with the unfortunate exception of diplomacy) were thrown open to competition. Efficient and independent examiners were appointed, and those candidates who did best in the examinations were admitted in order of merit. The result has been an enormous improvement in the ability and standards of the English civil service. Here we have a flagrant example of "cut-throat" competition. No one denies that competition for places in the public services is very severe – yet, so far as I know, our Socialists have not ventured to condemn it, or to advocate openly a return to jobbery and corruption. They reserve their invectives against competition for trade and industry, just as they denounce the low "unregulated" prices of a free market.

A complete and comprehensive treatise on property would include a chapter on its origins, and a discussion of the laws of England and other countries which define rights of ownership, distinguishing between rights of possession, rights of enjoyment, and rights of disposition at death. Another chapter would be devoted to the history of property in land and movables and other rights of possession. For, as a learned and discerning writer of our time, F. C. Montagu, has very justly observed, it is of property in the extended sense of "everything which has pecuniary value" that we are thinking when we discuss the advantages or disadvantages of private property as an institution.

Here we may note that all systems of law in civilised countries have imposed restraints on a proprietor's use of his property, mainly to prevent him from injuring his

fellow citizens. This principle is well expressed in the Roman maxim : “ *Sic utere tuo ut alienum non lædas* ” – “ So use what is your own that you do not injure what is another’s.”

A private owner must not use his property in such a way that he will be a nuisance to his neighbours. He may not drive his vehicle at a dangerous speed. He may not discharge unlimited quantities of foul smoke from his chimneys, or of foul water into a stream. When slavery was being gradually mitigated in more or less civilised countries, laws were passed to protect slaves from being killed or tortured by their masters ; and in various countries now, following the example of England, laws are being passed to punish gross and wanton cruelty to dumb animals.

Restraints on ownership in the public interest often take the form of laws empowering the Government or a local authority to take, with proper compensation (i.e. to buy compulsorily), any property which may be required for such public purposes as the widening of a road or the provision of a water-supply, or of public parks, museums, libraries, and baths.

In ancient Greece and Rome, the right to dispose of property by will was limited in various ways, and to-day the laws of inheritance vary widely in different countries. The Code Napoléon, for example – to prevent children from being disinherited – limited the power of testamentary disposition to one-third of the state if the testator had two children, and to one-fourth if he had three. In England, under the death-duties, there is a graduated scale of taxation by which the Exchequer now takes up to half the value of the largest fortunes at death. This tends to the wider distribution of property and to the breaking up

of large estates. It is an antidote to private luxury but an incitement to public extravagance.

The utility of private property has been confused with speculations as to its origin, though, apart from a natural curiosity about our ancestors, it matters little whether in prehistoric times some primitive forms of society adopted joint ownership, or communal ownership, before the appearance of full individual property. No doubt, as F. C. Montagu observes, the original motive power of appropriation was the natural instinct to live and to enjoy. "No question of moral right or public expediency would have occurred to a primitive savage in want of food or shelter. The idea of moral or legal right to property came later by a gradual evolution."

The existence of commons and of common rights reminds us in England of the old village community; but, whatever theories we may hold about primitive institutions in a far distant past, it is certain that in the higher stages of progress, and in the most civilised States of ancient and modern times, the right of individual citizens to own property has been almost universally recognised.

Next we may ask on what grounds the institution is justified, and what reasons have been urged against it. To begin with, it may be admitted that in the best constitutions of which we possess records the laws of property and of taxation have failed to extinguish either unmerited wealth or unmerited poverty. A capitalistic or, as I would prefer to call it, a competitive system should guarantee consumers – that is to say, the whole population – against exploitation by monopolists. But even when a country enjoys equality of opportunity and freedom to compete in any trade or profession, there will still be many rich people who have inherited wealth, or gained it by luck or by

discreditable means, and many others who, in spite of industry and good character, have failed to emerge from poverty.

Family life and natural feeling demand that parents who leave money should be allowed to bequeath at least part of it to their children, though this means that some people inherit riches which they have not earned, while others inherit penury which they have not deserved. Then, again, it is true that wealth in the hands of even moderate ability is a potent instrument for acquiring more ; and true also that, under the best circumstances, the poor man who unites character with ability and industry often has a hard struggle before he wins success.

*Haud facile emergunt quorum virtutibus obstat
Res angusta domi.*¹

Juvenal, *Satire III*, 164.

Inequalities of capital and income are inevitable unless there is to be general stagnation and universal poverty. A good system of taxation, which raises public money mainly by graduated taxes on income and property, tends to produce a fairer and more equal distribution of material welfare by easing the lot of the poor and laying burdens on the broadest backs. Even so, there will be glaring contrasts between riches and poverty ; and in periods of famine or semi-starvation, like those which, in several countries of Europe, followed the Great War, popular uprisings and violent revolutions may bring about confiscations of wealth. It is therefore easy, as Montagu remarks, to understand why some philosophers have criticised the principle of private property and, following the example of Plato, have provided for its abolition in

¹ "Those whose virtues are hampered by poverty do not rise easily."

their Utopias. It is equally easy to understand why their arguments "have found at times a powerful response in the passions of the multitude," so that "whenever old moral traditions have been shaken, or the heavy pressure of authority has been diminished, there begins a more or less disguised war against property" :

"Yet the instinct of property is so deeply rooted in human nature, and the benefits of the institution are on the whole so great, that it has never wanted philosophical defenders. The communism of Plato was combated by Aristotle in a brief passage of the *Politics*, which contains many of the best arguments since used on that side of the controversy. Aristotle points out that what is common property is no man's care ; that private property is inexpressibly sweet to man ; that the abolition of private property, far from destroying selfishness, merely deprives men of the power of doing unselfish things."¹

For several centuries the genius of Rome occupied itself in the conquest and administration of the civilised world. It borrowed its science, literature, and art from Greece, and wealthy patrons cultivated Greek philosophy, or encouraged poetry and rhetoric. But neither under the Republic nor under the Empire did Roman rulers and lawyers concern themselves much with speculations about private property, though they paid close attention to the practical problems of slavery and to the treatment of subject races. Rome gave the world it had conquered centuries of peace and security. Then with the growth of Christianity came protests against the worldliness and luxury of a pagan Empire. The early Christians "regarded this world chiefly as the thoroughfare to the next,

¹ See for this and other quotations from F. C. Montagu his excellent article on Property in Palgrave's *Dictionary of Political Economy*. His book on *The Limits of Individual Liberty* is also worth consulting.

and asceticism here as the best way of meriting bliss hereafter." They taught the emptiness of power and the vanity of riches. When the Roman Emperors adopted the new religion, its meekness and humility gave way to the pride, pomp, and ceremony of authority. Nevertheless, the social doctrines of the early Christian fathers were not altogether forgotten, and the Canonists, who formulated the Canon Law of the Church in the early Middle Ages, "seem to have regarded community of goods as the ideal order of society, private property as a necessary evil of the actual world to be mitigated and atoned for by bountiful alms, trade as an occupation hardly compatible with the character of a devout Christian, and the receipt of interest for the use of money as altogether sinful. These principles could never be applied with logical severity. They could not even restrain the clergy from acquiring immense wealth."¹

After the barbarian invasion, as conditions became more settled in Europe, a new civilisation began to emerge from the chaos of the dark ages, and the tribes grew into nations under feudal princes or kings. But it was long before, even in the best settled kingdoms, anything like the security of the *Pax Romana* was established. Private and public wars had become the rule rather than the exception. Eventually, when kings began to subdue their feudal barons, and to curb the robber chiefs and brigands, commerce expanded ; free cities with charters, protected by train-bands and strong walls, gave new opportunities to enterprising citizens for the acquisition and enjoyment of wealth. Art, luxury, and the spirit of enjoyment revived with the Italian Renaissance, and the oppressive power of the Catholic Church was broken, or at least severely shaken, by the Reformation.

¹ F. C. Montagu, *loc. cit.*

In the seventeenth and eighteenth centuries, philosophers like Hobbes and Locke built up a new theory of civil society on natural rights and the social contract. In a state of nature, it was assumed, every man had an equal right to take and keep what he could. But these natural rights, including the right to hold property, were (according to this theory) surrendered, by an agreement called the social contract, to a governing authority ; and thereafter the rights of personal property were established in all civilised countries by law.

This theory, associated rather curiously with the natural rights of man, played a great part in the American and French Revolutions. Rousseau adopted it in his famous *Social Contract*, though later on he condemned the whole machinery of government, including the institution of private property, and lauded the state of nature as a state of virtue and happiness, a golden age of peace, innocence, and simplicity, which he contrasted with the evil and misery of so-called civilisation. Private property was pernicious in his eyes as an artificial product of an artificial society. Rousseau's emotional eloquence won sympathy for the poverty-stricken multitudes and for the serfs who were ground down by landowners and petty tyrants. His doctrines were acclaimed by many writers and agitators, among others by Proudhon, who announced the paradox that property is robbery. Thus Rousseau may be said to have been a precursor not only of the French Revolution,¹ but also of the anarchist and Communist movements, which culminated in 1848.

Although the theory of a social contract is now regarded

¹ While Tom Paine's individualistic Republicanism found expression in the Liberty of the American Revolution, Rousseau's socialistic idealism inspired the Equality and Fraternity of the French Trilogy.

as a philosophical figment unsupported by historical evidence, there is much force in Locke's argument that since every man has a natural right to his own person, he has a natural right to the fruits of his labour. Thus he justifies private property on grounds of natural equity. But this would be no defence for private property when it is obtained, not by the owner's exertions, but by luck or inheritance. A graduated income tax may fairly differentiate between income derived from work and income derived from investments. But a system of law and police which would protect some forms of private property and not others would be impracticable. We turn therefore to Bentham, who bases the case for private property on utility. It is a useful and even indispensable institution, he says, because it contributes to the greatest happiness of the greatest number. He points out also that a State in which property is secure provides the inhabitants with a basis of expectation, whereas insecurity creates distrust. A society must have confidence and security if it is to progress. When these exist, men will project themselves into the future ; they will be ready to save and work for remote ends, not merely from hand to mouth for their daily bread, thus contributing to the capital wealth of the nation. If the reasoning of Locke and Bentham did not prove the natural equity and economic value of private property, the authority of T. H. Green might be called in defence of the institution as necessary to the free development of the individual and to that independence of character which is all-important for good citizenship.

All this helps to explain why I lay far more stress than Mill and some other conspicuous champions of liberty on the importance of private property as an essential element of freedom. Without it a modern State will sink into

anarchy or servitude to an all-powerful bureaucracy. Confiscation of property, whether it be called socialisation or nationalisation, must be rejected by practical philosophers and statesmen who seek to construct, to maintain, or to improve a free commonwealth.

Apart from the minor limitations which the laws of every civilised society admit in varying degrees, there are two outstanding exceptions to the general doctrine that private property is an essential condition of liberty and progress. These are monopoly and slavery ; and they are both vicious because they give rights to individuals which destroy the economic and personal freedom of others. I have shown elsewhere¹ how the Parliaments of Elizabeth and James the First disputed and defeated the royal claim to confer monopolies on favourites of the Crown, and how eventually all monopolies, except patents and copyrights, were forbidden by the statute and common law of the realm, though royal charters were from time to time conferred upon trading companies right down to our own time, when Cecil Rhodes obtained from the British Government a charter for Rhodesia.

So long as perfect liberty of trade and competition exists, a monopoly cannot flourish except in regard to land, where it may be, and often is, necessary in the interests of agriculture and of the public generally to restrict the abuse and size of large estates. But, as we have seen in the previous chapter, a protective system is certain to create monopolies and to enable large companies or amalgamations to raise prices against the consumer, and to extinguish by fair means or foul the competition of smaller manufacturers and producers. Effective remedies against these mischiefs cannot be devised by law or administration.

¹ *Liberty and Tyranny*, Part I, chapter ii.

They lead to a demand for bureaucratic control, which means stagnation and the loss of foreign trade. The only real cure for a tariff-created monopoly is the removal of the tariff.

Of all the abuses of private property, slavery is the most atrocious. That it should have survived Christianity in many countries for more than eighteen centuries is a bitter comment on the sincerity of rulers in Church and State who professed to inculcate Christian morality. Seventy-five years ago slavery was still an institution in the Southern States of the American Union, where the right to own and to breed negroes was considered so just and precious by the planters that they fought with desperate courage through a long Civil War to maintain it. A century earlier, in 1762, Adam Smith, lecturing to his class at Glasgow University, said that the only portion of the globe free from slavery was a fraction of Western Europe – a mere nothing in comparison with the vast continents “where it still prevails, and probably will continue.” Yet even then it was condemned on economic grounds as the most wasteful and unproductive form of labour.

For many years after Smith's death, Liverpool ship-owners were still profiting by the slave trade, and Englishmen still owned thousands of slaves on sugar plantations in the West Indies. But once his feet had touched English soil the slave became free, emancipated for ever by English law.

*Slaves cannot breathe in England ; if their lungs
Receive our air, that moment they are free ;
They touch our country and their shackles fall.
That's noble, and bespeaks a nation proud
And jealous of the blessing. Spread it, then,*

*And let it circulate through every vein
Of all your empire, that where Britain's power
Is felt, mankind may feel her mercy too.*¹

Before half a century had passed, Cowper's sublime aspirations were fulfilled. Two years after the publication of *The Time Piece*, Thomas Clarkson and others started a society for the suppression of the slave trade. In 1792, Wilberforce carried a motion for its gradual abolition ; in 1806 a resolution for its total abolition was carried by Fox, and in the following year Parliament passed an Act making it illegal for any British vessel to carry slaves. The traffic was so lucrative that pecuniary penalties proved too weak a deterrent and accordingly hard labour, or transportation was substituted. The example of England was followed in 1808 by the United States, and later by other civilised countries.

Thus the kidnapping and transportation of negroes from Africa was diminished rapidly ; but the status of slavery remained in America and the West Indies, and the slave population grew with the expansion of the cotton and sugar trades.

English philanthropists, who had the justice and wisdom to promote their great object by pecuniary compensation, gained the day in 1833. An Act was passed emancipating all slaves in the British colonies, and a sum of 20 millions was provided to indemnify the owners. In the Southern States of the American Union negro slavery went on. The emancipation, that Jefferson failed to bring about, was only achieved by a devastating Civil War, which might have been avoided at a comparatively trifling cost if the fanatical abolitionists of New England

¹ Cowper : *The Time Piece*, published 1785.

had not hardened their hearts against compensation. The tragic story of human slavery has been told many times by competent writers. The institution still lingers in China, Abyssinia, and a few semi-barbarous regions. Before the Great War it looked as if the private ownership of human animals was doomed. But if the new tyrannies, with their labour camps and other forms of industrial servitude, continue, it is impossible to be confident that private slavery will not be revived in countries from which, for moral and economic reasons, it had disappeared.

Lest there should be any doubt about the existence on a very large scale of white slavery in Russia under a system of industrial conscription which reduces the victims to a status resembling that of English convicts, let me refer to a striking chapter in Mr. W. H. Chamberlin's account of Soviet Russia – an account based upon personal observations, and a sympathetic but critical study of Russian life during his residence in the Soviet Union from 1922 to 1934 as Moscow correspondent of the *Christian Science Monitor*.¹

In the course of a trip which took him to the chief industrial districts of the Ural region, Mr. Chamberlin became acquainted with the engineers, supervisors, foremen, and labourers in Magnitogorsk and other centres where at vast expense the grandiose Five Year Plan (*pyatiletka*) was being carried out. Forty-two nationalities, ranging from American and German engineers, who gave orders through interpreters, to illiterate Bashkirs, who could hardly understand their Russian foremen, were assembled in Magnitogorsk. Among the motley host of

¹ *Russia's Iron Age*, by W. H. Chamberlin, chapter iii, "The Drive for Industrialization," with which should be compared the two following chapters on the Peasantry and on Planned Economy.

workers there was a force of young Communists, whose disciplined enthusiasm helped to keep down industrial discontent and sabotage. "At the other end of the scale were the unfortunate kulaks, or formerly well-to-do peasants, who, after being stripped of their possessions, were sent here, sometimes with their families, to work for the success of a system that is based on their ruin." Mr. Chamberlin's first encounter with forced labour was in connection with a coking plant, where forty or fifty boys, fourteen or fifteen years old, were digging and carrying sand. Later he met some of the fathers of these conscripted children, most of whom had been exiled from homes in Kazan. He talked to them outside the eating-house, where they had one meal a day in addition to the ration of two pounds of black bread. Their menu consisted of a watery soup with a few pieces of potato and cucumber floating on the top, and *kaska* or grits. They were working the ten-hour day which had been imposed on all the employees during the summer. "They spoke with some bitterness, not altogether repressed by the presence of a plant official, of the cruelty with which they had been driven from their homes, of the filthy and crowded condition of the barracks in which they were housed, of the lack of water with which to wash, and of the epidemics of typhus and typhoid fever which had carried off many of their children."

The same story was told in many other places which he visited. "Employment of forced labour at practically no wages and at minimum subsistence rations has been practised at almost all the large new Soviet factories." Hundreds of thousands of kulaks and other victims of Soviet "class justice" had been conscribed. One of the workmen Mr. Chamberlin met had been packed off to

hard labour because at a collective farm meeting he had said they were not getting enough to eat. The canal linking the Baltic with the White Sea was built entirely by these political prisoners, and "forced labour has been a most important element in industrial expansion under the Five Year Plan," which Chamberlin describes as an effort to rear a modern industry on a foundation of Asiatic serfdom.

This characteristic of Russian Communism explains a great deal. Just as the old-fashioned slavery was found to be costly and expensive in comparison with free labour because the slaves did as little work as possible and had no interest in what they did, so modern convict labour cannot be made to pay. "Efficiency of operation and quality of output remain weak spots in the Soviet drive for industrialisation." At Magnitogorsk, one of Russia's first "Socialist cities," which was to be free from all the ills of "capitalist cities," the Soviet Commissar for Heavy Industry discovered that sewerage was conspicuous by its absence, that the workers' barracks were dirty, with leaking roofs and filthy dining-rooms, and that "there is also such a disgraceful thing as cheating the workers in weighing out their bread rations."

An American engineer, in conversation with Mr. Chamberlin, ridiculed the idea of Russia ever becoming really industrialised by Soviet planning. In America, he said, a Russian factory, faced with hard competition, "would be bankrupt in six months." Thus a new zinc plant in the North Caucasus, after four years, was turning out five tons of zinc a day with a staff of 300 office workers and 1,600 factory hands. A similar plant in St. Louis, after a similar period, with a force of sixteen office workers and 170 factory hands, was producing fifty tons of zinc a day.

But the mismanagement of a huge State super-trust does not cause a shut-down or stoppage of production. When incompetence becomes glaringly obvious, the authorities may dismiss a luckless director, or put him in prison. These huge works have been built at the expense of agriculture, and their cost "is paid by the whole Russian people in the form of a distinctly lowered standard of living."

Two facts in connection with industrialisation in Russia are not sufficiently known. In pre-war Russia, in the years before 1913, the rate of increase in industrial production compared not unfavourably with that of Soviet industries as officially stated from 1931 to 1933, while the improvement of railways contrasted with their disorganisation and disrepair under the Soviet. The Soviet Commissar for Transport, in reporting on the railroads, remarked : "People are literally drowned in the sea of red tape, bureaucratism, papers, figures, and orders, and have lost all sensitiveness to defects."

Lastly there is the tragedy of the Russian peasantry, whose misery under ruthless collectivisation Mr. Chamberlin has depicted in a poignant chapter, from which one quotation must suffice :

"There has been a huge 'liquidation' of the more well-to-do and incorrigibly individualistic peasants, loosely and conveniently dubbed 'kulaks.' They have been packed in freight cars and shipped off in hundreds of thousands, if not in millions, for forced labour in timber camps, on canals, in new construction enterprises. And during the winter of 1932 and the spring of 1933, stark famine stalked through great areas of Ukraina and the North Caucasus, the lower and middle Volga, and parts of central Asia, levying a ten per cent death toll on a population of fifty or sixty millions."

How long such a system can be enforced by the Bolshevik army and secret police no one can predict ; but experience seems to be teaching Stalin a lesson which he might have learnt from political economy and history. In 1935 the ruthless persecution of kulaks was being relaxed, and thousands of those who had survived the famines and the labour camps were being allowed to return to their farms. The rationing system was also being abandoned and there is some hope that before long Russian Communism will have to be treated not as a living experiment but as a dead failure.

CHAPTER IV

COMMUNISM IN THEORY AND PRACTICE

AN ENGLISHMAN – revolted, it may be, by the spectacle of what Communists are doing in Russia, or by their abuse here of free institutions which, once in power, they would promptly suppress – is apt to think that Communism must needs be inspired by a spirit of injustice, or that Communist societies are necessarily ruled by terror and torture. That is not so. We are told in the New Testament that the early Christians had all things in common.¹ In a small, virtuous, and voluntary society, brotherly love, a willingness to work for the sake of the work or (even when the work is disagreeable) for the common good, may be sufficient to sustain an adequate standard of plain living. On the various Communistic schemes which had been tried or projected in his lifetime John Stuart Mill remarked that, whatever their merits, they could not fairly be rejected as impracticable. Several of them, he admitted, were attractive, and might even be successful on a larger scale at some future time when human virtue, improved by education, would perhaps be capable of dispensing with the ordinary incentives to industry. He weighs with impartiality the value of property as a social institution, and envisages a community, unhampered by laws or customs, occupying for the first time an uninhabited country, and bringing with them nothing but what belonged to them in

¹ Acts of the Apostles, ii., 44.

common. Impressed by the iniquities involved in an unequal distribution of wealth, they might well give a trial to schemes like those of Owen or St. Simon. Even when they found that the good workers would be unwilling to share the rewards of their labour with idlers, and that the skilled would be discontented at receiving only an equal share with the unskilled, they might nevertheless retain community in land, though it would almost certainly be found that individual ownership of small farms, combined with common land for every village, is productive of far better results than a purely collective system.

Political and economic theories may be judged and known by their fruits. Thus we may compare a complete system of Socialism with a complete system of economic liberty, free competition, and private property by ascertaining their results in countries where they have been tried – as, for example, Soviet Russia under Communism between 1924 and 1934, and Great Britain under free trade in any decade between 1860 and 1913. In Russia, where private property has been as far as possible abolished, the individuals in town and country enjoy neither economic nor political liberty ; there is no such thing as academic freedom, or freedom of the Press, or freedom of discussion. In Great Britain under free trade all these blessings existed, and the standard of living of the working classes, both in town and country, was infinitely higher than that which prevails in Soviet Russia. Thus the system of private property and free competition in comparison with that of Communism or State Socialism emerges triumphantly from the test of experience, when tried either by material results or by Mill's criterion: " Which of the two systems is consistent with the greatest amount of human liberty and spontaneity ? "

In Mill's time various forms of non-Communitistic Socialism had been proposed and projected by distinguished thinkers and philanthropists like St. Simon and Fourier. The Jesuit Government of Paraguay was sometimes cited as a successful experiment. But, as Mill points out, it presupposed an absolute despotism, and his reflections on this point deserve our attention :

“To suppose that one or a few human beings, howsoever selected, could by whatever machinery of subordinate agency be qualified to adapt each person's work to his capacity, and proportion each person's remuneration to his merits – to be in fact the dispensers of distributive justice to every member of a community ; or that any use which they could make of this power would give general satisfaction, or would be submitted to without the aid of force – is a supposition almost too chimerical to be reasoned against. A fixed rule like that of equality might be acquiesced in, and so might chance or an external necessity ; but that a handful of human beings [dictators] should weigh everybody in the balance, and give more to one and less to another at their sole pleasure and judgment, would not be borne unless from persons believed to be more than men and backed by supernatural terrors.”

Here is one of the rocks on which organised Communism and State Socialism are sure to split. Substitute terrestrial for supernatural terrors at the end of the quotation, or the single word “torture,” and we are able to understand why the system of Communism (now apparently tottering) has lasted so long in Russia.

Thus we arrive at the conclusion that no nation can flourish in an economic sense if the ordinary incentives and rewards to exertion are removed from the majority of the people, though a bureaucracy once established and supported by a strong army and an immense force of

detectives, informers, and police may maintain itself in power at the expense of liberty for a considerable period of time.

Communism has been defined as "the theory which teaches that the labour and the income of society should be distributed equally among its members by some constituted authority." It forms, therefore, the extreme limit of Socialism, because not only must all the land and capital of private individuals be confiscated or socialised, but the produce of labour and the income of society must be divided up as far as possible equally, without regard to the quantity or quality of the work done by individuals. Even in Russia, anything like a complete attainment of this ideal has been found impracticable, because the natural indolence of workers cannot be overcome without some economic stimulus to exertion. This absence of an effective stimulus was noted by Malthus as "one of the decisive objections to Communism." The famous formula, "From each according to his capacity ; to each according to his needs," is not pure Communism, but Socialism applied to a capitalistic society. Yet it might conceivably produce absolute equality of incomes if a theory of this kind could be put into practice. Thus, from a man with £10,000 a year the Government might take £9,900, and to a man with no income at all it might give £100 a year.

If the Great War had not overthrown the despotism of the Czar and substituted for it the so-called " Dictatorship of the Proletariat," a writer on liberty might have been content with a page or two on the works of Karl Marx, which in the years before 1914 seemed to be losing their influence even among Socialists. A Liberal who surveyed the world at that time, seeing the expansion of armaments

and the extension of bureaucracy, might well have felt nervous and apprehensive about the danger of war, of militarism, and of Socialism. But the only kind of Socialism that appeared then to have any prospect of success was that which aimed – as did the Fabian Society in London – at creating gradually a bureaucratic State, which would absorb into itself more and more private activities, stifling enterprise, enveloping business in red tape, and regulating labour, with the ultimate object of monopolising all the means of distribution and production. It is true that Karl Marx's economic theory – that all value is due to labour, and that all private capital represents surplus values stolen from labour – was beginning to form the stock-in-trade of Socialist politicians. It is also true that many of them had imbibed the important Marxian corollary of an irreconcilable antagonism between the interests of the capitalist and of the wage-earner or "wage-slave" as the sturdy English trade unionist is often called in Socialist literature.

From this supposed antagonism of interest the disciples of Marx had learnt the doctrine of the class war. The capitalist, instead of being regarded with approval as a most useful member of society, who by enterprise or organising skill creates work and employment, was denounced as an exploiter of the poor, a slave-driver, and even a thief. But there was too much individual independence and common sense, too much rivalry among all ranks of society, too keen an appreciation of enterprise, progress, and invention, to allow these doctrines to gain the upper hand. Before the Great War Marx's programme for the violent overthrow of all forms of society which rested upon private property, economic liberty, and free competition, never gathered sufficient force to endanger democratic and constitutional government. Bad employers

were disliked, but good employers were popular with their workmen. The idea of shooting down the capitalist classes and the bourgeoisie did not appeal to the average workmen in any civilised country.

But the Russian Revolution has brought Communism, along with the class war and confiscation of property, from the lecture-room into practical politics. At first, indeed, Communism was not the means by which the Bolsheviks gained power. They gained the support of the army, sick of a war which had brought nothing but misery and defeat, by offering peace at any price ; and they won over the peasants, who constitute a vast majority of the population, by parcelling out among them the property of the large landed proprietors. Instead of putting an end to private property, they distributed it far more widely, though in the towns everything was nationalised wholesale. They repudiated all public debts, domestic and foreign, and deprived the rouble of all value by means of the printing-press. In 1925, Professor H. J. Laski, who now regards Moscow as the Mecca of Socialist aspirations, was highly critical of the Bolshevik State, and of its economic consequences.¹ Instead of introducing Communism, he complained, they had created an agrarian State of peasant proprietors. In the industrial districts, private trading had been in large measure restored ; the idea of equal wages had gone ; bourgeois small industries were being re-introduced ; big industries had been organised into huge trusts ; and the attempt to do without money had broken down. What remained was a monopoly of foreign trade

¹ See *Communism*, by Harold J. Laski, in the Home University Library (1926), chapters iii and v. It is a most competent and friendly account in moderate compass of Marxist theory and Soviet practice. In 1934 Professor Laski visited Moscow and delivered a series of addresses there. He was delighted with the progress that had been made since 1925.

and banking ; a rigorous discipline, amounting to suppression, of trade unions ; and a supreme council which was supposed to control production.

On the whole, Professor Laski was disappointed. He thought Russia would remain a nation of individualistic peasants¹ ; that the peasants would get their full share of political power ; and that they would be able to arrest or retard any movement towards a general Communism. He consoled himself for these drawbacks by certain "undeniable" psychological gains. Czarism had been got rid of. "A new and more powerful tyranny may have taken its place ; but it is at least a tyranny conceived in the interests of the masses." Moreover, the dreamy and idle Slav temperament of the people had disappeared ; there were new impulses of hope and energy, which made up for widespread poverty and suffering. There was "nothing of democracy or liberty in the senses in which those words are understood in Western Europe." But there was a new hope of achievement, which had kindled "a spark of ambition" in the proletariat of the West. Thanks to the Russian Revolution – and few will deny it – the life of Marx had proved a turning-point in Communist history. He had converted Communism from a series of moral aphorisms into a programme, and had taught his disciples to use the sword for its propagation. "Marx supplied it with a strategy, and Lenin and his disciples have turned that strategy into an applied philosophy." Although Communism had not been fully and effectively established in Russia, enough had been done to show Western peoples, and Englishmen especially, that they must not confuse their own free institutions with the

¹ Mr. Chamberlin says that Russian peasants have dubbed Soviet Communism "the second serfdom." See *Russia's Iron Age*, chapter iv.

necessary foundations of society, or fancy that representative democracy is the "ideal pattern towards which the progressive State inevitably moves."

The extermination of whole classes by war and the utter destruction of individual liberty by terrorism – such is the Socialist argument – may revolt us ; but a long reign of savage violence was as necessary to establish the Communist Utopia in Russia as it was to set up the corporative Fascist State of Italy. Yet Mussolini has been praised by many who condemn Lenin. As Trotsky put it, "the enemy" – i.e. the bourgeois – "must be made harmless, and in wartime this means that he must be destroyed." Bolshevism had to be ruthless ; for there is "no other way of breaking the class will of the enemy except by the systematic and energetic use of violence." Just as "the gendarmerie of Czarism throttled the workers who were fighting for Socialism," so "our extraordinary commissions shoot landlords, capitalists, and generals who are striving to restore the capitalist order." The Bolsheviks, he said, "were never concerned with the Kantian-priestly and vegetarian-Quaker prattle about the sacredness of human life." They believed in violence, and were justified by success. Trotsky, who did not foresee his own exile for daring to differ from his fellow commissioners, described "the Red Terror" as "a weapon utilised against a class doomed to destruction, which does not wish to perish." But his exile did not mean a mitigation of the Terror. On the contrary, it was at its worst under Stalin between 1929 and 1933. By 1934 most of the kulaks – that is to say, the more prosperous and efficient peasants – had been driven from their farms into labour camps, where they perished by thousands of disease and starvation. Their families had been dispersed and their farms collectivised.

From the point of view of food production, the loss, as I shall show later, was appalling, but great progress had been made in the establishment of Communist economics.

Whether the system that attracted Professor Laski in 1934 will last remains to be seen ; as I write in the autumn of 1935, it looks as if Stalin is returning to " the new economic policy " of Lenin, who admitted a large measure of private trading in order to ameliorate conditions and avert a general famine. Stalin's reversion to rigid collectivism and Communism in pursuance of the Five Year Plan led to the terrible famine of 1932-3. That horror converted Mr. Chamberlin, and it seems to have half converted Stalin.

Some of my readers may object that the Russian experiment in Communism, the greatest that has ever been tried, should not be regarded as a final test or conclusive exposure of the system, though it was carried out with ability and absolute ruthlessness by devoted disciples of Karl Marx in accordance with his principles and methods. But it was not the first attempt to create a Communist State. Seventy years before, in 1848-9, a similar revolution took place in Paris under the inspiration of Louis Blanc, Ledru Rollin, and others. Its history and failure have often been described ; but the story of the national workshops is still worthy of study by those who ask for something more than theoretical criticisms of Communism.

In the eighteen years' reign of Louis Philippe, following the Revolution of 1830, the French nation, freed from military pressure, began slowly to recover from the Napoleonic Wars. Developments of machinery and railways gave an impetus to industry, and workmen's organisations became powerful in Paris and some of the large towns. Neither Louis Philippe nor his middle-class

parliament showed much sympathy with the grievances of the poor. The rights of man and the political Utopias that inspired the Revolution of 1789 had disappeared in the Terror and the Empire. But in the later forties discontent grew rapidly, and Communistic ideas began to inflame the masses. Vague ideas of Socialism which had been popularised by men like Ledru Rollin, Louis Blanc and Lamennais, had filtered down to the lowest ranks of the people in the towns ; eloquent agitators taught the poor that inequality of property was unjust and accounted for all their miseries. Lamennais described the working class in France as abject slaves, completely dependent on the capitalists, without individual liberty, without defence against oppression, living under a political and industrial system which rested wholly on injustice. He promised a new era – a happy world ruled by Labour.¹ Louis Blanc held that competition is the root of all evils. Under competition, he wrote, wages would inevitably sink to starvation level – an absurd theory, as experience has shown. His remedy was to extend State control and ownership of business till all private enterprise had been extinguished. He would give everyone the same wages, whatever his skill, industry, or talents. “To each man according to his wants,” without regard to his merits or deserts. The State was to have complete control of education and literature, and a State bank was to lend money to workmen without charging interest. In an atmosphere of hare-brained projects like these the word Socialism came into common use. It represented equality, just as Radicalism represented liberty in the revolutionary trinity.

At the end of 1847 Louis Philippe’s speech from the Throne denounced the agitation for reform, and the

¹ Cp. *Democracy and Liberty*, by Lecky, Vol. II, p. 269.

Liberal opposition took up the challenge. The storm broke suddenly in Paris on the morning of February 22nd, 1848. Two days later the King fled, the palace was wrecked by the mob, a Provisional Government was set up, and a Republic was proclaimed.

Alexis de Tocqueville, a famous political philosopher,¹ and an acute observer of men, happened to be a member of Parliament and one of the leaders of the Liberal opposition when the revolution broke out. Having joined the Provisional Government, he took part in suppressing the Communist rising in Paris ; but soon afterwards, despairing of political liberty and seeing the approach of the second Empire, he retired to his home in Normandy and wrote down his recollections of the Revolution of 1848.

Chance, he tells us, played its part, but the general causes which prepared for the Socialistic revolution are made very clear in his narrative. Paris, which, in thirty years, had been converted by steam-engines and machinery into a great manufacturing city, had attracted a new population of workmen, of whom at the time large numbers were unemployed. They were excited by the new theories, which told them that human misery was the work of laws, not of Providence, and that poverty could be removed by changing the framework of society. The Government and the governing class had fallen into contempt ; centralisation and a centralised bureaucracy had made it seem feasible, by seizing Paris, to effect a complete transformation of France. Moreover, the people were easily disposed to tolerate violent changes owing to the instability of a society which " in less than sixty years had undergone the shock of seven great revolutions, without numbering a number of smaller secondary upheavals."

¹ Best known for his *Democracy in America*.

Even so, the insurrection might have been suppressed but for the surprising imbecility of King Louis Philippe at the critical moment.

Most members of the Provisional Government, like de Tocqueville, held moderate opinions ; but for a time the group of Ledru Rollin and Louis Blanc carried the day. They undertook to guarantee employment to everyone in Paris and the neighbourhood, and tried to carry out their promises by setting up *ateliers nationaux* – national workshops. The workmen, who elected their own leaders, were formed into brigades ; and soon about 120,000 men were receiving wages from the State, though work, usually of an unproductive kind, could not be found for more than a fraction of the applicants. All was soon turmoil and confusion ; confiscation was in the air ; credit was shattered ; private business came almost to a standstill ; factories closed when workmen struck for higher wages ; nearly everyone in Paris went about armed ; transport was disorganised ; machinery was denounced as a cause of unemployment and much of it was broken by rioters. On the Paris Bourse securities slumped ; in the markets for food and other necessities of life prices rose enormously till famine threatened the city. Meanwhile thousands of labourers flocked into Paris from the provinces, expecting to find well-paid work in the *ateliers nationaux*.

At last the state of things became so desperate that the Assembly declared open war on the so-called social democracy, and abolished the national workshops, which had degenerated into centres of idle disorder maintained at enormous cost to the State. This precipitated the crisis of June, and a desperate fight took place between property and Communism. All who had any property to lose

arrayed themselves against the Socialist menace. In March, at the general elections held under a popular suffrage, de Tocqueville, standing for his own district in Normandy, was elected by an overwhelming majority. He supported the Republic, but denounced the doctrines of Socialism as pernicious, and subversive of society. When those who had anything to lose, he writes, heard tell of the disorder reigning in Paris, of the new taxes, of the class war that was being prepared ; when they saw commerce coming to an end and money disappearing ; above all when they learned that the principle of property was being challenged ; all landed proprietors, large and small, peasant and squire, came together, forgetting past political hatreds or rivalries of birth and fortune. " Instead I found mutual confidence, reciprocal friendliness and regard. Property had become to all those who owned it a sort of badge of fraternity. . . . As the French Revolution had infinitely increased the number of landowners, the whole population seemed to belong to that vast family. I had never seen anything like it, nor had anyone in France within the memory of man." It was not a case of political union ; there was no objection to the Republic ; it was fear that bound men together. Tocqueville was struck for the first time by the universal terror inspired by Paris, a terror which may serve to help us to imagine the terror inspired in the hearts of Russian peasants by Moscow in our own times. On returning to Paris, he " found in the capital a hundred thousand armed workmen formed into regiments, out of work, dying of hunger, but their minds crammed with vain theories and visionary hopes. I saw society cut into two – those who possessed nothing united in a common greed ; those who possessed something united in a common terror."

What distinguished the insurrection of June from previous outbreaks, says de Tocqueville, was that it did not aim at changing the form of government, but at altering the form of society. It was a combat of class against class, a sort of servile war. It represented the current ideas of the French Socialists, who preached the doctrine that private property is robbery, that labour should govern in its own interests, that it is the business of the State to see that all its subjects are equally poor or equally rich. What de Tocqueville and his contemporaries beheld was "a blind and rude, but powerful, effort on the part of the workmen to escape from the necessities of their condition, which had been depicted to them as one of unlawful oppression, and to open up by main force a road towards that imaginary comfort with which they had been deluded. It was this mixture of greed and false theory that first gave birth to the insurrection and then made it so formidable. These poor people had been told that the wealth of the rich was in some way the produce of a theft practised upon themselves." "*Propriété c'est le vol*," as Proudhon put it tersely. How far-spreading was the illusion that wealth and incomes can be confiscated and re-distributed so that everyone will be rich is illustrated by a story. Blanqui, a colleague of de Tocqueville, heard a poor boy in his service say, as he was clearing the table after dinner on the evening before the insurrection began: "Next Sunday *we* shall be eating the wings of the chicken"; to which a little girl who worked in the house replied: "And *we* shall be wearing fine silk dresses."

Such was the origin of the most furious insurrection ever known in Paris. The disbanding of the national workshops had supplied the Communists with plenty of disciplined soldiers and officers. It was four days before

victory was assured for liberty and security and property, and it is pretty clear that but for her peasant proprietors France must have suffered the fate that has befallen Russia. The terror inspired was so profound that the nation reacted from a Communist dictatorship, which would have destroyed all forms of liberty along with law and justice, into a personal dictatorship, the mild tyranny of Napoleon III, which preserved economic liberty and the ordinary civil law, though it deprived the people of political liberty and a share in the government of their own country.

In December, Louis Napoleon was elected President, and soon afterwards he converted the Second Republic into the Second Empire. He was neither the first nor the last of those tyrants who owe their success to a wave of sentiment, a nation-wide feeling that security without political liberty is better than an unstable republic; that mob rule must be averted at all costs when it threatens security of life and property. When these are endangered, political liberty seems by comparison a luxury.

In England the Chartist movement coincided with the Communist movement in France. But our Chartists were political reformers with rational aims, which have since in large measure been achieved. When their demonstrations began to look like revolution, public feeling turned against them, and the movement collapsed. The Communist Party in England has always been too small to be formidable; but English admirers of the Soviet system and of Communism include Sir Stafford Cripps, Sir Charles Trevelyan, Mr. James Maxton, Professor H. J. Laski, Mr. G. D. H. Cole, and other prominent leaders of Socialism, who, dissatisfied with the too mild methods of the Fabians, and even with the drastic programme of the Labour Party, are aiming at a more or

less constitutional revolution, to be enforced by rapid steps as soon as a parliamentary majority has been secured. It may be worth while to set down in Professor Laski's words what a true Communist Revolution would have to insist upon :

“ It will have to confiscate all great industrial enterprises like electricity, railways and engineering. It will have to nationalise the great landed estates, while leaving to the peasantry sufficient land to neutralise their possible hostility to the new régime. The banks must be taken over, and with them the gold reserve ; small depositors may be granted interest. All wholesale commerce must be nationalised ; and foreign trade must become a monopoly. The State debts should be repudiated. The working-class must monopolise all important journals and printing-presses. As a general rule, small, or medium-sized business need not be nationalised, partly because the new State will rarely, at least at first, be able to run them, and partly because it is futile to think of establishing Communism at one blow.”¹

This, though written in 1926 as a minimum programme for the Soviet by a disappointed critic of their achievements, has such a close family resemblance to the programme of the Socialist League, and even of the British Labour Party, in 1934, that we may well doubt whether the ends, as distinct from the methods, of Russian Communism, can be distinguished from those of advanced English Socialism.

To the working classes in Great Britain and elsewhere one of the most attractive features of Socialist propaganda has been the doctrine, formulated by Karl Marx, that under capitalism (i.e. under a system of competition) the labourer is a wage-slave, an instrument of Capital, which pays him a bare subsistence minimum, exploits his labour, and lives in luxury on profits which ought to

¹ *Communism*, by H. J. Laski, Home University Library, 1927, p. 154.

be his. Thus they are tempted in bad times to accept the paradox that economic freedom is economic slavery, along with the further paradox that private property is robbery.

From the standpoint of Marxism and of its British exponents, the Fascist Socialism of Italy and the Nazi Socialism of Germany are so imperfect that it would be unfair to judge the wage-slave theory by comparing the condition of workmen and labourers in Italy or Germany with that prevailing in Great Britain or Holland or Sweden. But in Russia we see, at last, a great system of State Socialism organised in accordance with the theories of Marx. A dictatorship of the proletariat has been established ; the bourgeois and middle classes have been exterminated ; private capitalists and landowners have been killed, exiled, or reduced to abject penury ; all private factories have been confiscated and taken over by the State, and gigantic new factories have been built for the avowed purpose of making Russia a great industrial country. How, then, does the position of a Russian worker in a factory compare with that of an English worker in a factory ? In the first place it should be noticed that, though all the profits or losses belong to the State, the Russian workman has to be paid wages either, in Russian money, or in bread cards, or in tickets qualifying him to procure food and other articles in the factory or State restaurants, or in the State shops. Generally speaking, he receives wages, and frequently a card entitling him to meals at lower prices than he would pay if he were not a factory worker.¹

There is ample authority for stating that the wages

¹ I am here describing the conditions prevailing in Moscow and other large towns in 1934.

of the best paid operatives in Russia produce a less amount of comfort and a lower standard of living than the unemployed benefit, or dole, received by the unemployed in England. In 1934, the average wage of a Russian workman was, according to Mr. Chamberlin, about 125 roubles a month. The purchasing power of a rouble is about a penny. Call it twopence, and even then the wage is only five shillings a week. But, it may be replied, "even so, the Russian workman is a free man, whereas the English workman is a slave. It is better to be free, even though you are half starved and live eight in a room, than to be a slave with plenty to eat and a comfortable house." I might retort, "It is not every slave who would agree to become a free man on these terms." But I am anxious to examine the crucial question : Which of the two wage-earners is further from slavery or nearer to freedom ?

An English workman may be, and usually is, enrolled in a trade union, which has an independent legal status. His officials look after his interests, and negotiate with his employers about wages and hours of labour and conditions in the factory. As regards personal freedom and independence, he has an equal vote with his employer for the local authority and for his Member of Parliament. The State officials cannot invoke against him any law which he cannot invoke against them. He has the same right to justice as any Minister or State official ; any legal grievance which he or they may have will go before an independent justice of the peace, or an independent judge. Not only so, but he can leave his work whenever he likes and accept some other employment, either at home or abroad ; in short, he can migrate at will, and enjoys perfect freedom of movement.

What of the Russian workman ? There is no democratic parliament, no democratic local authority. He has no vote of any kind, unless he is a privileged member of the Bolshevik society, which numbers less than two per cent of the population. He is under the severest discipline, and is subject at any time to arbitrary arrest, imprisonment, and possibly execution, if the commissary in charge of the factory is dissatisfied with his work, or if he is suspected of political heterodoxy. His only chance of leaving a factory, if he dislikes his job, is dismissal, when the factory is closed or the numbers of the people employed have to be reduced. If he wishes and decides to leave, he will lose his wage and his bread-card, and will either starve to death or be driven into a labour camp, where he will be worse off in many respects than the average negro slave on an American plantation eighty years ago. He cannot move about Russia without a permit. If he attempts to leave Russia and is caught, he will be shot ; and if he succeeds, his relatives will be severely punished for the crime of being his relatives. Such is the condition of a "free" workman in Russia, who has been "liberated" from wage-slavery by the Marxist system. Is it, or is it not, hypocrisy on the part of English Socialists to tell English workman that they are "wage-slaves," and that they can only hope for freedom by a class war leading to the creation of a complete Socialist State ?

The economic results of the Russian experiment deserve careful examination ; for it provides the only illustration on a great scale of Communism in action. Fortunately official statistics are available, and the truth can be presented in detail. As it happens, the *Economist* which has usually put a friendly interpretation upon

Soviet Russia, and was foremost in welcoming with enthusiasm Russia's admission to the League of Nations in September 1934, published¹ an impartial examination by an obviously careful correspondent of the economic consequences of the famous Five Year Plan. That ambitious project sought to direct the national economy of a country which extends over one-sixth of the world's surface, and comprises a population of over 160 millions. Certainly Russia is "a large enough laboratory to afford a thorough testing of the proposition, which Communists [and, we may add, nearly all genuine Socialists] hold as a dogma, that planned economy in the hands of an authoritarian State, involving the wiping out of the last vestiges of private capitalist ownership, is a panacea for the world's economic ailments and the road to greater material prosperity."

The writer in the *Economist* acknowledges that Soviet statistics cannot be relied upon ; but for the purpose of his study he accepts them for what they are worth ; and we may be certain, as they are used for propaganda purposes in Russia, that they exhibit a favourable view of the Communist balance sheet. The main objects of the Five Year Plan, which was started in 1928, were to increase industrial production and to improve standards of living all over Russia. According to the official figures of the Soviet, comparing the year 1927-8 with 1932, the production of coal, oil, and pig-iron nearly doubled in the period, and the production of steel increased by about one-half. On the other hand, the output of cotton thread declined, according to the official statistics, and we have no means of determining to what extent, if at all, the general shortage of manufactured articles,

¹ See *Economist*, September 8th, and September 15th, 1934.

including clothing, boots, and tools, had been increased or diminished. What we do know is that disaster had overtaken by far the most important department of Russian economy – agriculture – in which a great majority of the people are engaged. The Soviet figures for livestock show a steady and rapid diminution year after year from 1929 to 1933. Thus the number of horses dwindled from 34 millions to 16·6 millions ; of big horned cattle from 68·1 to 38·6 millions ; of sheep and goats from 147·2 to 50·6 millions ; and of pigs from 20·9 to 12·2 millions. The catastrophic effects of these figures are shown by statistics relating to consumption. Between 1927 and 1932 the consumption of meat declined from 4,210,000 tons to 2,871,000 tons ; of eggs from 10,000 millions to 4,100 millions¹ ; and of milk from 310,000 tons to 185,000 tons. At the same time the annual consumption of sugar is reported officially to have declined from the tiny amount of 7·7 kilograms per head to the still more minute figure of 5·3 kilograms per head.

As to the crops of wheat and other cereals, the annual estimates have always proved unreliable ; but the authority we are quoting (who does not think it worth while to give figures) makes the following remarks :

“ There was an enormous discrepancy between the figures of the Plan and the actual results in agricultural production. The grain harvest of 1932, even according to probably exaggerated official figures, was 30 per cent below the Plan estimate. In livestock the Plan called for a substantial increase ; actually there was a decrease of about 50 per cent. The food supply of the population, which was supposed to improve, deteriorated to the point of serious malnutrition in the towns and famine in some country districts. . . . Food supply was curtailed to some extent by

¹ This shows that there must have been a great destruction of poultry.

the policy of forcing exports of food in order to get foreign currency to pay for imports of machinery and equipment, and much more by the temporary breakdown of agricultural production. This was a natural, if unforeseen, result of destroying the most competent individual farmers, the so-called 'kulaks,' and forcing collective farming upon the other peasants. Manufactured goods ran short because almost all imports were restricted to things which could neither be eaten nor worn, such as excavators, blast-furnace equipment, metals, etc., while the domestic industries which produced for the immediate consumer were neglected in favour of the so-called heavy industries (iron and steel, oil and coal, metallurgy and electrical equipment) which were considered more important for strategic purposes and for making the country more self-sufficient. Tremendous overcrowding persisted in most Soviet towns because the influx of new inhabitants, fleeing from starving small towns and country districts, swamped the available new buildings."

Can we wonder that, in consequence of "planning" and terrorism, the ghastly famine of 1932-3 "marked the climax of Russia's agrarian crisis"? Famine is the verdict of political economy on the Soviet system.

One of the boasts of the Soviet propagandists is that there is no unemployment in Russia – on which Lord Snowden once passed the scathing comment that there is no unemployment in Dartmoor gaol. Industrial conscription has made labour compulsory in Russia, and the Five Year Plan has been accompanied by a great increase in the number of persons employed on forced labour in timber camps and mines, and in the construction of factories, as well as by a very considerable extension of terrorism against real or supposed "class enemies." The authority I have been quoting adds ; "In the summer of 1933, seventy-one thousand persons were officially reported to have received amnesty or reduction of sentence

on *one* Soviet forced-labour enterprise : the canal linking up the Baltic and the White Seas."

Even where labour was nominally free, and the workmen received wages, the paper roubles in which the wages were paid became practically worthless during the Plan owing to lavish use of the printing-press.¹ The factory workers had to depend for their food on the privilege of tickets, which could be withdrawn in case of recalcitrancy. The first Five Year Plan, we are told, "laid down in minute details the movement of prices, costs, nominal and real wages." So ignorant were the Soviet dictators of the elementary rules and laws of political economy that they thought they could control everything, and that they had only to make a decree in order to ensure its observance and realisation. But "prices, instead of falling according to plan, soared higher ; costs of production rose instead of declining ; and, while nominal wages increased faster than the Plan had specified, real wages declined sharply as the cost of living rose more steeply." In short, at the end of the Plan, all classes, except perhaps the bureaucracy, both in town and in country were worse off than at its commencement.

One more quotation may close this account of the economic consequences of Russian Communism :

"The Soviet régime inaugurated with the Five Year Plan a fascinating problem for students of economics, simply because that Plan is the most complete available exhibit of Planned Economy. The directors of the Soviet economic concern have no profit-seeking business men, no recalcitrant labour unions, no farmer proprietors who obstinately insist on planting more or less than the planners think they should, no independent voters to turn them

¹ The maximum issue of paper roubles prescribed by the Five Year Plan was doubled in 1933.

out of office if the shoe of economic hardship pinches too tightly. The Soviet Government is the oldest, and in some respects the most smooth running, of the three major party dictatorships in Europe—the other two being Italian Fascism and German National Socialism. During the first years of the Revolution it destroyed such typical representatives of the system of private property as the big landowner and the industrial magnate, the banker and the wealthy merchant. During more recent years it has ‘liquidated,’ to use a familiar Russian word, those classes which could still be regarded as small capitalists : the small shopkeepers who were able to carry on, in a limited way, after the introduction of the New Economic Policy in 1921 ; and still more important, the great mass of small peasant holders. The majority of the latter are now enrolled in collective farms, where they must work according to plans prescribed by the State. The more well-to-do and the more incorrigibly individualistic have been driven from their homes and sent to forced labour in timber camps and on new construction enterprises. The minority of peasants who still retain individual holdings are subjected to much economic discrimination, and seem destined to be swallowed up in the collective farms within the next few years.”¹

Enthusiastic Socialists, and admirers of such Utopias as Plato’s *Republic*, may wonder why discipline and economic servitude have not resulted in economic prosperity. They do not appreciate the moral advantages of individual liberty, but rather hold up to our admiration the Absolutist State, with its complete subordination of all its subjects to a supreme, bureaucratic dictatorship, which plans everything and controls everybody.

It may be said by an apologist for Communism, and it may be true, that famine and starvation, under-nourishment and lack of clothing, would have been less prevalent in Russia if its dictators had been better equipped for their task, less rigid, less hasty and less cruel. Our authority,

¹ This policy was modified by Stalin in 1935.

for example, in the *Economist* pointed out two major blunders in the application of the Plan to agriculture which had dire results in material cost and human suffering. "The first of these was the attempt in 1929 and in the first months of 1930 to 'socialise' the peasants' livestock without giving them any compensation." This led the poor wretches in their desperation to slaughter their beasts wholesale. The other mistake (or crime) "was in making, year after year, irregular requisitioning forays on the peasants, forcing them to sell an undefined surplus of their crops at arbitrarily fixed prices in increasingly worthless paper roubles." When the peasant came to feel that the more he raised, the more would be taken away from him, he naturally did less work, and so this blunder of the Government "led to the widespread neglect of the fields in 1932 and to the subsequent famine." Thus, under a cast-iron dictatorship in which all vestiges of political democracy have been annihilated, and all forms of individual liberty extinguished, in which private capital and private property have as far as possible been swept away, while the bourgeois and the more well-to-do peasants have been shot or driven from their homes into forced-labour camps, the masses are miserably clothed, miserably housed, and miserably fed. Yet they are the proletariat whose dictatorship is the consummation of Marxian theory and practice.

In the preceding chapter I gave a glimpse of the history and theory of private property. In this I have tried to describe the theory and practice of Communism. These two studies lead to the conclusion that a State like Soviet Russia, where private property is forbidden or reduced to a minimum, is a State whose inhabitants cannot be called citizens; for they have no opportunities, no

liberty, no independence, no hope of justice as against officialdom, no right to free expression of their political opinions. It would appear, then, that justice, liberty, and private property are interdependent.

To an economist, a banker, or a member of the Stock Exchange it is unnecessary to point out that public credit cannot survive state confiscation of private property. But the man in the street may be reminded of the case, only too familiar now to British investors, where a Government fails to pay interest on its bonds, or (as sometimes happens) reduces the interest which it has contracted to pay.

Russia is the outstanding example of a country whose Government has repudiated the whole of the debts, national and municipal, external and internal, contracted by previous Governments and public authorities. One result is that it cannot raise loans abroad. The sterling obligations, which it inherited and disinherited, are still quoted on the London Stock Exchange, and are occasionally bought by speculators on the chance that some future Government of Russia may make a composition with its foreign creditors in order to rehabilitate itself. Lenin's repudiation of the debts raised for armaments and war by the Czarist Government is at least intelligible ; but his refusal to pay interest on railway debts and municipal loans is inexcusable, unless we assume that the Dictatorship of the Proletariat was absolutely and hopelessly insolvent. Moscow, for instance, borrowed over five millions of money from British investors in 1908 and 1912 at $4\frac{1}{2}$ and 5 per cent — very reasonable rates of interest — for useful public works which were duly carried out. One loan was issued in London at $87\frac{1}{2}$ and the other at $96\frac{1}{2}$ per £100. The market value of a hundred pound Moscow bond is now about five shillings !

National Socialism in Germany has not yet descended to the depths of openly repudiating the large sums borrowed by German provinces and cities after the war from foreign investors. But it has imposed such restrictions that the interest cannot be duly paid. What is the result? In 1927 Berlin, the great capital city of the German Reich, for the purpose of extending its underground railway and waterworks, contracted a 6 per cent loan in London at 98½ per £100 sterling bond. The holder of such a bond could not in September, 1935, obtain more than £25 for what had cost him £98 10s.

The financial standing of Italian Fascist Socialism or Corporativismo is likely soon to be no better than that of its German State relative. In 1927 the Italian Government issued 20 year 7 per cent sterling bonds in London at 96½. In September, 1935, they had fallen to 50, offering a yield to believers in Corporativismo of no less than 14 per cent.

These three great Socialist States, totalitarianly insolvent, have all been able to menace one another and the world by a prodigious expenditure on armaments.

CHAPTER V

SOCIALISM AND CO-OPERATION

SOCIALISM is a vague but convenient term, first coined about a century ago. It applies properly to any theory or system of social organisation which would abolish wholly or in part, rapidly or gradually, by violent or constitutional means, economic competition and private capital. Socialism, it has been said, requires that the processes of production, distribution, and exchange should be regulated, not by competition, with self-interest as the motive and incentive, but by the officials of an all-powerful State. It assumes that private success in business is morally wrong and economically disastrous to the community, and that a socialised or nationalised business is morally and politically justified, however high its costs of production, and however dear its products. Socialism does not concern itself with the interests of consumers or taxpayers. The failure of State enterprise to compete with individual enterprise is concealed by the prohibition of competition at home, and by the prohibition or restriction of foreign imports. Socialism seeks the complete subordination of the individual to the State. Some Socialists aim at the abolition of all private wealth, and advocate the distribution by a central authority of equal incomes to all citizens. Others assume that all will receive their due, which may be measured either by the quality or quantity of their work, or by its moral value as judged by authority. The

fundamental error of Socialism as a philosophy of life and government lies in the assumption that the State is an omniscient, omnipotent, and benevolent personality which can be counted upon to act with supreme goodness and wisdom ; whereas in reality it acts through bureaucrats and political dictators, who are no better than ordinary mortals, and are apt in course of time to degenerate, as tyrants usually do.

There are many mild forms of Socialism, and the word is often used to include a large variety of theories and reforms which have a Socialistic tendency. In the early eighties of last century, Joseph Chamberlain's Radical Programme was denounced by its opponents as predatory Socialism on account of the doctrine of ransom, which he wished to apply to large fortunes and unearned increments of wealth. Thirty years earlier the so-called Christian Social Movement was launched in England by Frederick D. Maurice, Charles Kingsley, Thomas Hughes and others. They proposed that Christian principles should be applied to business, and that competition should be superseded as far as possible by co-operative associations in both productive and distributive trades, where all should work together as brothers. They were shocked by the idea of a class war, proclaimed in the *Communist Manifesto* of 1848 and carried out in the bloody fighting of the Paris Communists in the same year. They held that labour problems could not be settled by force and violence or by State action, though they favoured legislation for the purpose of improving the laws which then operated harshly against labour. They hoped that Christian education and Christian ethics would bring about co-operation between labour and capital, and gradually put an end to strikes and lock-outs. Their

ideas may be compared with the earlier Utopian schemes of St. Simon, Fourier, and Robert Owen, who sought in various ways to prevent the exploitation of labour and to provide remedies for the new social and economic mischiefs that had attended the introduction of steam and machinery.¹

No greater mistake can be made than to use Socialism as a term of abuse by denouncing as "rank Socialism" all efforts to promote industrial harmony, to mitigate the sufferings of the weak, to enlarge the opportunities of the poor, and to narrow the gap which separates luxury from indigence. To confuse these aims and aspirations with State Socialism or Communism, or to suppose that they are not compatible with free markets, free competition, and private property, is to commit a profound economic and political error. The warning was never more needed than to-day, when political platforms and lecture-rooms abound in arguments based on the ambiguity or misunderstanding of such words as rationalisation, technocracy, social credit, and other pseudo-scientific terms. If we are to arrive at the truth, we must above all take pains to avoid that most common and elementary of all fallacies – the mistaking of words for things and of sound for sense.

Although Karl Marx, the founder of combative Socialism and class warfare, lived in London from 1849 until his death in 1883, his theories and methods failed to attract the working classes of his adopted country. Their influence on English thought and politics began with the formation of the Fabian Society and the publication of the Fabian Essays in 1888. Among the essayists

¹ Described by Arnold Toynbee in his *Industrial Revolution*, and by Mr. and Mrs. J. L. Hammond in their books on the town and country labourer.

were Sidney Webb and Bernard Shaw, who made many converts by presenting Socialism in a form palatable to the "Progressives" and to leaders of the trade unions. But the formation of a British Labour Party was accomplished by politicians and agitators like Keir Hardie, Ramsay MacDonald, and Philip Snowden, who made their appeal to the working classes. In this way the rank and file of the trade unionists gradually fell away from individualistic Radicalism and accepted rather half-heartedly a programme of Socialism. The Fabian Society addressed itself mainly to the intelligentsia, and particularly to civil servants. To its efforts the extension of Socialistic thought in London and other large centres is mainly due. The brilliant dialectic of Mr. Bernard Shaw made it fashionable in Bohemia, while the untiring, researchful industry of Mr. and Mrs. Sidney Webb provided materials and methods.

"The inevitability of gradualness" is a Fabian doctrine. The Fabian Essays and a long series of Fabian tracts sought to prove that an age of competition was being transformed gradually and inevitably into an age of trusts, combinations, and monopolies. This ripening or decaying fruit, they argued, should be plucked by the State. A skilled bureaucracy should be entrusted gradually with the ownership of all capital, the management of all business, and the direction of all labour. In the Fabian Essays, it was plausibly though inaccurately contended that individual firms and companies were being amalgamated into larger and larger units, and that this process would soon make easy the further process of nationalisation or socialisation. Private capital would thus die a natural death – gently hastened by punitive taxation. The argument is invalidated by the facts; for large

top-heavy companies are constantly coming to grief and small efficient businesses are growing up all the time except in industries now being cartelised under the mantle of Protection.

Several progressive members of the Fabian Society, including William Clarke and Graham Wallas, recoiled when they saw the danger to political and personal liberty which would be involved in State Socialism ; and they broke away from the Fabian Society during the Boer War, which was supported by most of its members on the ground that the Boers were inefficient, and that the loss of national self-government did not matter, or at least would be more than compensated by the superior advantages of British administration.

To prepare for the happy consummation of Socialism and the gradual conversion of the country by constitutional means, the Fabian writers urged their disciples and political supporters to encourage additions to the civil service, to seize every opportunity of enlarging State functions and multiplying State functionaries, to pay State officials and State employees on a handsome scale, and to co-operate with Conservative and Liberal Governments whenever they enlarged the functions and expenditure of the State. The skilled civil servant and conscientious bureaucrat, who is sure that he can manage business better than the business man, and regulate prices better than the market, was an essential element in the Fabian conception of government. Economic liberty, private property, and public economy were out of date, early Victorian superstitions, shibboleths of the Manchester School. *Laissez faire* ; " let well alone ; be independent ; mind your own business ; " were old saws and rules of thumb, fit only for a primitive people. The controversy between

free trade and Protection was of no more consequence than the difference between Tweedledum and Tweedledee. A democratic constitution and a popular suffrage were only useful in so far as they might lead to, and pave the way for, a bureaucratic Socialist State, over which the electors would exercise practically no control, but which would lead them in the way they should go and direct their lives from the cradle to the grave.

William Clarke, a brilliant and trenchant writer, was a passionate champion of freedom, bitterly opposed to Imperialism and to all forms of autocracy. As an economist he was neither subtle nor profound ; but in politics and political philosophy he was an able reasoner, and well versed in foreign affairs. His contribution to the Fabian Essays, entitled "The Industrial Basis of Socialism," shows us why for a time he became a collectivist. Impressed by the growth of trusts and combinations in the United States, and fearing that Big Business was likely to triumph everywhere, he thought he saw a remedy in a co-operative commonwealth or industrial democracy, which should exercise collective control over the instruments of production, and checkmate those big combinations of capital which, he felt, were encroaching on free competition, and threatening to exploit wage-earners and consumers. While remaining a convinced free trader, he held that remedies for the monopolies of capitalism – which indeed always grow up under Protection – must be of a Socialistic character. In the past, he thought, the small independent merchant and manufacturer had been a source of strength to the country ; but he distinguished between him and the new type of capitalist who "has put in a salaried manager to perform his work for him, and has become a mere rent or interest receiver."

He exaggerated the growth of joint-stock companies, and still more of monopolies, which, indeed, hardly existed in English business so long as the free trade system was maintained : for foreign competition was a constant check on their growth, making monopoly prices next to impossible. Clarke recognised, however, that rings, pools, and combinations to exploit the consumer flourished mainly in America and other Protectionist countries with the support of the tariff. "Liberty to trade, liberty to exchange products, liberty to transport one's goods at the same rate and on the same terms enjoyed by others . . . these surely," he declared, "are all fundamental democratic principles. Yet by monopolies every one of them is either limited or denied." His reason for accepting the Socialist method of controlling them was that these combinations "are inevitable growths of an evolutionary process." Socialistic legislation and public control over combinations will, he admitted, "immensely restrict individual liberty in certain directions, will produce much friction, and may possibly hamper production" ; but eventually, "by a long series of experiments," men will discover "what is the most reasonable way of acquiring for the community as a whole the wealth which it produces." Clarke shared the then current fallacy that big combinations are "the most economical and efficient methods" of organising production and exchange, because they check waste, encourage machinery, dismiss useless labour, steady prices, etc., etc.

But even though great combinations of capital could be defended on economic grounds, they were obviously dangerous to consumers and the Government ought to take action in one of three ways : 1. It may prohibit and dissolve them. 2. It may tax and

control them. 3. It may absorb and administer them.

In a later essay (1893), discussing the "Limits of Collectivism," Clarke predicted that, unless the democratic movement is a merely temporary phenomenon, "the people, as they advance in knowledge and power, will demand democracy in industry as they are demanding it in politics." There is a strange confusion of thought here : for he went on to say : "If men are considered fit to determine who shall administer the affairs of the State, it is inconceivable that they will permanently put up with autocratic rule in the mill or the workshop." Clarke was wrong. It does not follow that, because it is right to elect Members of Parliament by popular vote, it is also right to elect captains of industry in the same way.

In the first place, then as now, democracies could be divided roughly into those which entrust an autocratic executive power to a president, and those which, like Britain and her Colonies, France, Holland, etc., prefer a governing body or committee, presided over by a Premier and responsible to Parliament. In the United States, as Clarke was well aware, the idea of a one-man dictator extended, and still extends, to the mayor of a city and to the president of a university. The political system, therefore, does not conflict in the United States with "autocratic rule in the mill or the workshop." The average American democrat has no more objection to a Carnegie or a Ford, so long as he is efficient, than to a Wilson or a Roosevelt, a Seth Low or a La Guardia.

Again, the argument for democratic control of a national or local authority is much stronger than that for democratic control of industry. We may approve of factory laws and regulations to ensure healthy conditions and reasonable hours of work ; we may approve the appointment

of factory inspectors to see that the regulations are carried out ; we may wish trade unions to bargain with employers about wages and conditions of work ; but it does not in the least follow that the management of a business, whether it be mill or shop, should be in the hands, not of the individual who by enterprise and ability has made it a success, but in the hands of those whom he employs. Indeed, the argument is all the other way until we reach the large top-heavy combinations of capital – too large for one man management – where there is much to be said for a directorate composed of the section chiefs, with a chairman nominated by them and approved by the shareholders. The idea that a competitive business can be run successfully by a State bureaucracy is repulsive to common sense and has been discredited by experience.

But there is one important development which shows how, in some cases, the advantages of individual ownership and management may be extended and modified in order to provide the wage-earners and salaried managers with an incentive to do their best, and an active or passive share in the profits of their work. I refer, of course, to the co-operative system, whose success – especially in wholesale and retail distribution – can be traced in the history of co-operative societies in Great Britain and in other countries which have followed our example. We have also seen the introduction, often with good results, of profit-sharing by many private firms and companies. Co-operative concerns, industrial co-partnership, and profit-sharing arrangements stand on an entirely different footing from movements for socialising industry by placing it under the control of a bureaucracy or of a trade union. It is true that the competition of the

co-operative shops, like that of the big stores, is often hard on the small shopkeeper ; but the co-operative movement as a whole has an educational value. It brings business ability to the front. It encourages thrift. It imparts a spirit of mutual aid, which humanises without destroying the invigorating forces of competition. Socialism and collectivism make for servile dependence ; competition for independence ; co-operation for interdependence. A well-organised plan of voluntary co-operation, either for selling or for buying, or for both, may make all the difference between prosperity and poverty to small farmers and small-holders. It increases their wealth without really diminishing their self-reliance. When compulsion is applied the farmer loses his economic liberty, and finds himself entangled in rolls of bureaucratic red tape.

It may be admitted that inventions of labour-saving machinery and processes of standardisation have in many industries been unfavourable to craftsmanship, and consequently to individuality and skill, among those who work with their hands. The growth of joint stock enterprise and the device of the limited liability company have brought disadvantages, as well as advantages. Among the disadvantages must be counted the guinea-pig director – usually incapable in almost everything except the art of glossing over failure, and humbugging the investors who attend company meetings. Statistical investigations have shown that, in the course of a few years, most of the companies floated in the United Kingdom have been reduced to insolvency. The reason may be either that the board of directors is incompetent from the start, or that it becomes incompetent in the course of a comparatively short time. Frequently the directors only hold a few qualifying shares in the company, and are more

interested in their fees than in the success of the concern. Thus some of the objections that apply to the socialisation of business apply to many of these limited liability concerns, which are frequently over-capitalised from the start, and represent the profitable sale by a successful business man of a concern which he had built up and is now handing over to others on his retirement.

National prosperity in manufactures, agriculture, and commerce depends upon the skill and exertion of individuals. To hamper them by official regulations, to extinguish competition or withdraw the incentives to individual invention, individual enterprise, and individual industry, would be fatal. The substitution of public for private management can only be justified in cases of natural monopoly, such as water-supply, or road traffic, or of services like the Post Office, where it is expedient that the National Government should be in control. Where effective competition exists, or would exist but for quotas, tariffs, and other governmental restrictions, a State monopoly is always bad. The only real safeguards for consumers are free competition and free imports. Such specious words as "rationalisation" have often been used to cloak, and float upon the public, huge amalgamations of private concerns and smaller companies; and experience of these has usually proved disastrous to investors. The economies of large-scale operations and managements have been grossly exaggerated. Variety and enterprise are essential, and a number of small private concerns are far more likely to succeed than huge undertakings which only the rare genius of an industrial Napoleon can hope to supervise and direct successfully.

Economic "planning" by Ministers is now a fashionable remedy for the supposed evils of free competition,

free enterprise, and free markets. It is an important accompaniment of State Socialism. "Socialism," as Mr. Dalton puts it,¹ "is primarily a question of ownership, planning a question of control or direction." Private planning under capitalism is "in many cases plainly anti-social," and in any case is not an instrument strong enough "to change chaos and poverty into order and prosperity." But planning by a Socialist Government would be a wholly blessed thing ; and Mr. Dalton, like the pundits of the Socialist League, appeals to the great Soviet experiment as one of the "outstanding examples of planning on a large scale." Russia, indeed, is not in his eyes quite the classless earthly Paradise painted by some of his friends in moments of ecstasy. As a practical politician, he recognises differences between British and Russian conditions. Therefore "the surrounding conditions of British planning, and many of its methods, will differ widely from the Russian, but we shall have many objects, though not all, in common."

Probably the most important distinction between Britain and Russia from the standpoint of a practical British Socialist is that private property, and the hateful element of private gain or profit, cannot be confiscated in this country at a single blow. Consequently State planning must not be applied to all British industries at once. The plans must be made gradually as industry after industry falls before the bureaucratic axe, and as the various managers and owners of private concerns are placed on the retired list with some trifling compensation or pension to keep them in a proper state of subserviency to their masters.

¹ In his book on *Practical Socialism for Britain*, chapter xxiv (London: George Routledge, 1935).

CHAPTER VI

THE SOCIALIST CHALLENGE TO ECONOMIC FREEDOM

SINCE THE GREAT WAR, trade depression, unemployment, unbalanced budgets, and depreciated currencies have excited revolutionary discontent in many countries, and disastrous experiments have been tried by desperate Governments. In Great Britain, with which this concluding chapter is concerned, Socialism of an extreme type has made some headway in legislation and finance. Not only have two Labour Governments held office, but the National Government now in power has carried Socialism and Protectionism much further than any practical politician would have thought possible even in 1930.

Let us examine the challenge, first as it has been presented by the most brilliant of all English Socialist writers, secondly in the political programme which the Labour Party has adopted in view of the coming General Election.

Forty years after the publication of his Fabian Essay, Mr. Bernard Shaw, at the height of his fame, set out to describe in a portly volume entitled *The Intelligent Woman's Guide to Socialism and Capitalism* what a Socialist Government ought to be and what it ought to do. With all its vivacity and wit, Mr. Shaw's Utopia cannot pretend to the philosophic power and artistic beauty that have charmed every reader of Plato's *Ideal Republic*, though it vies in impracticability with the Greek masterpiece.

Fallacies which in ordinary language would hardly deceive a child are decked out in the gorgeous robes of important truths, capable of renovating society and of providing universal happiness for nations wise enough to receive them. Most of us can enjoy the originality and perversities of a genius whose commonplaces sparkle like paradoxes, whose very truisms are dressed up to look like discoveries. But to understand how, in this book, there should have come to be developed an economic theory which reverses the whole science of political economy, inverts the maxims of common sense, and would, if accepted by any civilised nation, overturn all its habits, customs, and institutions, we must remember that the author is an Irishman, who settled in England as a young man and found inspiration, not, as did contemporary Liberals, in Adam Smith and John Stuart Mill, or in Cobden and Gladstone, but in the writings of Karl Marx and William Morris.

Mr. Shaw's ostensible object was to reveal to intelligent women voters, on the eve of their complete political enfranchisement, the miseries of the capitalistic or competitive society in which they live, and to provide them with a guide to an earthly paradise for which they ought to vote. His interpretation of economic history agrees with that of Mr. Sidney Webb ; but he is a caricaturist rather than a photographer of the past. Only an ignoramus will be impressed by his travesties of the philosophic Radicals, of the Manchester School, and of the Gladstonian Liberals, who reformed the franchise, set up our admirable system of local government, created a first-class civil service, established free trade and economic liberty, promoted international peace by arbitration and reduction of armaments, and instituted a superlatively

efficient system of national finance. It suits Mr. Shaw's purpose to pass all this by and leave out of his picture the progress of the nation – a progress which seems almost miraculous when we compare the wages, salaries, and standards of living, the shipping, commerce, and manufactures, the private wealth and public revenue, the education, public health, and amenities of the English people in 1844 (two years before the repeal of the Corn Laws) with the conditions prevailing seventy years later on the eve of the Great War. If Mr. Bernard Shaw had been fair to the reformers of the past, and had recognised the marvellous social, political, and economic progress that has taken place in his lifetime under what he calls "Capitalism," he would hardly have been able to justify to intelligent readers his project for the overthrow and reconstitution of society.

The Shavian Utopia involves far more than a change of government – far more even than was attempted when the *ancien régime* was overthrown by the French Revolution. It postulates a complete change in human psychology, in the instincts, in the passions, in the ways of thinking and acting of the average man and woman.

Hitherto, our political economy has assumed that in business-life men and women – whether as employers or employed, whether they are engaged in producing things or distributing them, whether they live on profits or on salaries and wages – seek their own advantage. It is true that, as a rule, those who are most successful practise an enlightened selfishness. A labourer or an artisan does his best, and usually in the end good work brings its reward. A sensible shopkeeper does not try to swindle his customers, but supplies their wants at reasonable prices. Shrewd business men are aware that honesty

is the best policy, and that fair dealing pays, though that need not prevent each party to a transaction from being a keen bargainer, who looks after his own interests. No one pretends that in a free country everybody can be successful and prosperous. There is a minority of knaves and fools, a minority also of people who, owing to mental or physical defects, are unemployable, or on the verge of unemployability. But the paramount fact is that comparatively few people will work voluntarily without some economic incentive.

Most Englishmen regard old age pensions and unemployment insurance as valuable institutions ; but we recognise the ruinous results of paying, as the Labour Party would pay, an unemployment dole as large, or almost as large, as what a man or woman could earn by working. For it is a fact that most people would prefer to draw such a dole rather than work, even though idleness is a misery.

So much for the theory on which the science of political economy is founded. It has the advantage of being in close accordance with the facts and with the instincts of human nature. The exceptions are numerous, of course, but they only prove the rule. There are artists who care far more for beauty and self-expression than for reward, and would rather make what they like for a small sum than make what the public will buy for a large sum. But even among artists this class is only a small minority.¹ Then there are members of the leisured class who have plenty of money, inherited or acquired, and do not try to make more, but devote themselves, usually to pleasure, sometimes to politics or philanthropy. But let us beware

¹ Mr. Bernard Shaw would exempt all artists, including playwrights, actors, dancers, etc., from this rule of equality. They would be allowed to earn as much as they can.

of thinking that a man who earns a living by remunerative work, who competes keenly with his rivals in whatever trade or profession he may be engaged, is selfish merely because in his work he seeks his own advantage. He may be, and often is, unselfish and public-spirited, devoting much time and energy to philanthropy and public affairs. The Manchester School men, who believed in free trade and competition, were certainly not less generous and public-spirited than men of opposing schools of thought who look to the State for Protection and subsidies. In private life the successful Socialist is just as keen about money as the successful individualist. The question is whether, if the theoretical Socialist had his way, and the State he conceives of were actually brought into being, people would continue to work with the zest and energy which they display under a régime of competition, or, indeed, with any zest and energy at all. Would invention and enterprise flourish? Would industry continue if it went unrewarded, and if all the occupations of our citizens were directed, supervised, and regulated by a bureaucracy? As a matter of fact, the ordinary Socialist does not go so far as to suggest that all men and women should receive an equal reward, whatever their industry, whatever their services, whatever their talents. On the contrary, most of the Fabians have favoured high salaries for the bureaucrats who direct the public offices. They have not hitherto suggested that the Permanent Secretary of the Treasury or Board of Trade should receive the same wage as a typist in his department. Perhaps this is only political strategy – the diplomacy of gradualness. The main function of the civil service is to dig the grave of the capitalist system, and during the process the gravediggers must be kept

in good humour. But for this explanation, one would read Mr. Shaw's new plan with blank amazement ; for if he has his way every man, woman, and child in this country will receive precisely the same income ; and it will be the business of the Government to see that he or she never gets more and never gets less ; though where the money is to come from, and what would be the amount of the divisible income of the country when all private funds had been confiscated, he does not explain. Let me illustrate by quotations.

Mr. Shaw begins by asking¹ how the wealth we produce every year should be shared among us, and then argues that we in Great Britain have already gone a long way on the road towards Communism, the proof being that we pay our rates and taxes for common purposes, and that roads, bridges, street lighting, and water-supply are "communised" as a matter of course in cities. But he seems to be dimly conscious that there are essential distinctions in the economic sphere. A Liberal who believes in economic liberty may well favour the public management of a natural monopoly like water-supply, or of services like police or sanitation, which must be performed, if at all, by a public authority, while he utterly repudiates the nationalisation of all the means of distribution and production by the State.

Mr. Shaw, however, starting from the assumption that the present system (which he calls "Capitalism," though he admits that the term is a misnomer) is an abominable and wicked form of society and government, goes on to examine various ways of amending it.

After dismissing six plans for distributing the income of the country, he produces his own, pronouncing it to

¹ *The Intelligent Women's Guide to Socialism*, p. 2.

be the only true Socialism, the only system that will convert this miserable country of ours into a state of happiness. Mr. Shaw's plan is "to give everybody an equal share" without regard to age or sex or skill or industry, or to the quality and quantity of work done. One of his reasons for paying no attention to the work produced by individuals is that "it is quite impossible to find out how much each person has produced." Another is that many of the people to whom the State must apportion a part of its income are engaged, not in production, but in doing services of one sort or another. Having created on paper an imaginary bureaucratic State, omnipotent, omnipresent, perfectly honest, and so efficient that its commissars and their subordinate agents will be able to direct in detail the daily work and daily life of all the inhabitants, and to sub-divide accurately the total income week by week, and pay it out in money or ration-cards to every baby, every boy and girl, every man and woman in the country, Mr. Shaw evidently feels that further complications and difficulties should not be introduced. The task set to his State bureaucracy is so stupendous that he cannot face the problem of apportioning the communal income in accordance with merit. In his judgment the difficulties of handing out more money to the deserving than to the undeserving would be insuperable; and so he concludes: "The only way out of this difficulty is to give everybody the same, which is the Socialist's solution of the distribution problem."

Thus, the intelligent woman who follows this guide to Socialism finds herself at the end of the journey committed to a society whose inhabitants will have submitted to a despotic government and will have surrendered all their liberties for the sake of an economic system which

will have no regard to merit, capacity, or exertion in the distribution of income. That the income of a society, which has been transformed from one of active competition – where the individual can earn, save, and acquire property for himself under equal laws – into the Model State described by Mr. Bernard Shaw, would dwindle very rapidly, could hardly be in doubt, even if theory and common sense had not been fortified by experience.

If the intelligent novice refuses to abandon hope of liberty under the new dispensation, she may turn to the twenty-third chapter of St. Shaw on “Incentives” – the kernel of the desperate problem for any society which seeks to substitute a complete system of Government ownership, Government control, and Government monopoly for private business and competition. There she will find that her guide, having, for practical reasons, embraced the Communistic ideal of equal incomes for everybody, and being debarred from a gradation of wages and salaries, has to find other means of maintaining the productive output of the nation. Accordingly, on p. 72 we find him acknowledging the existence, and providing for the treatment of slackers :

“There are people who grudge every moment they have to spend in working. That is no excuse for letting them off their share. Anyone who does less than her share of work, and yet takes her full share of the wealth produced by work, is a thief, and should be dealt with as any sort of thief is dealt with. But Weary Willie may say that he hates work and is quite willing to take less, and be poor, or dirty, or ragged, or even naked, for the sake of getting off with less work. But that, as we have seen, cannot be allowed : voluntary poverty is just as mischievous socially as involuntary poverty ; decent nations must insist on their citizens leading decent lives, doing their full share of the nation's work, and taking their full share of the income.”

We have seen how contemporary Socialist dictatorships deal with recalcitrants ; but Mr. Shaw refrains from describing the methods of terrorism or torture which he would adopt in the discipline of his Utopia. It is significant, however, that he appeals to conscription, and observes that, if the death penalty is a proper punishment for the soldier who fails to do his duty in war, it will be far more just and appropriate for the inhabitant of an ideal commonwealth who fails to do his or her fair share of the common task. This method, as we have seen, has been adopted in Soviet Russia. But it has not proved successful. Though Soviet wages are very low, the cost of production is very high.

Unlike Sir Stafford Cripps and other ardent disciples, Mr. Bernard Shaw acknowledges that his main object, the equalisation of income, cannot be introduced rapidly into England. It will take a long time, he says, and an elaborate set of laws and institutions (p. 97) to bring it about :

“The first and last commandment of socialism is ‘thou shalt not have a greater or less income than thy neighbour’ ; but before such a commandment can be even approximately obeyed we shall have not only to pass hundreds of new Acts of Parliament and repeal hundreds of old ones, but to invent and organise new Government departments ; train and employ no end of women and men as public servants ; educate children to look at their country’s affairs in a new way ; and struggle at every step with the opposition of ignorance, stupidity, custom, prejudice, and the vested interests of the rich. . . . To acquire those powers Government must itself become the national landlord, the national financier, and the national employer. In other words, it cannot distribute the national income equally until it, instead of the private owners, has the national income to distribute.”

Does anyone with a grain of common sense believe that in a hundred years, or a thousand years, Englishmen will undertake the trouble of imposing upon themselves universal conscription, universal slavery, and universal poverty, in order that everyone may receive from the State an equal income?

So much for Mr. Shaw's Socialist Utopia. I have described its main features because it represents in brilliant language the intentions and aspirations of the greatest genius among our leading Socialists. I will only add one further comment on Mr. Shaw's economics. He has a chapter entitled "Your Shopping." Its purpose is to argue that capitalism "hits you in every purchase you make." "For every head of cabbage you buy, every loaf of bread . . . you have to pay not only what they cost, but an additional charge which is handed over finally to people who have nothing whatever to do with you." Then he solemnly tells his intelligent woman that "to rid her of this overcharge Socialists propose to secure goods for everyone at cost price by nationalising the industries which produce them." This is really stupendous ; for part of Mr. Shaw's argument is that our army, our telephones, our telegrams, and our Post Office are all nationalised services. In a sense, of course, it is a truism and a platitude to say that a Government factory produces armaments, clothing, etc., at cost price, and that the Post Office charges are related to the cost of the services ; but the suggestion that the cost price of articles produced in a Government factory, or by a Government monopoly, is lower than the cost price under free trade and free competition is fallacious and demonstrably untrue. The reason for making a monopoly of the post is political, not economic. If a Government service were

cheaper, and cheapness were the object, there would be no need to establish a monopoly ; for private individuals would not enter into competition if they could not compete at a profit. The reason why Socialist States suppress foreign competition, as well as private competition at home, is that the products of a bureaucratically managed factory cannot compete with the products of similar factories in countries where capital and labour are free. That is why in Russia customs duties are prohibitive, and why all the comforts and necessities of life are enormously dearer than in Great Britain. Let me give one or two illustrations.

In 1932, the Russian Government had established an official rate of exchange, which was $6\frac{1}{2}$ paper roubles to the pound sterling. After receiving his roubles, an English visitor found that for the purposes of making purchases inside Russia his pound was worth anything from sixpence to a shilling. A friend of mine, who stayed in Moscow in the summer of 1932, found that he could only buy one apple for a rouble, and he thought that the purchasing power of the paper rouble in Moscow was about equal to that of a penny in London. In the autumn of the same year, a writer in the *Spectator* said that the official rate was seven roubles to the pound, and the unofficial rate about one hundred roubles to the pound. "A pair of boots in the open market cost at least 150 roubles, and a square meal in a restaurant ten roubles." He put the average wage of an unskilled worker in Russia at 100 roubles per month. With a ration-card he could buy things more cheaply at a co-operative store than in the open market, provided there was anything to buy there. These so-called "co-operative stores" in Russia are the Government's substitute for private shops. As

the supply is not at all equal to the demand, there are regular queues of men and woman waiting, perhaps hours, for their turn, sweltering in the sun or shivering in the cold.¹

In the autumn of 1932, it was said of the Russian workman : " All that he has been able to purchase regularly since a year ago is black bread, tomatoes, and an ounce of tea a month." In the autumn of 1934 an enthusiastic Socialist, Mr. John Brown, of Ruskin College, Oxford, who was discontented with conditions under the capitalist system of England, spent a month in Russia. After his return in October, he stated that he could not be a Communist on the active Marxian model after what he had seen. Here are a few sentences from his report to the Press :

" There had been a complete failure to maintain equality of wages. The coal miner was higher paid than doctors and professors. . . . Housing conditions at present were vile because of the large influx from the country districts to the big towns, but a great deal of building was in hand. The standard of living of the higher paid Russian was definitely below that of a man on the dole in England. . . . One did not see many smiling faces among the workers. If nothing else, there was a great lack of variety in foodstuffs. In the Volga republics the peasants subsisted on melons, bread, fish and tea. . . . There was no unemployment. Unless a man got a job he went without a ration card. The man without a job was in a pitiable condition. Work-shies had to beg. Russia was a land of queues. He tired of the sight of them. They seemed to queue for bread and everything. In prices, foreign tourists were heavily exploited."

Mr. Brown saw no evidence of a shortage of grain in the districts he visited, and consequently did not

¹ Toward the end of 1934 bread cards were abandoned.

mention the famine in the Ukraine, which used to be the great wheat-growing and wheat-exporting area of Russia. It may be added that Mr. Brown's visit followed shortly after that of Professor Laski to Moscow.

Another piece of evidence from a friendly quarter is provided by a correspondent of the *Manchester Guardian*, who, writing from Moscow on August 13th, 1934, mentioned that the Central Mostorg, Moscow's largest department store, had begun to offer British clothing and footwear, thus "enabling Russian citizens to buy with Russian roubles high quality goods which for a long time previously had been obtainable only in special Torgsin shops, where only foreign valuta, or gold and silver, is accepted." He added: "A pair of British-made shoes selling at 175 roubles (i.e. about £25 sterling at the official rate of exchange) finds a readier purchaser than Russian shoes selling for 75 roubles. In quality and durability British goods are well-known to be superior, and the Russian public are eager to obtain them, in spite of the higher prices."

But the lessons of contemporary Russia have not deterred the Socialist League and the Labour Party in Great Britain from adopting programmes hardly distinguishable from Communism. Sir Stafford Cripps, a leading member of the Socialist League, who was elected to the Executive of the Labour Party in 1934, would employ the powers of a parliamentary majority drastically and rapidly for the purpose of bringing into being a Socialist State "on the ruins of Capitalism" — that is to say, of our present liberal institutions. It is true that the Labour Party's proposals are a little less advanced than those of the Socialist League. Nevertheless its programme of

Action, entitled *For Socialism and Peace*,¹ was comprehensive and drastic. Moreover, it was passed, with strengthening amendments and explanations, by overwhelming votes at the Labour Party's Annual Meeting held at Southport in October 1934. Its principal economic aim – the national ownership and control of primary industries and services – is thus described on p. 12 :

“Economic reorganisation and control will take many forms ; but the public ownership and control of the primary industries and services is an essential foundation step, and on no other terms, as their previous history and present situation make manifest, can these industries and services be freed from the fatal restrictions placed upon them by vested interests and chaotic conditions. The method of approach in any particular case will, of course, depend on the nature of the industry concerned.

“Banking and credit, transport, electricity, water, iron and steel, coal, gas, agriculture, textiles, shipping, ship-building, engineering – in all these the time has come for drastic reorganisation, and for the most part nothing short of immediate public ownership and control will be effective.”

On p. 13, we learn that *Transport* means “railways, buses and trams, road coaches, lorries and vans, canals, docks and harbours, coastwise ships, air liners.” *Iron and Steel* includes a considerable group of independent trades. *Agriculture* includes farms, nursery gardens, dairies, chicken farms, smallholdings, etc. *Textiles* includes the spinning, weaving, and dyeing of cotton, wool, silk, and artificial silk. All these industries, as well as electricity, water, coal, gas, shipping, shipbuilding, and engineering, are to come into “immediate public ownership and control”; and at the same time there is to be “adequate

¹ Price 2d., 1934, Transport House, Smith Square, London, S.W.1. An examination of the Labour Party's Programme has been published by the Cobden Club, price 1s.

regulation of those which remain in private hands." As soon as the Socialist Government is formed it will reconstitute the Bank of England as a Government department, and take over all joint stock banks to provide means for financing the nationalisation of industry. To quote the language of the programme, it will be necessary "to transfer to the nation the enormous powers now wielded primarily by the private owners of the finance machine," in order to bring about this vast expropriation of private owners and business men.

As for compensation, "the public acquisition of industries and services will involve the payment of fair compensation to existing owners ; but thereafter such owners should have no further part of any kind in the control or management or policy or finances of the publicly owned concern. The basis of compensation proposed in the case of transport is 'net reasonable maintainable revenue,' and a corresponding basis is proposed for other industries and services which come under public ownership."

Thus everyone who has built up a business and acquired goodwill by skill and industry will lose his job and his livelihood through being deprived of his ownership and management. He will not even be compensated by receiving the saleable market value of the business from which he has been ejected. Nor will he be paid in cash, but in State bonds or scrip, which may depreciate to any extent when the Government begins to pay its way by printing more and more paper money. Moreover, the interest will only be paid for a time. After a term of years the bonds will be cancelled, so as not "to create a permanent *rentier* class, claiming for ever from the community a tribute of a large share of the productive effort of the people." The reason for this is that the Labour Party's

Executive, imbued with the doctrine of Karl Marx, regards individual property as a nuisance to be got rid of, because it belongs of right to the Government. This is made clear in Appendix III of the National Executive's Report, "as amended after discussion with the Trades Union Congress Economic Committee." There we find the following statement :

"When therefore the community decides in the public interest to resume possession of any part of the capital wealth of the country, there is no question that it has the *right* to require from individuals surrender of some part of their *privileges* which the State has hitherto accorded to them."

Instead, therefore, of out-and-out immediate confiscation, a small and limited compensation is to be paid in order to smooth the way to Socialism. But even this compensation is to be paid largely by the individuals who are to be compensated (1) ; for we read : "The State will be able to assist in extinguishing this liability by applying part of the proceeds of the death-duties, or other taxation of capital to this purpose." So capital is to be compensated by taxing capital ; and "such taxation will be graduated."¹ It is also to be provided that the bonds or scrip will give no voting power or any form of control over the socialised undertaking to the dispossessed owners.

That the primary aim of the Labour Party is the establishment of Socialism in Great Britain by extinguishing private capital and abolishing private enterprise is made clear by the Constitution of the Labour Party,

¹ The cost of the Labour Party's previous programme, entitled "Labour and the Nation," was estimated by Lord Snowden (Chancellor of the Exchequer in both Labour Governments) at an additional one thousand millions a year.

printed as an appendix to the official report of the Southport Conference. Among the "Party Objects" enumerated in one of its Sections, Number 4 runs as follows :

"To secure for the workers by hand or by brain the full fruits of their industry, and the most equitable distribution thereof that may be possible upon the basis of the common ownership of the means of production, distribution and exchange, and the best obtainable system of popular administration and control of each industry or service."

At the Southport Conference, Mr. Arthur Henderson, one of the more moderate leaders of the Labour Party, described the positive policy which any Labour Government would seek to apply. He said :

"The basis of that policy is set out in two or three striking sentences in the Executive's Report, and I just want to quote them because they may have passed unnoticed in the bulk of the Report. There we declare :

"'The Labour Party believes that the nation must choose between decay and advance, between a futile attempt to shore up the foundations of a disintegrating capitalist society and a bold bid to establish a developing Socialist Commonwealth.'"

In another passage of the report we read :

"The Labour Party believes that industry, commerce and finance, now dominated by motives of private gain, should be transferred into public services, publicly owned and publicly controlled in the interests of public well-being."

In his address from the chair, Mr. Walter R. Smith, who presided over the Southport Conference, said : "There can be no doubt that capitalism has failed," and the report of the National Executive Committee of the Labour Party referred to "the broken ruins of the Capitalist system." Again, when Sir Stafford Cripps declared

(October 2nd, 1934) that "Socialist planning cannot be applied by taking a single industry and nationalising it," Dr. Hugh Dalton, speaking for the Executive Committee, made the following declaration :

"Now do not let us suppose that there is any serious doubt or difference in this Movement. We are all determined to make the third Labour Government a very different state of affairs from anything that we have known before, and we accept without qualification the general proposition that we have to advance boldly, to advance on a wide front, and take such steps within the normal lifetime of the next Parliament, which we hope we shall command, as will lay the foundation of a Socialist Commonwealth and sweep away obstructions wherever they may be found."

The trade unions support the Labour Party's policy. Mr. Andrew Conley, a delegate from the Trades Union Congress, said at Southport on October 3rd : "We are all one Party " ; and added :

"Let us go forward on the next occasion with a greater determination than ever in our past history, that we are going to put our full force into the field, that we are going to win this country for Socialism and all that it stands for."

There is no doubt whatever that the leaders of the Labour Party, both in and out of Parliament, are pledged to convert Great Britain into a Socialist State as soon as they can do so after they have obtained a majority in the House of Commons.

The path to Socialism has been made easier by legislation which has been aptly described as "Star Chamber invasions of the rule of law." In the last decade various Acts have been passed conferring on Ministers and Government departments extensive law-making powers enabling them to make orders, rules, and regulations. In

most cases, if an order made exceeds the powers given under the Act, the order can be quashed by the courts of law when the aggrieved person obtains a Writ of Certiorari. But there has been inserted in several statutes, such as the Housing Act of 1925 and the Agricultural Marketing Acts of 1931 and 1933, a clause to the following effect : " The Minister may confirm the order and the confirmation shall be conclusive evidence that the requirements of this Act have been complied with and that the order has been duly made and is within the powers of this Act." In *Problems of a Socialist Government*, Sir Stafford Cripps has intimated that the next Labour Government, acting on this precedent, will start by bringing in an Emergency Powers Bill which will enable everything to be done by Ministerial Orders, and that the power to challenge such orders in the courts will be taken away. In the *Contemporary Review* for January 1935, Mr. Dingle Foot quoted an argument about one of these clauses which took place in the Lord Chief Justice's Court between Lord Chief Justice Scrutton and the Attorney-General. It ended with a remark by the Lord Chief Justice that what Parliament might have said was : " After the passing of the Act the Minister may do what he likes." Mr. Justice Swift, who was sitting beside him, added : " That is what they *have* said."

To judge how helpful these encroachments would be to a Socialist Government, and how the precedents created by Mr. Elliot as Minister of Agriculture in the National Government will be extended if once the British Labour Party gains a working majority in the House of Commons, we may turn to an admirably clear and studiously moderate work recently published by Mr. Hugh Dalton, entitled *Practical Socialism for Britain*. Chapter vi tells us how

parliamentary procedure in the House of Commons should be reformed and speeded up in order to expedite Socialist legislation, Socialist expenditure, and Socialist taxation. The discussion of the Budget is to be severely curtailed, so that opposition may be swiftly voted down. At the same time, parliamentary control of legislation and the tiresome participation of Members in the amendment Bills are to be evaded by short general statutes, which will be carried out by Ministerial Orders and Regulations. Mr. Dalton says : " The National Government has travelled far along this road " by the Orders in Council of 1931, by the introduction of Protection through the recommendations of an Imports Duties Advisory Committee, and by the Agricultural Marketing Schemes. These " essays in speed " supply the very precedents that are wanted. Indeed, Mr. Hore Belisha and others are quoted approvingly on the " Revolution " which has already been achieved. They have shown " how the parliamentary system can be reconciled with swift action." Attention is also drawn to Sir Arthur Salter's pleasing suggestion that Parliament need only meet for two or three months in the year, to review the actions of Ministers, who would then have three-quarters of the year to work out the general policy for which they had received a Mandate. According to Sir Arthur Salter, the Orders in Council need not be subject to any review by Parliament, " except in general terms and often after an interval of many months."

This chapter is followed by another on the emergency legislation which will be necessary ; for " the next Labour Government must start off with a well-planned rush," so that in a comparatively short time " more than half the country's economic life " may be brought " under public

ownership and management." Mr. Dalton thinks that the emergency powers necessary to effect this revolution, and to deprive business men of their business, can be carried through without violence by democratic and constitutional means. "It is the British habit," he argues, "to respect electoral verdicts and the Governments they bring in their train, most of all at the outset of their period of office, when their moral authority is fresh and unquestionable. We are entitled to expect that this habit would be maintained, and that even vehement opponents of the Labour Party would, if defeated at the polls, behave with propriety and public spirit." This raises the question, What is a majority? and the further question whether there is, or ought to be, any limit to its powers, or to the obedience of a minority.

We may concede at once that in ordinary times and under ordinary circumstances the working of representative institutions in a democracy, whether it be a constitutional monarchy or a republic, depends upon a general recognition of majority rule. In Great Britain, the people elect the House of Commons for a term of years; and the majority of the House of Commons passes new laws and administers the affairs of the country through a committee called the Cabinet. In constitutional theory there is no limit to the power of the House of Commons over finance; but other legislation is subject to the suspensory veto of the House of Lords. Theoretically, therefore, a Socialist Chancellor of the Exchequer might propose, and carry through the House of Commons, an income tax graduated up to nineteen shillings in the pound, and he might take in death-duties the whole of all fortunes exceeding, say, a thousand pounds. If he could collect the income tax and the capital sums, he might try to distribute them in such a

manner among the working classes and the unemployed that every citizen would have approximately the same income, and thus bring us within measurable distance of the Socialist millennium, which is not Liberty, but Equality.

But a Socialist Government could not use the Budget to deprive a business man of the management of his own business, or a farmer of the management of his own farm, or a shipowner of the management of his own ship, or a shopkeeper of the management of his own shop. Here the need for emergency legislation and for a short way of dealing with the House of Lords becomes evident. When the measures for seizing control of the banks and of the leading industries have been rushed through the House of Commons, they might, and probably would, be vetoed by the House of Lords ; and this would mean that they could not be made operative under our present constitution for two or three years. Consequently the Labour Party Conference at Southport in 1934 declared that, at the next General Election, it would ask for a mandate "to deal forthwith with any attempt by the House of Lords to defeat the will of the people by rejecting, mutilating, or delaying measures which formed an essential part of the programme approved by the electorate" ; and it would "in any event take steps during its term of office to pass legislation abolishing the House of Lords as a legislative Chamber." In Mr. Dalton's words, the next Labour Government intends "to treat the House of Lords as an antiquated traffic obstruction on the democratic highway, and to remove it."

Let us now go back to the prior questions of what constitutes a majority and what are its rights and powers, considered not merely legally and constitutionally, but

morally and politically. Morally and politically, the House of Commons possesses a far greater authority than the House of Lords, not merely in finance, but also in legislation. The veto of the House of Lords is merely suspensory, and can be over-ridden if the House of Commons chooses to pass the same measure in three succeeding sessions. But until the constitution has been changed, the rights of the House of Commons and of the House of Lords are the same in the eyes of the law. Nor is it by any means certain that electors who vote for Labour candidates, attracted by promises of higher wages, more doles, and other economic inducements, will also be desirous of altering the constitution. The doctrine of a mandate is at best questionable, and certainly cannot be extended to cover all the items of a revolutionary programme. But when used to justify a political, social, and economic revolution, and the "well-planned rush" to bring it about as soon as the deputies have taken their seats, the doctrine becomes an absurdity if the majority of Members of the House of Commons (pretending to represent "the will of the people") has been elected not merely by a minority of the registered voters, but by a minority of those who actually recorded their votes.

It is quite possible that the Labour Party may poll three-eighths of the votes cast at the next General Election. If it does so, it will almost certainly have a small majority, and very likely a large majority, in the next House of Commons. The anti-Socialist vote would be divided between the Conservatives and Liberals; and if only one-fifth of the electorate voted for Liberals, the Liberal Party might have a mere handful of seats. But whatever the composition of the minority, it would represent a majority of voters and a preponderance of public opinion against the financial and

economic revolution which it is the purpose of the Labour Programme to bring about, and of Mr. Dalton in his *Practical Socialism for Britain* to propound.

There is a quite simple remedy in Proportional Representation for the disease which has infected our electoral system and made Parliaments a caricature of public opinion since the emergence of three parties. Instead of single-member constituencies, the constituencies should be grouped. Every large town with three or more Members should vote as one town, under a proportional system which would give each substantial party a fair share in the parliamentary representation. London would be divided into parliamentary boroughs, with seven or more Members apiece, and a similar scheme could be applied to the rural constituencies. This is the only true safeguard against sudden and violent changes.¹ But Mr. Dalton has no use for the

¹ At the General Elections held in the Canadian Province of Alberta in August 1935, the results in 51 single-member constituencies were :

<i>Party</i>	<i>Votes</i>		<i>Seats</i>
Social Credit	123,869	..	50
Liberal	47,050	..	1
United Farmers	30,603	..	0
Conservative	8,642	..	0
Labour	2,074	..	0
Others	7,804	..	0

Thus the Social Credit votes and the Liberal votes were in the proportion of three to one ; the seats 50 to one ! Notwithstanding the use of the alternative vote a political party polling no more than 56 per cent of the votes secured practically a monopoly of the representation for a revolutionary programme. In the City of Calgary, which elected six members by Proportional Representation, the results were :

<i>Party</i>	<i>Votes</i>		<i>Seats</i>
Social Credit	24,079	..	4
Liberal	8,000	..	1
Conservative	5,956	..	1
Labour	1,645	..	0
Others	1,513	..	0

representation of minorities and minority opinions. What he hopes for is the extinction of the Liberal Party and a return to a two-party system. We should then have Socialists and Anti-Socialists—a class division between the “Haves” and the “Have-Nots.” Any worse solution of the problem of government for a democracy like ours, and for a people with the fine political and moral qualities that have distinguished our nation, it is hard to imagine. Class warfare of the most sordid description, ending probably, if confiscation were attempted, in civil war, and ultimately in a dictatorship, would be the almost inevitable outcome.

In this forecast I have not dealt with the possible case of a Socialist majority elected by a clear majority of the voters, and of the resultant question whether a Labour Government, constituted by such a majority, would be entitled to carry out with ruthless logic the Labour Programme, and to confiscate with a “well-planned rush” in the course of a year or two, say, half the private wealth of the minority.

Such a proceeding would appear so flagrantly unjust that the owners and occupiers, on learning of their intended expulsion from the possession and control of the factories, shops, or other concerns which they or their fathers have built up by enterprise and industry, will be certain – if they have any spirit – to resist these measures to the bitter end. There may be here and there a few meek enough to practise the Christian humility and passive obedience which Mr. Dalton anticipates and praises in advance ; and there will no doubt be some fervent believers in Socialism and the equalisation of property who will surrender their own possessions with cheerfulness or even enthusiasm. Then we may be sure that a large contingent of hungry office-seekers and placemen will be supporters of the “well-planned rush.” Among them at any rate

there will be an eager desire to hasten the day when Socialist Ministers parcel out thousands of lucrative directorships among their followers. In their eyes no army of bureaucrats can be too large to take over the management of socialised industries and supplant the experienced business men who are not wanted in a Collectivist State.

A nation which extorted the Magna Charta from a tyrant king, which set up a free Parliament, and established laws guaranteeing security of life, liberty, and property to rich and poor alike, without distinction of class or creed, is not likely to consent humbly to the extinction of its inherited rights. A quiet and orderly carrying out of the Labour Programme in the fashion outlined by Mr. Dalton is highly improbable. Far more likely is Sir Stafford Cripps's prediction of "a first-class financial crisis," followed by an agitation which will have to be suppressed (if it can be suppressed) by methods as violent as those which created, and are required to maintain, the three great modern Socialist despotisms of Russia, Italy, and Germany. Whether robbery can be justified by an electoral mandate, and whether resistance to such a mandate would be right or wrong, let the casuists determine according to the value they set upon individual liberty, the institution of private property, competition, and the laws that allow men and women to profit by their own exertions and talents. Be that as it may, men conversant with the English character will be slow to believe that a conflict like that which is still smouldering in Russia, where Communism seems to be already relaxing its iron grip on the peasantry, in Italy, where Fascism has prevailed over Communism but is itself on the verge of bankruptcy, and in Germany, where National Socialism is battling against the Churches and the growing discontent of both Capital

and Labour, could be settled in this country by the political formula of a scratch majority.

If my readers are convinced by arguments advanced in the foregoing pages, and by the lessons of history or contemporary experience, that economic liberty is a good thing, and necessary to the happiness of civilised peoples, they will also, I hope, have been brought to realise that it is an essential condition of peace and security. By this I mean not merely that a system of State Socialism or Communism could only be established in Great Britain by a ferocious civil war between classes, of which we have had the ghastly example of Russia and premonitions in many other countries, but also that it must be bolstered up by an extreme form of economic nationalism. In this respect, Soviet Russia has out-distanced all other nations and Governments. It has erected more complete barriers against foreign trade and intercourse than any other important country. The reason is obvious. If all industry and capital are owned and controlled by the State, if all individual competition and enterprise within a country are stifled, the Government must protect its inefficient undertakings from foreign competition. For this purpose a high tariff is inadequate. All foreign trade must be controlled, as it is controlled in Russia (and as the programme of our Labour Party proposes that it should be controlled in Britain) by official Import and Export Boards. That being so, the menace of economic nationalism would be aggravated to an intense degree if Great Britain and other civilised countries nationalised their industries and established State Socialism. So long as Great Britain, British India, and the large Crown Colonies in Africa constituted a great free trade area, and admitted

the imports of all countries on equal terms, other countries with less possessions or no possessions at all might covet ours, but naturally preferred that they should remain British rather than be handed over to France, or any other colonial power which exploited its overseas dominions for the benefit of its own manufacturers and producers. But the combination of Protection with Colonial Preference means discrimination against all foreigners ; and though only a few restrictions have yet been placed upon the export of raw materials, these are in effect made difficult of access because the means of purchasing them is restricted by discriminatory duties on imports. Thus international peace as well as national liberty is threatened by the new policy of Protectionism in alliance with Socialism.

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