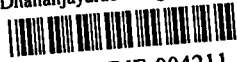


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THE ECONOMIC ILLUSION



THE ECONOMIC ILLUSION

BY

ARTHUR BERTRAM

Author of "In Darkest Christendom, and a way out of the darkness."

"The first task of the student is to contribute what he can to the restoration of sanity by insisting that, instead of the argument being conducted with the counters of a highly inflated and rapidly depreciating verbal currency, the exact situation, in so far as possible, shall be stated as it is."

R. H. TAWNEY. *An Acquisitive Society.*

LONDON
LEONARD PARSONS
DEVONSHIRE STREET

*First published 1924 by Leonard Parsons,
Ltd., and Printed in Great Britain by
C. Tinling & Co., Ltd., 53, Victoria Street,
Liverpool, and at London and Prescot.*

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CHAPTER I

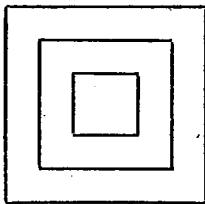
IS THERE AN ILLUSION ?

As a result of discovery, invention, organisation and the application of science to industrial processes, the modern world's power to produce wealth has of course increased immensely. The world's actual *production* of wealth has not increased correspondingly with its *power* of production, though the increase in production has been very great. Of the wealth actually produced only a part becomes available for distribution and enjoyment, the remainder being wasted and destroyed in useless and harmful commercial processes.

The distribution of this diminished residue of the total wealth produced is notoriously the subject of bitter dispute. To the man of developed social sympathies, the deprivation suffered by the poorer classes makes an irresistible appeal, but it is doubtful whether his efforts on their behalf are always those best calculated to secure the ends he desires. Instead of seeking to explore the whole position, with a view to ascertaining whether the community as a whole is receiving a reasonable return from its science and industry, too often he merely yields to the natural impulse to fling himself into current disputes, in the endeavour to obtain a somewhat larger share of the distributable wealth for the workers, although such

disputes usually leave untouched the primary causes of the trouble.

The situation may be graphically represented by the following diagram, in which the largest square represents our power of wealth-production, the intermediate square our actual production of wealth, and the smallest one represents that proportion of the latter which remains available for distribution and enjoyment after the rest has been consumed in the wasteful and destructive processes referred to.



It is not suggested that it is possible to draw such a diagram to correct scale; yet the figure will serve to illustrate our thesis, which is, that the available wealth which forms the subject of such bitter dispute is but a fraction of the total which we might produce and render available for enjoyment by the community.

It would appear that few social reformers fully realise what a world of wealth there is available beyond the small portion that we quarrel over. This fact is evidenced by the constant preoccupation of so many with minor details of current disputes, and by the comparatively small amount of attention which is given to the basic questions which really, after all,

determine the conditions under which the people must live. Many members even of the Socialist party appear to have joined that body merely by reason of their humanitarian and social sympathies, because the party is known to champion the cause of the less fortunate classes, and largely fail to realise the real scientific and mathematical strength of the true Socialist position. Many of the workers' protagonists, despite their protests against current evils, are really accepting practically without question the basis of "things as they are," adopting current assumptions concerning the production and use of wealth, and regarding temporary and accidental phenomena as if they were permanent and essential elements of the real problem. They unwarily adopt the language of the commercialist school, allowing the latter to select their own battle-ground for the dispute, and confining their own rôle to the claiming of a larger share of the available wealth for those who suffer from its lack.

We fully appreciate the devoted efforts of those who are championing the workers in their attempt to secure a decent standard of subsistence as a reward for their labours. Yet it is necessary to realise that, in the constantly recurring labour disputes, the substantial results are determined by prior conditions, and the most the workers can secure under those conditions is some slight concession, with no assurance of permanence, within the narrow limits of such conditions. The endless "settlements" effected are really determined by the respective

strengths of the disputants; and the strength of the worker is determined by the "state of trade" for the time being, and by other conditions over which he has no control.

Those who are at present preoccupied with the question of "distribution" pure and simple might be tempted to argue that, even if we could, by revising our system, produce wealth in greater abundance, and abolish the commercial operations which destroy so much of that wealth as fast as it is made, the rich would appropriate all the increase. This might be quite possible, if we let them; and the poor might perhaps do the same if we let *them*. But the abolition of the conditions which cause the waste should tend to the abolition also of the causes of the unjust distribution. Such abolition can only be brought about however by a real *understanding* of the conditions, and by definitely constructive measures framed in accordance with essential economic truth.

It is this *understanding* which is the real difficulty. Many men, seemingly, would rather continue to drag out an existence on £2 a week than "study economics." Perhaps they have tried, and gained nothing but a headache; and now, if they read at all, so soon as they see the word "economics," they sheer off like a yachtsman who spies a "snag" looming ahead when cruising in shallow waters. And we cannot wonder, for the reader knows by experience that this word usually portends that he will soon be among the rocks of "Capital," "Rent,"

“Interest,” “Demand and Supply,” “Purchasing Power,” “Currency,” “Balance of Trade,” “Gold Reserves,” “Credit Power,” “Credit Values,” “Increment of Association,” “World Markets,” “The Power of the Market to Absorb,” and a hundred other ambiguous and question-begging phrases, which seem to have been coined in the nether regions for the purpose of either involving him in hopeless confusion, or scaring him away for ever from any attempt to examine into what is essentially one of the simplest of subjects.

The reader who has wrestled with some of the existing economic treatises may demur to our epithet “simple.” But the involved “economic problems” of to-day are for the most part artificial, and of our own making; and it ought to be possible to dig out the essentials from under the mass of fictitious and irrelevant matter by which they have been overwhelmed and buried, and to reveal the *real* problem—the problem of *Need and Supply*—as one of essential simplicity, admitting of a solution which is also essentially simple. The reader who would explore the subject in company with the writer will not need to be expert in the phraseology of popular “economics,” the falsity of which must become apparent if we are successful in stating the real problem, and in analysing it into its true elements.

Naturally we do not expect the reader to accept without question the position as represented by our diagram. That diagram merely illustrates our

contention that we are failing to secure under our existing system more than a fraction of the results that could be secured by a system based on truth. It is now our duty to prove this preliminary proposition and, before we look for the causes of the Economic Illusion, to produce some evidence which shall indicate that such illusion does in fact exist.

Our power of wealth-production, and our actual production of wealth, have increased during the past century or two to an extent which we sometimes fail to realise—the actual figure being in fact incalculable—and still poverty, or the fear of poverty, hovers like a gaunt spectre over the daily lives of the greater part of the people of these islands. Seldom does anyone ask where this wealth has gone; or, if the question is raised, it is dismissed with unsatisfying generalities or with unilluminating rhetoric. Yet surely the production and disappearance—so far as the lives of the people are concerned—of this vast wealth constitutes one of the most astounding phenomena in history, and one which should be felt to press urgently for most serious and searching investigation. An enrichment which fails to enrich, an increase in wealth-producing power which leaves the producers poor, surely presents a problem whose solution ought to-day to be occupying the best brains that can be brought to bear on the subject.

Even apart from the more elaborate applications of scientific processes, the produce of earth and of labour is far more generous than is generally

recognised. In fact, even before science as we know it was born, the produce of earth wedded to labour proved sufficient to support enormous populations under the most primitive conditions of production. Great nations, mighty empires, kingdoms and republics, have flourished during practically all periods of the past several thousand years, in parts of the world widely separated from each other and subject to widely varying conditions as regards climate, fertility, access to the sea and rivers, and other natural advantages and disadvantages. It is difficult to generalise, from the historical records, as to what measure of the good things of life was enjoyed by the vast masses of the workers in these various communities, but such records, to say the least, certainly do not give an impression of any general essential scarcity, although poverty and misery have again and again been imposed on whole populations by their own unsocial or warlike proclivities, or by the devastations caused by the "great men," and the "mighty heroes," of history. In our own nation's record of a thousand years, conditions have so varied from one reign to another, and from one part of the country to another, that it is impossible to make any general statement, and to say, as is so often loosely said, that people were better off, or worse off, in "olden times." As a rule, however, it will be found that, during those periods when the rich and powerful ceased or were restrained for any reasonable time, in any part of the country, from plundering, oppressing and enslaving the people, and

when the latter were attending to their business instead of making war on each other, simple industries flourished, and the fruits of their industry sufficed to maintain both workers and traders.

Dealing only with those nations whose civilisations ceased before our own began, we have an enormous series of periods during which practical science, invention, discovery and industrial organisation in the modern sense did not exist. Not only of course were there no railways, no steamships, none of the mechanical means of transport and communication which form such important factors in facilitating and multiplying the production of wealth; there was no coal, no petroleum, no discovered deposit of fertilisers, and no machine or engine of any kind, if we except such simple contrivances as hand weaving frames, windlasses, catapults and battering-rams; while *power*, which multiplies so enormously our capacity for the production of wealth, was invented and applied to industrial purposes only in the eighteenth century, and to transport in the nineteenth.

It would seem natural to assume that—other things being equal—the increase that we enjoy in the power of producing wealth should make us richer in proportion to that increased power. Real wealth does not of course consist in money; wealth is that which comes to us in a form in which it can be enjoyed, such as food, raiment, houses, furniture, utensils, books, beautiful cities, means of healthful or elevating recreation, etc.—to confine ourselves at

present to *material* wealth alone. The power of wealth-production is the power to produce or make these things and any other things we may deem desirable. This power has increased in some directions almost beyond computation. The wealth produced by one man's industry to-day is in many cases greater than could be produced by a whole factory in the past, or by a whole village before factories existed. This increased productive power of labour and the discovery of new sources of supply have multiplied our resources by a figure which has been declared by good judges to be a hundredfold. It is of course impossible to justify any precise figure, but we propose to adopt a figure which can err only on the side of moderation. It must be remembered that the productive power of, for instance, the labour devoted to agriculture, stock-raising, wool-growing, etc., although enormously augmented, cannot have increased in anything like the same ratio as in the case of the manufactures, or of transport and communication, and this fact will reduce the average. Yet that average must be represented by a very high figure. The discoveries of coal and petroleum alone have produced new real wealth quite sufficient to turn a starving world—if the world *had* been starving—into a prosperous one, while the application of "power" to practically every branch of industry, from agriculture to shoe-making, has simply revolutionised the problem of wealth-production.

The utilisation, owing to invention, of other pre-

viously latent sources of wealth, has opened up resources of food and other supplies as undreamed of by the ancients as they are unknown to-day by many people who consume their products. The wonderful improvements in cultivation and breeding also—resulting in an enormously increased yield per acre, *and per unit of labour*, of corn, meat, milk, butter, wool, cotton, etc.—represent additions to the real wealth of the community of tremendous value. We might almost include iron, and the metals generally, as new wealth, so greatly has the power of producing these forms of wealth been multiplied and cheapened. In transport and communication—both essential factors in production—the invention of the steam and internal combustion engines, the discovery and applications of electricity, the invention of telegraphy and telephony with and without wires, the introduction of printing, the dissemination of the arts of reading, writing and ciphering, the organisation of postal and transport systems, etc., have multiplied the productive power of labour in these services to a degree that we cannot attempt to calculate, but which is probably more than a thousandfold.

We propose, for our argument, to assume only a *tenfold* average increase per worker—or per head of population—in our power of wealth-production. We have never known a writer place it lower, and our adoption of that figure will at least leave us free from the charge of exaggeration.

Now our case is not that the peoples who lived

before our era were as well off as we are—that would be difficult to say, for the reasons already adduced—but that, in the first place, *they existed*. And, in the second place, nations with that restricted power to produce wealth often enjoyed considerable prosperity; how is it that we, with the power to be at least ten times as rich as they were, are not “wallowing in luxury”? *They* found sustenance, lived and multiplied. With only one tenth of our productive power per man, they did many mighty works, both useful and wasteful, constructive and destructive, expending energy, as we do, in the arts both of peace and of war. In many cases thousands, and even hundreds of thousands, of them were maintained together in one place for long periods, and nourishment was found for them to supply the energy with which they not only at times fought and destroyed each other, but also at other times built cities, palaces, amphitheatres, temples, castles, mansions, villas, roads, aqueducts, pyramids, colossi, etc., the very fragments of whose ruins constitute to-day some of the wonders of the world; while countless relics of their works of industry and art exist to testify of workmen free to devote time, and loving care, to the work whereto they set their hands. In many cases evidences exist of considerable and even extravagant wealth and luxury, enjoyed, not only by kings in their palaces and nobles on their estates, but also by the middle classes in their villas—for it is not a fact that the middle class is purely a product of modern times.

Now from the fact that the workers and fighters of those ages—i.e., the masses of the populations—lived and propagated, and expended great energy, it is evident that they were nourished, clad and housed, that they obtained supplies of the things necessary to life and achievement on some scale roughly comparable with that enjoyed by the mass of modern civilised workers, as we know in fact to be the case. The first condition of a nation's continued existence and progress is the maintenance of its population at a sufficiently high state of efficiency to enable it to perform its functions. *They* did this; *we*, with ten times their power of producing the means, do no more, so far as the mass of our people is concerned. The modern worker does not appear to receive an *effective* income—that is, a supply of necessities in proportion to his essential needs—greatly, if at all, in excess of that enjoyed by his prototype, although the modern can produce as much wealth in a day as the ancient could in ten.

In considering the question of wealth and its production, we cannot too strongly urge on the reader to banish from his mind the idea of *money*, and never in any instance to think of “money” when the word *wealth* is employed in this book. We apply the term *wealth* to the things produced by labour, not because they are capable of being sold for money, but because *the things themselves* are wealth, and the only real wealth. The production of such things is the only real object of industry. We do not care, for our present purposes, whether all the

workers of old received wages, how much a week they got, or how their food prices compared with ours. We refrain from discussing the nature and functions of "money," "currency," "credit," etc., because we wish to keep the reader's attention directed more to the *realities* of wealth. The attempt of the student to begin the examination of the economic problem by plunging into questions of "currency," "wages," "credit," "prices," "markets," etc.—all temporary and unessential phenomena, and largely unreal as regards the assumptions to which they give rise—only results, like the love of money itself, in "drowning him in destruction and perdition." Wealth is the possession of needful or desirable things; income is the continual supply of these things. For three-fourths of our population, the great problem of life is still to secure with reasonable certainty a sufficiency of these supplies just to live, to maintain their strength and to be decent. Moreover, those who at present have the handing out of such supplies—the employers—are insisting vehemently that they cannot afford to continue them even on the present meagre scale, and are continually seeking to compel the workers to accept as wages an even lower proportion of the wealth they produce by their labours.

Such a state of things, unless some other explanation be forthcoming, would appear to indicate that society labours under some economic error which prevents it from making effective use of the enhanced powers of wealth-creation with which it is endowed.

If this be so, then so long as the delusion persists there can be no hope of amelioration. Even if we should succeed in the near future in again increasing our wealth-producing power tenfold, the mass will still remain poor. The worker of the future may do a present week's work, and produce a present week's wealth, in half a day, but it will be only half a day's wages that he will receive, and no one will know where the extra wealth produced has gone. Neither, unless people can be roused from their present condition of unquestioning acquiescence, will anyone trouble to enquire.

CHAPTER II

WHAT HAS BECOME OF OUR WEALTH?

THE phenomenon we have been considering might perhaps be more striking if it represented the case of a single household instead of that of a community. Imagine a family inheriting a valuable estate, with rich potentialities. The members of the family are industrious, and appear to be intelligent. Although the estate is only in a primitive condition of development, and the family have yet to learn the art of exploiting it efficiently, it is so naturally fertile that they just manage to scrape a living out of it even in the first year. In twenty years' time the very aspect of the domain has changed. Its owners have learned the secret of tapping its richest resources, and almost literally make ten ears of corn grow where one grew before, for the yield has increased tenfold. But, somehow, they still only just manage to "scrape a living" out of it. Life is still a constant struggle, as it was in the early days. Surely such a state of things would call for some explanation. And surely our case as a community is equally anomalous, and calls equally for explanation. It may be replied, of course, that the family has increased, but we shall show that the estate has increased with it.

Explanations of a kind are sometimes proffered.

Conditions are so entirely different now from what they were formerly, it is urged, that we cannot compare the present with the past in that way.

Any exact and precise comparison is admittedly impossible, but still the facts cited do raise a problem which ought to be capable of some explanation. At a certain period in the world's history, after civilised communities have lived and flourished for thousands of years, their power to produce the wealth by which they live is almost suddenly increased tenfold; and yet poverty, or the fear of poverty, is still the daily companion and the nightly bedfellow of the bulk of the members of those communities. What is the explanation? Conditions have changed, it is urged. Does this mean that we have made conditions for ourselves which prevent our reaping the benefit of our enhanced power of wealth-production? If so, would it not be wise to examine those conditions, with a view to discovering whether we cannot change them again in a more desirable direction? However, we will endeavour to deal with some of the explanations which are either categorically proffered, or which are implied in many current ideas and observations on social matters.

First of all, it is sometimes suggested that the employing, landed and leisured classes—or the "capitalists"—have seized upon the additional wealth created. What is needed is a more equitable distribution.

The present inequitable distribution of wealth is

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an evil of the first magnitude—though this is no new thing; there were millionaires, as there was poverty, in the Roman Empire. The possession of excessive wealth by individuals, with the power over the lives of their fellows which this involves, is prejudicial to the community both morally and materially. Nothing is further from our wish than to minimise this evil. But it is easily demonstrable that the increase in the total effective income of the country rendered available for use and enjoyment—irrespectively of how it is distributed—is not sufficient to destroy, or even to impair, our argument, though a more equitable distribution would undoubtedly do much to relieve present distress.

Then it is suggested that the worker in the past was hardier, and that he could—and had to—live on much simpler fare. Our standard of living is higher.

As to the hardiness, this if it were true might only suggest a further indictment against existing conditions; but our reading of history leads us to doubt it as a general proposition. There have been hardy races and there have been effeminate ones, but most civilised races have consisted, like our own, of some of each kind. It must be remembered that we are not comparing our present workers with savages, but with the workers in past *civilisations*. As regards the raised standard of living, we know that the historian can point to many instances in various countries in the past, of people living under horrible conditions; but in view of the conditions under which millions of *our* people live, the wise historian

will hesitate before making any sweeping assertions which could justify some of the popular ideas as to relative poverty *generally* under ancient and under modern civilisations. The argument of the raised standard of living is certainly incorrect if it is meant to imply any increase in the quantity of supplies (i.e., wealth) consumed by the workers, so great as to account in any appreciable degree for the discrepancy we are endeavouring to trace. We should be the last to deny what some of the workers have suffered in the past. We merely call attention to the absolutely historical fact that civilisations *have* existed in many cases to which our statements apply. In many of these instances material wealth has existed in abundance, coincidentally with large populations whose labours were only one tenth part as productive of wealth as ours are; and it would seem, by all the rules of arithmetic, that their members should not have received more than a tenth part of the wealth enjoyed by our people—an impossible proposition, since we know that such a state of things would have been fatal to the existence of the earlier race.

There is a loose impression abroad to-day that "our forefathers" (a vague expression which may mean any one among thousands of tribes and nations living under thousands of widely varying conditions) lived "near to nature," in caves or rude dwellings; the roots of plants, the fruits of the forest, or the proceeds of the chase supplied their simple needs; they covered their bodies with paint, or with

WHAT HAS BECOME OF OUR WEALTH? 25

the skins of animals; the stream which ran before their dwelling furnished their only drink, while a rudely-dug ditch carried away the refuse. This "outline of history" which is in so many people's minds leaves them more imperfectly informed than if they confessed entire ignorance of the past. It would be equally true to say that "our forefathers" dwelt in cities, in mansions and villas. They drank wines, and wore comely raiment. The arts reached degrees of perfection among them which we in some cases find it difficult to attain. Without science as we know it, and especially without labour-saving science, they executed in numerous cases marvellous architectural works such as we, with ten times their wealth-producing power, "cannot afford" to build to-day. They constructed systems of water supply, and even of sewerage, at which the historian and the antiquary stand amazed. They maintained poets, artists and philosophers, often with great liberality, while works of art which are in many cases the despair of the present generation were executed in great profusion. The majestic edifices and sculptures of Egypt, Persia, Assyria, India, etc., the architecture and sculpture of Greece, the stupendous buildings and monuments and civil engineering works of the Roman Empire, the cathedrals of Europe and Britain in the middle ages, the universities of later times, were all provided out of a wealth compared with which ours should be as ten to one. And under those conditions the people lived lives which in many cases did not present any such

contrast to those of our workers as might be expected from the fact that each of the latter can produce on an average ten times as much wealth in a day as could the former. Why was not life *impossible* for the ancients, as we should certainly expect it to be for ourselves if our wealth-producing power were to be reduced to one tenth of what it now is?

The lives of the members of those mighty, virile nations must not be deduced from those of the present degenerate inhabitants of some of their lands, who build no cities or temples and do no mighty works, in some cases doing as little work as they can of any kind. It cannot be supposed that men of those old civilisations toiled and fought on one tenth the quantity of food consumed by our workers, wore only one tenth of the clothes, and lived in dwellings constructed out of one tenth of the materials and labour required to build our workers' dwellings. A man needs about a thousand pounds weight of food a year, and we may be sure our ancestors did not need less. These people had stomachs like we have, that needed suitable aliment, and rejected unsuitable, or at least were as incapable as ours of turning food into muscular and nervous energy unless the necessary elements were in the food. It is as much as a family can do to-day to procure sufficient calories in food, in addition to clothing, housing, etc., out of an average craftsman's income. These people's bodies were subject to exhaustion and fatigue like our own. They needed shelter, and some degree of comfort, and vast masses

of them obtained all these in sufficient measure at least to maintain them in energy for their work.

Another objection may be that the climate was more benign, and that less calories are required to support life in warm climates. But, although some of these countries were undoubtedly hot at certain seasons, great nations have arisen also in northern climes, and left their mark on history. Especially is this the case in the later historical periods, but still centuries before the great increase in the power of wealth-production set in. However, if the reader prefers, the comparison can be made with our own country 200 years ago, before the Industrial Revolution which commenced in the latter part of the eighteenth century. That "revolution," although it brought enormous wealth to the employers, brought unspeakable poverty and misery to the workers and their children. Such was the result, for the mass of the people, of a great *increase* in our wealth-producing power! There has been suffering enough, God knows, among the workers from various causes, but in the generation preceding the Industrial Revolution their condition, as regards the amount of sustaining foods, etc., they were able to obtain, does not seem to have compared very unfavourably with that of millions of our own workers. Now it is quite safe to say that there has been at least a tenfold increase in our wealth-producing power even in these 200 years. Here are we, the not very remote descendants of these very men, in the same climate, with substantially the same idiosyncrasies as regards

our physical requirements, each capable of producing ten times as much wealth as they produced, yet most of us still living, as they did, on a bare sufficiency; and even that is unobtainable for many. Professor Thorold Rogers declared in 1884 that only the most highly organised of the workers had succeeded in regaining the relative rate of wages which were earned *in the fifteenth century*.

But, it may be objected, surely there has been *some* improvement in the condition of the workers, as evidenced, for instance, by the lowering of the death rate among them.

We of course admit that the workers have reaped some advantages from the improved conditions which we enjoy generally as a result of the progress of scientific knowledge, and of factory and sanitary legislation and of other causes. The improvements in transport, communication and facilities for exchange alone have made deaths by famine almost a thing of the past for most nations in normal times, and have reduced the effects of merely local failures of crops, etc., almost to insignificance. Such benefits could hardly be confined altogether to certain classes to the exclusion of the workers, but there is nothing in these facts to invalidate, or even to affect, our argument.

“ But the workman of to-day wastes a great part of his wages in drink ! ”

This statement, if it is intended as a contribution to the present discussion, will not bear examination. The data do not exist to enable us to make a reliable

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comparison between the drinking habits of the workers of to-day and of those of past periods, though we know that many of the latter were familiar with the taste of wine. Yet, if the suggestion is that the disappearance of any substantial portion of the increased wealth we are able to produce is accounted for by the modern workman's drinking habits, such suggestion is certainly erroneous. The truth in this matter may be baffling in its simplicity to unreflecting minds trained in the popular "economics" of the daily press, yet a clear grasp of that truth is of the first importance, and will serve as an introduction to the *real economics* which are adopted for the purposes of our arguments throughout this work.

The truth then is that no substantial part of our missing wealth can be so accounted for, even if we assume that all the workers of old were total abstainers—which they certainly were not. It is a notorious historical fact that early in the last century the British Government inaugurated a "cheap beer" régime. The duty on beer was reduced to a minimum, with the result that certain low drinking cellars displayed the notice: "Come in and get drunk for 1d.—dead drunk for 2d." Whether you really got your money's worth we cannot say, but the incident illustrates the fact that the cost of beer—as of alcoholic liquors generally—to the consumer is composed almost entirely of *duty*, and of *profit on the duty*. Take off the duty and the profit thereon; and the actual cost of the article is trifling. In drinking beer or whisky, the drinker consumes a very small portion

of the real supplies, or wealth, of the country. The workman has been recommended by well-meaning persons to substitute for his beer a mixture of oatmeal and water! Had he adopted this festive suggestion, he would probably have been consuming, in his—say—farthing's worth of oatmeal, about as much real wealth as he consumes in his half-pint of beer. It follows that no substantial part of the missing wealth which we are endeavouring to trace can be accounted for in this way.

We are all for temperance, but we are also for scientific truth. In response to such a question as that at the head of this chapter, it is not unusual to hear the answer: "I can tell you where £400,000,000 of our wealth goes every year; it goes in drink." It does *not*. That may be the amount of money that changes hands, but the real wealth consumed amounts to but a fraction of that figure. All classes would be better if we spent less in intoxicants, but the saving would be, not in the amount of wealth consumed, but in the health and morals of the people.

We imagine however that the great objection to our argument from the past will be the immense increase in the population. "There are so many more mouths to feed."

Popular ideas as to a regular and sustained increase through the centuries in the population of the world are often very wide of the mark. Many ancient civilisations sustained large populations. Gibbon estimates that the degree of population in the vast Roman Empire, when it stretched from Britain in

WHAT HAS BECOME OF OUR WEALTH? 31

the west to the borders of Persia in the east, possibly exceeded that of modern (late 18th century) Europe. Yet we of course agree that the general increase, and especially since Gibbon wrote, has been very great—so great, indeed, that if there were any truth in the ideas which became current a hundred years ago, and which still form the basis of popular and press economics, we should all be starving to-day.

Yet surely the workers have increased with the population; potential wealth-producers have increased proportionately with wealth-consumers; the hands to labour have increased in the same ratio as the mouths to be filled; each mouth with only its ancient capacity to eat, but each hand with ten times its ancient power to produce the wherewithal. Other things being equal—an important reservation with which we shall deal directly—an increase in population cannot make it harder to provide for a people so long as the number of providers increases with the number of persons to be provided for.

We should be doing the intelligence of our supposititious objector an injustice, however, if we affected to assume that he would rest here. The necessary complement of the last mentioned objection is that the world, from which we draw our supplies, has not increased with the population. We have an immensely increased number of people to live on the same area of supply.

This is of course a form of the old Malthusian doctrine. A hundred years ago, Malthus elaborated sundry arguments, and laid down certain propositions

which he dignified by the name of "laws," which were entirely discordant with such facts as were ascertainable at the time, and which have been absolutely refuted by subsequent experience. So persuaded was he that the workers were redundant—that the country could not maintain even the population of those times—that he declared that the only course was to leave the poor to be destroyed by misery and vice. Yet he is still quoted by many as an "authority." Malthusianism, like original sin, seems to lurk naturally in the human breast; we are always afraid that "there won't be enough to go round." The objection, however, so far as the present argument is concerned, can be easily disposed of. The world *has* increased in size, or at least that portion of its surface and sub-surface from which we draw our supplies, at least equally with the increased demands made upon it. The world as known to the ancients was small compared with that exploited by the present generation. And even within that known world, enormous tracts of territory were absolutely unavailable for furnishing supplies, owing to absence of means of production and transport. All this is to say nothing of the new world of metals, fuels, fertilisers, etc., which has been discovered beneath the earth's surface.

But the point is disposed of once for all by the fact that *we have never yet, in any important direction, touched the limit of our supplies.* Except in local and incidental cases, industry has never had to cease for lack of material to work on. Make it worth their

while—provide them “markets,” as they would say—and our leaders of industry will produce you a fifty per cent. increased output at comparatively short notice, and will prove to you that our increased power of wealth-production is not hampered by the smallness of the earth or by the natural limits of the sources of supply. In fact, is not the cry always for “orders,” for “demand,” for “markets,” for “outlets”? and does not this show that *supplies* (i.e., wealth) are comparatively easy to come by? It seems safe therefore to reiterate and summarise our preliminary argument in the following terms:

(1) We have increased the average capacity of the workers to produce wealth, or supplies of the things we need, at least tenfold.

(2) We have not been hindered from exercising this increased capacity by the smallness of the available portions of the earth’s surface and sub-surface, or by the limitation of natural supplies, or raw material.

(3) If therefore, before the increase, the worker enjoyed sufficient supplies to enable him to live and work, his successor to-day ought *at least* to be in a position in which want, or the fear of want, should be unknown.

Needless to say, this is *not* the happy position of the world’s workers, and that fact alone would seem to indicate that there is some great error underlying the accepted economic ideas, leading to the application of wrong principles in practice. The problem posed in our opening chapter still persists, and remains to be answered.

CHAPTER III

THE REAL ECONOMIC PROBLEM

WE have given the name of *real* to the economics which form the basis of this work, not for the purpose of asserting that ours is the true and only genuine economics, but on account of a very real difference in the principle which underlies the popular treatment of the science and that on which we propose to proceed.

The popular method of dealing with economic questions assumes a given system—our present one—and treats of the phenomena which are observed or imagined to arise thereunder. Real economics, on the other hand (*real*, from the Latin *res*, a thing), assumes nothing—except, of course, such facts and axioms as we should all agree upon—and certainly assumes no system. It deals with *things*—the things we need. Real economics starts from the fact that humanity has certain needs, and concerns itself with seeking to discover the most satisfactory way of meeting those needs. The study of real economics may indeed *lead* to the formulation of a system, but such system, to be acceptable, must answer the requirement suggested; it must be, to the best of our belief and capabilities, the most satisfactory method of satisfying human need.

The problems which occupy people so largely

to-day form no part of the *essential* economic problem, but are the outcome of the anomalous positions we have created for ourselves. It is our preoccupation with these artificial problems, our vain struggles to reconcile irreconcilabilities, that hinder us from recognising and dealing with the real problem. Among a community whose dwellings were built without doors, there might not only be two main schools of opinion, champions of ingress and egress by the window and by the chimney respectively, but numerous subsidiary problems would also present themselves concerning the best ways of effecting those manœuvres. "Reformers" would plead for wider chimneys, or for windows which "open at a touch," while the author of "Up the Chimney in Five Seconds" would probably reap a lucrative harvest in royalties; but once doors had been invented, the problems of the doorless age would be recognised as being *non-essential*, and would cease to exist. The community would have discovered a better "way out," and the effusions of its ancient guides would very properly be consigned to the scrap-heap or the museum.

Yet these guides would have rendered more real assistance to their age than we are given by our conventional "economic" publicists, or by the various "Chambers" and "Federations" which seek so vainly for solutions to insoluble problems. They would at least have got the people in and out, if sometimes in a dishevelled condition; our "economics" get us nowhere. The activities of the

numerous agencies which seek to influence our economic affairs are probably saved from doing greater harm than they do only by their ineffectiveness. Our highest dignitaries and "experts" proceed, with a fanfare accompaniment from the press, to "stabilise the exchanges"—and German "shillings" fall from a penny a hundred to a penny a thousand, and thence to a penny a million and a penny a billion. "Conferences," "Consultations" and Councils are arranged; French and Italian ministers with their retinues troop over to London, English and French to Rome, Italian and English to Paris, and so *Da Capo*, to compose economic and commercial differences, with no more beneficial effect on our economic condition than if they had met to play bridge. We hunt through the world for "markets," while our own people lack the means to go to market with; financiers and commercialists combine in devious measures to "create a demand" for our goods, while the demand of the British people for food and the necessaries of life remains unsatisfied, and largely unheeded. The problems of "finding markets," of "creating employment," of "resuscitating trade," and a hundred other problems of how to find economic order in disorder, are problems which have no *essential* existence; they are attempts to put together a jig-saw puzzle which we have made for ourselves, and whose pieces *do not fit*. The recognition of this insurmountable fact is an essential preliminary to our seeking and finding a permanent way out of our economic troubles.

It is urged by many thoughtful people that the *moral* solution is the only real one; or, as others rightly put it, the *Christian* solution. But do these people realise the implications of what they ask for? For our social and economic system is the *negation* of Christian principles. The appeals of an *Industrial Christian Fellowship*, or of other well-meaning bodies, for "mutual consideration" between parties with antagonistic interests and occupations, appear to be directed to the saving of the system rather than to the saving of humanity; and so long as this is the case they will hardly pay the expenses of their issue. "Mutual consideration"—in cutting each others' throats! There is often much—perhaps unconscious—hypocrisy in the protestation that "our system would work well if we would only work it well!" War would work well, and would hurt nobody, if it were only waged in a friendly spirit—but then it would not be war; and industry will work well, and will benefit everybody, if we will only work it for the good of all—but then it will not be our present system.

For that system is war. Palliatives are but "comforts for the army," acceptable under the conditions, like knitting socks for soldiers, but this never yet saved a soldier from "finding one." Our philanthropies are but the army's Medical Corps—all helping in the conflict. The wounded and stricken are naturally grateful for their services, but the only way to save our sons from such tragedies is to *stop the fight*. All our ingenious schemes—profit-sharing,

co-partnership and the rest—are but ruses to reconcile the worker with his fate, or to delude him into the belief that he is getting the best of both worlds. If we are sincere in our professed desire to act on Christian principles, we must be willing to submit our scheme of life to an honest and radical scrutiny and, if we find it incompatible with the best interests of our brother, *to change it*. To insist on the maintenance of a system built on mutual antagonisms, while riding off on vague promises to be as kind and just to each other as possible *within the system*, savours of hypocrisy.

Before we discuss the *distribution* of wealth, we must consider its *production*. Here, at the very threshold of our study, we must get our minds clear. So long as each individual is merely considering how *he* shall *acquire* wealth, or how he shall “get a living,” our minds are not attuned to the consideration of the true problem. A moment’s thought will enable everyone to see that one may easily *acquire* wealth without *producing* it, or doing anything to assist in its production—we may simply win it from each other. Now it is evident that in any calculation of the total wealth produced by a community we must exclude all the gains that we merely make out of each other, whether by penny “nap” or by commercial processes. The only wealth we can gain from each other is wealth that has already been produced, or brought into existence, by the labours of that other, or of some third party. The total amount of wealth *produced* alone represents the total

income of a community. This total income is not increased by the number of times it changes hands within the community, or by the gains of individuals when no useful wealth is produced or necessary service performed.

In a complex society such as our own, it may be difficult to say just which activities really assist, under present conditions, in the production of wealth, and which consist merely in the gaining from others of wealth already produced, or what may be termed—without offence, for we are all slaves of the system—parasitical. But, fortunately for our thesis, it is not necessary at this stage to appraise the real value of each man's alleged services to the community; all that is necessary is to grasp the principle, and to proceed to the examination in the light of the principle. Generally, however, we may reckon as being engaged in production all whose services assist in any way in the actual producing, fashioning, transport or distribution of necessary or desirable commodities, or in such organising, clerical or other work as is necessary thereto, and all those engaged in rendering useful services to the community by research, invention, instruction or ministering in other ways to its well-being and enjoyment.

Here, however, we find ourselves confronted by a most disconcerting fact. By the rule laid down, it might seem that the miner, brickmaker, or craftsman is always and entirely a producer, but in the last resort this is by no means the case, since, through no fault of theirs, the products of such men's labours

are often used up for useless or even harmful purposes. This fact will be fully demonstrated later. The purest instance of a producer is that of a housewife in her home, for she takes the raw materials of her industry and applies the necessary labour to them, never for the purpose of making merchandise of them, but only for clothing and feeding the family. And the value of all industrial and commercial activities must be appraised according to the degree in which they assist in feeding the great human family—not only of course with literal food, but with any of the things that are good for it. Yet it will be found that the products of the labours of many honest craftsmen and other workers never, even indirectly, reach the community, or contribute in any sense to the supplying of its needs. The wealth they produce by their labours is used up for the purposes, not even of creating other forms of wealth, but of providing ammunition for the great war between producer and producer, and between producer and consumer. Services are only useful or wealth-producing in so far as they assist in feeding, clothing or otherwise ministering to the great family of the community, *by the things produced or the work done*, and *not* by the profits received for doing them. The baker who bakes our bread, the tailor who makes our clothes, the bricklayer who builds our houses, are each creating wealth, not by earning so many pounds profit or wages, but by producing the things, or wealth, whereby we members of the community live. If the men now doing these things were doing other

things which do not minister to the life of the community *by their products*, no matter what wages or profits they received, they would be wasting their wealth-producing powers; and this is what is continually happening in vast numbers of cases.

Let us examine our problem from this point of view. We must begin at the beginning, untrammelled by ideas insensibly absorbed from the commercialised world around us, which regards the acquisition of wealth by the individual, instead of the creation or bringing into existence of wealth, as the object of industry. To start by talking of "markets," wages, demand and supply, etc., is to accept without question the erroneous assumptions of commercialist economics which have brought us to grief. Man finds himself on the earth, which is a potential storehouse of the things he needs, while he himself is gifted with the power to win those things from the earth. Quite simply, the problem is how best to do this. How can *we* obtain from the earth, *and use to the best advantage*, the things that we need? The moment we say instead, "How can *I* get gain?" we are thinking unsocially and unproductively, and our action based on our thought is likely to be inimical to the interests of the community, for we may be tempted to get gain by preying on other men's labours instead of *assisting* in the good work. We tend to become parasitical.

It is irrelevant to argue that "a man must look after himself." If a sober examination of the facts indicates that the principle, embodied in our system,

of leaving each man to look after himself, is a chief cause of our woes, then we must change the system for one embodying the principle of looking after each other. Popular economics assumes the problem to be, not, How can we best obtain from the earth the things which the community needs? but, How can each of us get gain out of supplying, or pretending to supply, that need?

But the people to be supplied—or consumers—it may be urged, are roughly identical with the suppliers, since all are consumers, and the majority of able-bodied persons render some service, or alleged service, for gain. The identity is however by no means complete; but even if it were, is it not clear that it must be a fatal error to regard the object of industry, as it is always regarded in current economics, as the production of gain in the form of profits or wages, when we *know* that its sole proper object is the supplying of the community with its products? There is, and there can be, no other legitimate object in industry than this. There is, and can be, no other “*raison d’être*,” no other *excuse* for industry, than the hunger of the people for the things which industry can produce. The servant as such exists for the persons served. The primary and the ultimate object of industry is the *consumer* as such; not—be it noted, as is so foolishly taught—because the consumer is useful to industry in “creating a demand” for its products, but because industry was only made or invented to produce the things to be enjoyed by the consumer. In a word,

Industry was made for the consumer, and not the consumer for industry. If we were not hungry we should need no bakers; if nature clothed us in furs we should need no tailors; while if we could live the perfect life on air there would be no need for industry at all.

This seems all very obvious, yet the intelligent recognition of these obvious facts reverses the assumptions of commercialism.

It is of course quite natural, and not necessarily unsocial, for the supplier, or servant, to think of his reward, and under a just economic system we shall see that this is secured to him, which it is *not* under the existing régime. But at present the community, instead of organising industry to fulfil its proper function of ensuring supplies to all its members, leaves that momentous duty to be performed by anyone who may think it to his profit to undertake it, with the result that the practical problem has degenerated into that of finding jobs for ourselves whereby we may get gain out of performing some alleged part in that service. And all proposed measures are popularly judged on the basis of how many and how great opportunities they will provide for people to make money out of serving or pretending to serve the community, instead of on the basis of how far they will furnish the members of the community, *by their products*, with the necessary and desirable things of life. Hence such familiar topics of discussion as "How to extend our markets," "How to find work for all," etc., instead of

“How to increase *supplies*,” “How to find *food* for all.”

This false attitude towards industry may be summed up in the word *Commercialism*, a word which appears to express the evil that afflicts us far better than the word “Capitalism.” A comparatively small number of people are capitalists, whereas the majority are under the delusion which we call commercialism. It is the attitude which regards industry as carried on for the benefit of the persons engaged in it, rather than for those whom it serves, or should serve, *by its products*. This is the Economic Illusion, though we shall see in subsequent chapters what other strange forms it takes. It is the state of mind which, if consistent, would regard sickness as a commercial asset, since sickness is profitable to the doctors, a respectable and worthy section of the community.

“This is all very well,” says the wage earner; “still, my interest in the scheme of things is in the question of wages.” “And mine is in the question of demand for my wares,” says the shopkeeper. “And mine in the demand for flunkeys,” says the footman.

My friend, you cannot learn the truth of a matter so long as you study it—or refuse to study it—with a bias on the side where you imagine your immediate interests to lie. Do not survey the world from your bench, or over your counter, or through your hall window. Your primary interests are *not* as a worker, or as a supplier, or as a servant, but as a consumer.

In other words, you *need* certain things. Your real interest in the scheme of things arises from the fact that you have a mouth and brain that need feeding; a body sensitive to heat and cold, comfort and discomfort; lungs that require pure air and a healthy home and surroundings; a moral, spiritual and aesthetic nature that requires opportunities for development and satisfaction, and a family dear to you that also needs these things. Be content to study the subject without bias, and see whether we cannot find a way to provide these things for you and yours—and also for *the others*, whom perhaps you sometimes forget—while still requiring your whole-hearted assistance as a worker.

Under existing conditions, we know how intimately the individual is affected by such questions as “How to find work,” “How to maintain wages,” etc.; and so long as the system lasts he will continue to ask them. But, *there will be no answer*. After discussing the problem of unemployment for a generation, unemployment has attained unprecedented dimensions, and a commercialist system is powerless even to suggest a remedy. The worker would serve himself and his fellows better by asking some very different questions. As he starts his daily work, for instance, he might profitably ask himself the question, “What am I doing this for?” Not “What shall I get for doing it?” but “What purpose will this thing serve that is now being worked upon by my hands? What real need will it meet?” If we would clear our vision we must drop for the moment our preoccupation

with the opportunist problems which arise as scum on the surface of the present welter of conflicting interests. To worry ourselves with the familiar "posers" referred to is to accept assumptions concerning economic essentials which will not bear examination. It is like attempting to correct a sum in arithmetic by assuming that it is all right down to the last line but one, and altering the last line to agree therewith, when it has really been worked wrongly all through.

CHAPTER IV

RECEIPTS AND EXPENDITURE

THE earth, including its soil, strata, water and atmosphere, is our sole source of wealth. There is no real material wealth of any kind to be obtained in any way except from the earth. To our dismay, we have discovered that there are people who really cannot "see" this. "Some of us get a living by rendering services," they will tell you, "and some by the use of our capital." When we have urged the truth, people have suspected us of wishing to claim that only those engaged directly in extracting, growing or fashioning things from the earth are performing useful service—a claim which would of course be absurd. Yet it is imperative that we never lose sight of the fact that there is no material wealth apart from the things so extracted, grown and fashioned.

Wealth can only be won from the earth by labour. It is of course the labour of the brain—in science, invention and organisation—that has multiplied so greatly the producing power of the work of the hand. It does not matter whether a community conducts itself ideally, or whether it conducts itself—like *we* do; every man of it will still live—and live alone—on the produce obtained from the earth by labour. His own part in the scheme of things may be useful,

useless, or even destructive; he may be miner or husbandman, worker or idler, saint or thief; he lives by labour—some one's labour—from the earth, or he dies. All the inventions or conventions of any social system we may evolve; all the finance, the markets, the Exchanges; all the solemn assumptions in the financial columns of our most ponderous periodicals; can never get a single human being away from the operation of this elemental fact. The contrivances of our social system enable many persons to live, as they believe, "on their means"; its ramifications have opened up many lucrative—though unproductive—"avenues of employment"; these present opportunities for "making money" to individuals who really make nothing; but they do not and they cannot provide a way whereby any man or woman, however rich or clever he or she may be, can live except on the produce of daily toil on the earth or its products—their own toil, or that of others.

The ignorant town child who saw for the first time milk being drawn from a cow, and exclaimed that she had always thought that milk came "out of a milk can," has been laughed at often enough; but there are grown people in no better case, who have equally mistaken ideas as to the actual origin of the wealth that somehow comes into their hands—who believe, for instance, that the commissions they earn as stockbrokers, or the profits they make as stock dealers, represent wealth created or evolved in some way in the stock markets, and that a boom in speculation, increasing those commissions or profits,

and making many people's fortunes, produces more wealth. Many, who will formally admit the simple fact we are insisting on, yet show by their arguments and by their attitude to practical questions either that they have not grasped it or that they are unable to retain it in their minds. Some even go so far as to deny it. Major Douglas, in his *Credit Power and Democracy*, expressly scouts the idea. He opens his book by denouncing the idea "that labour by hand and brain creates all wealth" as a *fallacy* and a *delusion*. The major himself appears to be a victim of the popular delusion that "demand" is the real creator of wealth—a delusion with which we shall deal later—and his book is the most desperate attempt we have seen to work out that wild idea to its bitter end. Yet he is supported by the editor of more than one independent journal. If this were all, it might be as unfair to deduce therefrom the general state of the public mind on economic matters as to deduce the religious state of a community from the existence among them of some "Peculiar Sect." But the book has been received with a certain degree of favour in fairly wide circles, even among people professing to hold economic truths which should have enabled them to detect the major's fallacies at the outset. These facts, among a host of others, certainly seem to support our suggestion that there is a widespread failure to appreciate the most basic, demonstrable and irrefutable fact in the physical conditions of our mundane existence, viz., that *labour by hand and brain creates all wealth*.

Man finds himself here then with two potential *Assets*, and no others: Firstly, the earth, and secondly the power to labour; and these two must be brought together to produce wealth in an available form. As regards *Liabilities*, he has none that we know of except his needs. We speak exclusively of material things, man's spiritual needs and responsibilities forming no part of our present argument.

By a law which we imagine to be universal, man can only meet his liabilities by expending some of his assets. He must expend both earth and labour to supply his needs. The rate at which man expends, or uses up, *the earth* is not our subject, neither are we competent to deal therewith. The question of the possible exhaustion of earth's resources at some future date is an interesting one, but, as we have seen, the earth is not failing us at present, nor is it likely to do so in the near future. Probably it never will fail us, though we must leave that question to those who have made the subject, or some aspect of it, their study. The vastness of earth's stores, and its seemingly everlasting fertility, justify us for our present purposes in simply regarding the earth as a practically permanent estate, *responding to labour to bring forth wealth*. We shall therefore deal throughout only with man's expenditure of his *power to labour*, of which he has a limited supply. Reckoned by time, this may be normally, say, forty hours weekly, or 2,000 hours a year, for each working individual, though the actual figure is immaterial. The wealth produced per labour-hour will of course

vary with different individuals, and its average product will increase in proportion to the intelligence with which the labour is applied, *i.e.*, in proportion as knowledge and skill direct the labour, whether that knowledge and skill be in the worker's own brain, or in that of others.

The science of economics is the science of employing our labour-hours to the best advantage; not merely our workmen's hours, be it noted, but the whole of the hours devoted directly or indirectly to industry by all sections of the community. These labour-hours differ from some personal assets in that they cannot be saved up, and spent to-morrow instead of to-day. Those hours which are unprofitably expended, as in the case of, say, the bookmaker, and those which are not expended at all, as in the case of the idle and the unemployed, are lost for ever, and the community remains so much the poorer. While the mill-stream is not turning the mill, it runs by, and that part of its energy is wasted. The principle of "storage," however—the principle of the accumulator—can be applied to labour as it is to the mill-stream, and in mechanical science generally; labour-hours not required for to-day's needs can be expended in making things for future needs, so "storing" the otherwise wasted labour-hours in materials, or goods. Without such storage or accumulation there is no wealth, and no civilisation.

A very short digression seems necessary here in order to prevent—once for all, we trust—any mis-

conception as to what we mean by labour. We have already indicated that we include in that term labour of brain, as well as of brawn; and this must be understood every time we use the expression unless the context precludes such a meaning. Invention, control, direction, organisation, are all forms of labour. They represent the expenditure, in time, of man's physical, mental or nervous energies. To repeat our definition every time we use the word "labour" would only be irritating to the reader, but we must ask the latter, as he peruses these pages, always to bear that definition in mind.

Yet, having said so much, we must not be taken as implying more than we state. And we do not state, neither do we believe, that all the controlling and directing activities referred to, *as exercised to-day*, represent *useful* labour. The community is not largely indebted to the wielders of these activities to-day. Too much is claimed for the organisers and the controllers under the present régime. "Wealth is not produced," we are told, "by labour, but by mind, by intellect, by science and invention, by organisation and control, by the bold conception and the daring adventure. Without the great minds engaged in projecting, organising, directing, etc., the labour of the worker would be in vain."

This specious claim has served far too long to salve the consciences of the rich and to silence the complaint of the poor. In the first place, the wealth is by no means in the hands of the people with great minds—the great thinkers, the scientists, the

inventors. It is shocking to note how many stupid and almost mindless people are wealthy, and to see them served and waited upon by the most gifted and skilled members of the community. "Money is seeking brains"! declares the advertisement of a well-known director of a postal course of "business study"; and we will take his word for it; but money does not appear to have been invariably successful in its quest. Ignoring this anomaly, however, the fact remains that, although the activities referred to may be included in the term "labour," yet as exercised in the service of our present system they very often do nothing to *produce* wealth, either directly or indirectly, although they make the fortunes of many. From the point of view of the community they are *misdirected* labour, and the fortunes so made are taken out of the proceeds of other people's *useful* labour. The great schemes and daring ventures of many of our leaders in industry, commerce and finance are mere "money-making" schemes, and not wealth-producing schemes. "Money-making" consists merely in collecting the means of wealth from others; wealth-production is—*producing* it, and so really "doing one's bit" for a living by contributing something to the wealth of the world in exchange for what we take out of it. Many of the great "organisers" are not organising industry for the production of wealth, but *disorganising* it by the diversion into channels favourable to themselves and their class of the wealth produced by others. These facts should

become clearer as we proceed. Our main argument, to which we now return, should be clearer for the digression.

In exploiting the earth, we *put in* labour, and *get out* wealth; *i.e.*, we *expend* our power to labour and we *receive* wealth. Labour, therefore, is *Expenditure*, and the only real expenditure there can be, while what is won from the earth by labour represents our *Receipts*, and our only real receipts. Man as such (the reader's experience notwithstanding), never expends *money*, or even "credit," or any other symbol of exchange. These are merely tokens that pass between individuals, and alter their relations with each other, pieces of paper being found to answer that purpose equally as well as pieces of gold. Their passing does not of itself affect the total wealth of the community any more than shifting the position of potatoes in a basket affects the weight of the whole. When a man "makes money," he does not by that fact add to the wealth of the community, even though he may have "built up a fortune out of nothing"; but a poorly paid man, who never gets rich, is often creating valuable wealth by each day's work he performs.

Man as such—whatever individuals may do—never "pays" for anything except in labour; this is the price he pays for all wealth produced. True, he may expend *materials*; not, be it noted, when one individual parts with them to another—that also is only shifting the potatoes—but when the materials are used up in the course of industry, as in using

up cloth to make a coat. But, materials being the product solely of labour, the expenditure of materials is the expenditure of labour. A settler may go into the backwoods and fell trees, and saw them into planks with which he builds himself a house. It takes him three months to fell and saw the wood and three months to build the house. His whole expenditure—the whole cost of the house—is six months' labour, or 1,000 labour-hours, and he naturally so regards it. But, after felling and sawing the timber, instead of building the house he may sell the planks to another settler for £100, who builds a house for himself with them, taking three months, or 500 hours, over the erection. The second man reckons the house has cost him £100 for "materials," plus 500 hours of labour, but its real cost to man is still 1,000 hours of labour, precisely the same as if the first man had completed the job and no money had passed in connection with it. Two men have worked 500 hours each instead of one man working 1,000 hours; that is all the difference. (We ignore the cost of saw and axe, etc., as this would be the same in any case, and the tools would merely represent the produce of someone's previous labour.) It costs 1,000 labour-hours to produce the house and, *apart from inventing quicker methods of labour*, there is no way of producing the house but by expending 1,000 labour-hours, however wealthy either of the parties concerned may be.

The same principle of course applies to a house built in Battersea as to the house built in the back-

woods. If in either case however we can by improved methods reduce the total period required for all the operations of producing the house to 500 hours—or build *two* houses in the 1,000 hours—we have thereby *doubled our wealth*, and the wealth of the community, so far as concerns this operation. Yet, in the language of popular “economics,” we have *reduced employment* by fifty per cent.!

When we assert that labour, work, or “employment” is Expenditure, and the only possible expenditure, we are not stating a fact which is of merely academic interest; we are stating the essential, practical and governing fact, to lose sight of which is to court disaster. Let us consider a case, not of the backwoods but of modern business, where account books are kept. Man tills the ground, he sows cotton seed, tends the plant, reaps it, prepares the pure cotton, spins and weaves one half of it into calico of which he makes shirts to clothe himself, and converts the remainder into guncotton with which he blows himself to pieces. The whole of this is of course an everyday transaction in modern “industry,” and it is labour right through, some of it well directed, some very ill directed.

But in actual practice the various stages of these operations are performed by different individuals. The shirt manufacturer had to buy cotton in the form of calico, and the guncotton manufacturer had to buy it in the form of cotton wool. Each takes up the manufacture at a certain stage, and each regards *his* part of the manufacture as “labour,” but all the

preceding stages as "materials." So with every stage of every manufacture. Each maker "buys materials" and adds "labour" to them, and his cost sheets show the cost of what he turns out as composed of "Materials" and "Labour." But inasmuch as each manufacturer's contribution to the production is only labour, it is evident that, if we could trace the cost accounts of each stage of the manufacture, back from the finished shirt or explosive to its cotton-seed origin, each man's "materials" would be resolved into the previous men's "labour," so that even these business accounts demonstrate the fact that the cost—or what man has to pay—for the finished product, is exclusively labour, that the expenditure of material is the expenditure of labour, and that there is therefore no other expenditure than labour.

Moreover, *all* reasonably directed labour produces wealth. "Everybody knows that," the reader may reply. But everybody does *not* know that, as is proved by our actions and by our arguments. The nation, for instance, that allows a million men to be unemployed, and says we "cannot afford" to employ them, certainly does not know it.

We have seen man standing on the pregnant earth, stored with wealth that it is ready to yield, and to yield only, to labour. Man with no other asset, no other resource, than his power to labour on the earth. All the wealth in the world to-day has been won solely by his exercising that power. All other activities by which men have got gain for themselves

have not produced a shoe, or a loaf of bread, to add to our wealth. Exchange is profitable, because by its means we procure the kinds of wealth we need in return for those of which we have a surplus. Yet the origin of that wealth is its production by labour. The wealth that each individual produces for himself, the surplus which he may acquire above his needs, and leave behind him when he dies, to be added to and improved by the labour of his successors, the vast accumulations of a hundred generations, the very "Capital" which is so often set up in opposition to labour, all are derived from man's original power to labour, and are the products solely of his exercise of that power.

Much has happened since we saw man at the start with nothing to spend but labour. But, during these generations, can anything have happened that can make our proposition less true to-day? Would it not seem to be a physical and mathematical impossibility for man, who had originally nothing to spend but his power to labour, ever to get himself into such a position that he *shall* have anything else to spend, whether it be the fresh labour of each fresh day, or the stored labour of previous days?

Economics is a question of *Receipts* and *Expenditure*. We recapitulate our argument in the briefest possible terms :

- (1) Expenditure = Labour.
- (2) Receipts = The produce of labour on the earth.

If these propositions represent the truth, it will be necessary to hold tenaciously to them all through, and never to let them go. For their denial is implicit in practically all the economics of commercialism. Yet if they be true, it must be self-evident that all expressions, all arguments, all theories and policies and schemes, which contain any implied assumption contrary to either of them, are erroneous, and if carried into practice must lead to results the reverse of those desired.

CHAPTER V

THE "SYSTEM" IN PRACTICE

IN order to avoid having to deal with figures of an unwieldy hugeness, let us imagine mankind to consist of a community of only 1,000 workers with their families. The fact that all the phenomena we shall contemplate would not actually occur in so small a world is not material to our argument. We will assume that the resources and the *essential* problems of this small community, however, are similar to ours. It has for instance existed for many generations, is possessed of considerable wealth in its varied forms, is well advanced in the arts and sciences, and has some medium of exchange, equivalent in effect to our money. It differs from our actual society only in the facts that every member is usefully occupied in his own and the community's interests, that all is working smoothly, all are well provided for and the fear of poverty is unknown. Such a community of 1,000 workers, at an average of 2,000 working hours yearly for each worker, will have 2,000,000 hours per year available for wealth-production.

Into this happy community there enters an emissary from "the night's Plutonian shore," who prowls round whispering something in the ears of the workers that "sets them thinking." What it is

we can only guess from the change which presently comes over the nature of the occupations in which they are engaged. Hitherto those occupations had been very varied, but all useful. Tillers of the soil, miners, craftsmen, clerks, carriers, traders, managers, teachers, artists, musicians and a score of other useful workers, had all been exercising their talents, either singly or in combination as was found most beneficial. But as a result of the suggestion to which some have listened, we now see 50 men leaving their work, and going round the country persuading their fellows to do business with certain individuals in preference to others. One declares that Brown's wares are the best, another swears that Jones's products cannot be equalled in the whole countryside, while a third maintains that Smith gives the best value for money—each shamelessly saying *what he is paid to say*. This is a new occupation—the trade of *Solicitation*—but the men who have left their work to engage in it are usually known as "business getters." The things they say are not always true—cannot be, in fact, for they are often mutually contradictory—but the people are persuaded in varying degrees, the business of the workers in supplying the community's needs is diverted out of its most effective and economical courses, and certain members of the community are enriched by the impoverishment of the others.

Now let us be quite clear as to what has happened. According to the economic ideas by which we are ruled to-day, "a new industry has been created,"

implying, to the unreflective mind, a new source of income, or wealth-production. In current phraseology, the innovation "creates more employment," or "makes more work." We have seen however that work is *Expenditure*; therefore, if the claim be true, they have *created more expenditure*. More correctly speaking, they have diverted expenditure into channels in which it brings in to the community no corresponding *Receipts*. These men have been taken from useful, wealth-producing occupations, and put to useless, nothing-producing occupations. One twentieth part of the community's potential wealth-producing expenditure has been perverted to a work that can produce *nothing* for the community—except it be mischief.

Of the 2,000,000 hours per year which they had available for the production of wealth, they have diverted 5 per cent., or 100,000 hours, to this barren occupation, with the result that the community is 5 per cent. poorer, or must work longer hours to make up the deficiency.

However, having begun a bad work, they proceed to do it thoroughly. Everybody is convinced by now that in order to "get on" you must keep yourself before the public, and fifty men going about the country are quite inadequate for such a task. So they take 50 more men from *their* useful work, and put them to cutting down trees, and using up the timber in erecting hoardings, on which they paint conflicting statements as to the respective merits of Robinson's products and of Tomkinson's. So

begins the great advertising trade—the trade of *Recommendation*. Now the people may be divided in opinion as to which of the advertised articles is really the best, some favouring one vendor and some another, but they have no opinion at all concerning the men who attend to their business and do not advertise. *They* are ignored and forgotten, and soon come to grief. The community has now lost further 100,000 hours, making it 10 per cent. poorer; it has lost the valuable services of the men put out of action, and in addition must maintain a poor-house for the support of these innocent victims of the system.

The rest wear an anxious and nervous look, which deepens into apprehension every time they pass the poor-house. "Lo!" they say, "these are the men who made not advertising their trust; let us be warned by their fate." Each of them is now convinced that his prosperity, if not his existence, depends on advertising. None of them reflects how the prosperity of the *community* has been injured by this very thing, for each thinks not of the community whom he exists to serve, but only of himself, and the business proceeds feverishly. Some of them are religious men, and they pray the good Lord to give them skill and cunning to attract to themselves a larger share of profitable business, though the Almighty would have to deny His own laws of arithmetic to grant their mutually antagonistic petitions. But they work, as well as pray; and 50 more men are put to mining, smelting, casting,

machining, paper-making, etc., using up the wealth of the country in the form of coal, iron, and other materials which are so sorely needed for more useful purposes, to make printing-presses and paper for printing the same "taradiddles."

Now these fifty men are *workmen*, be it noted; not "touts," "business-getters," nor apparently parasites of any kind on society. They are honest miners, smelters, machiners, fitters, printers, etc., and as such would be called "producers." But their true name is "wasters"; for they are wasting the produce of the earth, wasting the property of the country, wasting their strength and their skill, in a work which only further impoverishes themselves and the community, which is now 15 per cent. poorer—wasting 300,000 hours a year, to say nothing of the incidental loss and suffering caused by the disorder into which the community has fallen.

But their activities are successful! That is the main thing. It is a *fact* that "Advertising Pays"—one of the most sinister *facts* that ever blinded men's eyes to *the truth*. Advertising pays! Merciful God! Pitier of the sins and follies of men! Did ever a clumsier *lie* so deceive and befool a people to its own undoing? *Pitch and toss* pays—the winner; *betting* pays—the bookmaker; *war* pays—the armament maker and the profiteer. So advertising pays whom it pays, and destroys whom it destroys. It pays the successful, who chortle their success into all men's ears, and flaunt it before all men's eyes. It destroys the unsuccessful—the honest, the modest,

the reticent, the truthful—who are forced to enter the race with hopeless handicaps. The testimony of these is not heard. No editor sends his representative to interview the beaten and broken, the cheated and vanquished, to ask what the system has done for *them*. It is the *spoilers* who are interviewed, and whose vulgar versions of "How they made their money" appear under flaming headlines for fools to gape at. In a country where law has broken down, and society is divided into bands of brigands and their victims, the brigands may be seen returning from the raids laden with spoils—living witnesses to the fact that "brigandage pays." But before we finally decide to adopt a state of brigandage as our social system, we must visit the scenes of the brigands' depredations, see the devastated homes and the bodies of the slain, and interview the survivors; learn how much the many have lost to provide spoils for the few; then we shall be better able to judge whether perhaps, after all, honest industry would not have paid the community better.

The natural order of industry in our little commonwealth is now so perverted that it is in many cases difficult to see exactly what function in industry a large proportion of the members of the community are supposed to be fulfilling. This is not altogether surprising when we reflect that the idea of functioning for the community has now been almost entirely lost sight of. Most of them are not even *thinking* of this. All this activity is not to create the wealth which shall supply the community's needs,

but to make profit by exploiting those needs. A great deal of effort is even devoted to *creating* need, instead of supplying it. Schemes for "money-making" fill the air, largely by laying hands on the necessaries of life and deliberately *restraining* their production for the people's use. The natural flow of supplies from their places of origin, or through the most convenient centres, to where they are required, gives place to a system under which everything must pass through certain hands, and yield its toll of additional profit, before it reaches those who need it. Indeed, this laying hold of the products of real industry, for the purpose of extracting a toll from them before passing them on to the people whom they were made for, has now become a recognised object of what passes for "industry" in their tongue—for it is a strange language they speak. The people's food has to be doctored with noxious chemicals, in order to enable it to bear the delays to which it is subjected. People are obtaining their supplies by most wildly circuitous routes; not because they wish it, or even always know it, but because they are in the hands of the merchants. Handling and transport add enormously to the cost of commodities, and it had never been their custom to carry goods about the country unnecessarily; but now we have the mad spectacle of railways and roads crowded with transport, largely—to all appearances—taking goods for an airing. Commodities are being sent to the other end of the country and brought back again; goods hurrying past precisely similar goods coming

in the opposite direction. Brown of Commercetown sends tea to Smith of Tradeville while Jones of Tradeville sends tea to Robinson of Commercetown. Telephones ring maddeningly, telegrams shower in hurricanes; steady application to useful work becomes impossible for the many, who must concentrate now, not on the organisation of industry but on its *disorganisation* in their own or their employers' interests. Railway locomotives are shrieking, motor lorries are hooting, both are burning up good coal and oil, and tearing their roads to pieces; loading stations are congested; cranes, hydraulic lifts and a hundred other wealth-consuming engines are working like mad, largely in the performance of work which would be better—far better—left undone.

And, as "*industry*" increases, *poverty* increases—and this although industry rightly directed can only produce wealth.

Only once did this people come momentarily to their senses, and then it was because they were forced to it. The reader will not be surprised to learn that such a community fell out and fought. We need not stop to tell about the war. It might be considered no part of the economic argument to tell of broken hearts, and ruined homes, and agonising deaths; of those maimed, and maddened and blinded; of asylums crowded with officers and men whose nerves and reasons were shattered by war's horrors; or of once handsome lads with their features blasted away, hiding what had been their faces under masks, behind merciful walls which shut them away from the light

of day. But when the war was at its height it became clear that one group was bent on destroying the other; then these knew that they must "stop this fooling," or perish. Their government—not over wise in many things—yet stood guardian over the scene of confusion, surveying the supply centres, the transport routes and the areas of consumption; taking over the supplies *en bloc* ere they were bled white by a host of speculators and middlemen, and compelling those who trafficked in them to do useful work, or to assist in the defence; turning aside the freights of fuel and food that were hurrying past cold and hungry people to find "markets," and directing their distribution to those who needed them; shepherding the iron and steel from mine and blast furnace into centres where weapons for the national defence could best be made; turning industry from the manufacture of frivolities to the manufacture of necessities; putting their hand to the throats of the greedy and distributing the food at fair prices to the hungry. A hundred other similar things they did, as efficiently as could be expected of a government and people who had never before faced the real economic problem of *Need and Supply*, and whose hearts had become corrupted, and their minds perverted, by long continuance in evil ways. Even this imperfect organisation of industry was sufficient however to turn the tide; the people were fed, and the group was saved, for that occasion at least, from the threatened destruction.

Then came "peace." The labours of the men who

had been fighting became available for wealth-production; the invested ports were thrown open for the inflow of supplies. The people naturally expected that, at least, the old prices would be restored. But the Government removed its controlling hand; the community reverted to its old evil ways—and became in a moment the prey of its exploiters, who sent up food to famine prices. The people who had saved themselves for years from their enemies were unable to save themselves for a night and a day from their "friends."

It would be an exceedingly low estimate if we stated that ten per cent. of the total labour of the community is wasted in the mutually antagonistic services we have referred to—in the mad rushing of people and goods about the country, and the wild launching of messages by the thousand—not to get useful things made, or to supply real needs or render real services; not to contribute in fact, in *any* way, to the real object of industry, but to forestall, to outwit and to snatch advantage from each other. In all 25 per cent., or one-quarter of the community's total expenditure, is now perverted to unproductive ends, a proceeding which throws on the remaining 75 per cent. the burden of maintaining the wasters as well as themselves. Two hundred and fifty men out of a thousand wasting their time and their abilities, 500,000 working hours out of 2,000,000 frittered away every year in folly and wickedness; one part in four of the products of industry devoted, in peace time, to destruction.

It is not of course suggested that these figures are *statistics*; they are arbitrary figures adopted for the purposes of our illustration. In real life the total is undoubtedly very much greater. In a recent issue of the *Daily News*, Mr. Emil Davies gives us some results of investigations which have been made in the United States by a Commission which, with an enormous staff, has been working at this problem for twelve months. These show that, *after allowing for profits to manufacturer, wholesaler and retailer*, 49 per cent., or practically one-half, of the ultimate price of foodstuffs and other commodities, is composed of "cost of selling, distribution and advertising." There seems no reason to doubt that a similar enquiry in England would yield analogous results.

It may possibly be that, in the 49 per cent. referred to in the report, some legitimate costs of distribution are included, but these, if any, would be more than offset by other items of waste not dealt with. This would mean, assuming the figures to be similar for this country, that one-half of our working population are now keeping both themselves and the other half, as well as those who do not work, out of one-half of the resources of the country. And we can look for no amelioration while existing ideas prevail. Every new invention, every improved facility, every advance in production which might be used to make life easier for those to whom it is so hard, will be seized upon by these all-devouring "services," not to minister to life in any true sense, but to arm

merchant and manufacturer, speculator and middleman, with new weapons for their war on each other and on the community. Improved methods of production under such conditions can no more put an end to poverty than the invention of new bombing planes and explosives and poison gases can put an end to war.

CHAPTER VI

THE GOSPEL OF SCARCITY

THE real "economic problem" of any community is that of furnishing the people with the supplies of which they stand in need. There may be, and always will be, subsidiary questions, but it is remarkable how completely the real nature of the primary and basic problem seems to have been lost sight of. In current discussions, the chief preoccupation is not usually "How to meet need," or even "How to meet demand," but "How to *create* demand." We seldom ask, How shall we shoe those bare-footed children? How shall we feed those hungry fathers and mothers? How shall we make those ragged people decent? but rather, How shall we find markets? Will this increase demand? Will that produce profits? Attention is seldom or never concentrated on the creation of wealth by industry in the form of its *products*, but only on the *profits* which individuals may make out of the operation; and, if no one sees a chance of making such profits, then we *refuse to create the wealth*.

It is true of course that the charitably minded (in which expression we even include Parliament in some of its rarer moods) are concerned about the bare-footed and hungry, and do ask such questions; but

this is from the point of view of *philanthropy*, or at best of compassionate legislation. It occurs to few to propose, as the immediate object and business of *industry*, the doing of the very thing that industry was invented to do, viz., to feed the hungry, clothe the naked and house the homeless.

The only real wealth which any industry ever creates, or can create, is its *products*, not what it gets for producing them; and we of course mean to do these things *by its products*. When there is need in the country, the obvious function and duty of industry is to create that form of wealth, whether it be food, raiment, houses or anything else, which alone can supply that need, or, in those cases where it is impossible to make all we require, to import these things in exchange for what we can make. This industry consistently fails to do. Of course we are not blaming the individuals engaged in industry, for under our system it is quite impracticable for the leaders of industry even to consider the question of seeking to fulfil industry's only proper function.

The confusion of our thought is reflected in the confusion of our language, and manifests itself in the popular and fast-rooted delusion that "demand" is a source—or even *the* source—of wealth. We have created a state of things in which "demand" is profitable to individuals, and we have come to regard the temporary and accidental phenomena so created as though they were part of the eternal order. It is as if we had studied the laws of health by carefully observing, not a normal man, but one in a state of

disease, and had deduced from the phenomena of disease what we conceived to be the normal and essential laws governing the human body. By such methods of "observation," noticing that our sick man had a poor appetite, we might conclude that the chief desideratum for a normal community was to make and keep the people hungry. Thus popular "economics" have come to resemble somewhat those of that ancient humbug, the "bona fide traveller," whose chief object in going a Sabbath Day's journey into the country was to create a thirst.

The *Daily Mail Year Book* for 1922 gives some interesting reviews of the previous year's trade, written by named experts in each particular line. The expert who reviews the boot and shoe trade tells how that trade was hit by the slump, and he considers that "no little credit is due to the manufacturers for the step they took." Faced with a decreased demand, they devised methods calculated to increase the demand. If, it was argued, women were willing to buy new hats before those they possessed became shabby, why could they not be induced to do the same with boots? The manufacturers accordingly decided to produce a greater variety of *fancy shoes for promenade wear*. As a result, women freely purchased fancy shoes, not because they were required, but because the novelties appealed to them. "Many women," adds the writer, "who formerly considered two or three pairs in ordinary wear sufficient, now deem it necessary to possess as great a variety of

shoes as of hats." So the situation was saved, and the writer, so far from expressing any disapprobation of the paltry trick played on our womenfolk, is loud in his praise of "the enterprise so promptly displayed."

This is an example of the much extolled "individual enterprise." This is a specimen of the sort of contribution made by modern industry to the need of the nation. When the country is in a bad way, millions of people being unable to obtain a sufficiency of necessaries, those who can afford it—and many who cannot—are cunningly incited to waste money on gewgaws; or more probably to divert their expenditure from other and more useful channels, for no steps appear to have been taken to increase the wealth of women so that they should be able to afford extra frippery. And part of the nation's wealth in the form of leather, metal for buckles, etc. (and brown paper) goes into these silly shoes, to be cast aside so soon as their glitter ceases to charm. The question is sometimes asked whether women dress to please themselves, to please the men, or to outshine each other. To a great extent, and unknown to themselves, they dress to please the traders, who impose their wills on them with the assistance of the ladies' columns in our journals. A lover and admirer of the sex may perhaps be excused for being a little angry with the exploiters of the charms which add to our joy in life. Let the traders have on their hands a heavy stock of dress materials with patterns consisting of great ugly blotches, as

happened in the spring of 1922, and ere long no self-respecting woman will be seen out in anything but blotches. We do not refer to those dazzling "jazz" patterns, but to the thing which succeeded them. Every woman was obliged to have one dress of it, though they evidently soon turned them into dusters, and are now trying to forget all about the episode. Very few had the courage to rely on their own artistic taste, which seldom leads them far astray, and to say "No! That pattern is ugly, and I'll be—blotched if I wear it!"

We are not charging those who cater for women with any special moral obliquity; they act on the recognised "business" principle of "creating a demand." So long as such "principles" continue to dominate us, the only response that industry can make to a condition of need in the country is for each trader to strive, not to meet that need, but to make the people want, or fancy they want, the things that *he* has to sell, and so attract a larger share of the people's reduced resources to *himself*. It does not seem a great thing to boast about after all—this "enterprise."

Everyone will doubtless reprobate the irregular methods resorted to by certain ratcatchers for creating a demand. It was recently reported that some of these men were systematically letting rats loose in London so as to create a greater demand for their services. Yet they were acting in strict accord with approved economic ideas. Why should we censure these men? What is wrong with them that

is not wrong also with the commercial world and its ideas generally? The rats devour and destroy valuable property, creating a demand for wage-yielding labour and for profit-yielding industry to replace the damage. This surely, according to accepted ideas, both "creates employment" and "makes it good for trade." If commercial economics are sound, this ought to make it good all round. We know of course what the intelligent reader will reply—that it does not "make it good" for the people whose property is destroyed, or for the community whose general stock of wealth is diminished thereby—but that answer only shows that commercial economics are *not* sound. The Milk Combine are charged by a responsible Union official with pouring large quantities of milk down the drain in order to maintain an artificial shortage. Similar methods are resorted to in the fish, fruit and other "perishable" trades. The *Daily Express* tells us that at Plymouth, while ex-service men were singing in every street of the town for a living, the fishery owners threw back thirty thousand fish into the sea rather than sell them at prices the people could afford.

These outstanding instances are not cited here for their own intrinsic importance. Thirty thousand fish, or even thirty thousand gallons of milk, represent a very small item in our year's supplies. Even the least reflective members of the press or public will expostulate when such incidents are brought home to them. We cite them as indications of the fact that

our system is such that the interests of the suppliers are generally opposed to the interests of the people to be supplied—that while *plenty* is what the people need, it is *scarcity* that the traders want. The chairman at a dinner of the Tea and Rubber Share Brokers' Association finds an almost ghoulish satisfaction in a bad tea harvest. "Nature came to their assistance by providing droughts," he chortles, "causing a shortage of production, and consequent rise in price." This enables them, he adds, to see before them a "golden horizon."

But as a rule nature, when wooed by industry, is lavish, and the controllers of industry must seek to counteract her prodigality, which they do usually by more subtle methods than the practices we have referred to. Policies which are really analogous to such practices are adopted in practically every trade. So far from industry being organised to fulfil its proper function of supplying the people's needs, such organisations as exist are almost exclusively anti-social organisations. They are combinations to restrict supplies, to increase demand, and to maintain or raise prices. They are devoted not to creating wealth but to creating *want*—not to feeding the people but to keeping them hungry. A member of a Stock Exchange firm interested in rubber informs the *Daily News*—apparently without a blush—how a rubber boom is being engineered, so successfully that possessors of rubber shares are "patting themselves violently on the back." "The *artificial restriction* upon output," he says, "is bound to put the price

up!" This artificial restriction has been brought about, not solely by planters and traders, but by deliberate government legislation. The legislatures of Ceylon, the Malay States and the Straits Settlements, acting *in concert with the British Colonial Office*, have enforced a fixed standard of production on each producer, *reducing* the amount of rubber produced. As a result there is "heavy buying of rubber shares on the Stock Exchange."

Here we have a concrete instance of a government's idea of its duty to its subjects in industrial matters—not to increase the production of wealth, not to increase their supplies, but to *reduce* such supplies so that the traders and share speculators may make more profit out of their need. This is a pure case of the *destruction of wealth* by a government in the interests of the exploiters or profit-seekers, and the case can be paralleled by many others.

Now, if commercialist governments were sufficiently intelligent in economic matters to be held responsible for their actions, this would be a matter for impeachment. Corruption would naturally be assumed, for the betrayal of the community's interests is manifest. But no one really supposes for a moment that the government acted in anything but good faith; the instance merely illustrates the fact that the economic ideas of the Milk Combine and the ratcatchers (assuming the charges against these to be true), are shared by the highest authorities. The measures in question were taken with the idea of "making it good for trade," and the reader will find that

practically all measures adopted with that professed object are, at bottom, of a similar nature. They consist in making things *scarce*, or "dear"—or generally in *creating* need instead of supplying it.

Yet—strange phenomenon—it is not only governments and traders who think and act thus. The community itself, out of whom the profit is made, also as a rule adopts the profit-seeker's viewpoint. Except for an occasional squeal when some isolated result of the working of the system becomes glaringly flagrant, attention is always focussed, in economic discussions, on the possibilities of profit-making instead of on the provision of the things the people need. Will certain measures "increase demand," "provide an outlet" or "create a market?" It is never, "Will such measures 'increase,' 'provide' or 'create' any of the solid things we really live by?"

If the reader will pick up practically any newspaper or magazine, he will probably find some instances of this all-pervading error. To take the most casual examples; amateur photography, for instance, is assumed to be profitable to the nation, not because it produces wealth in the form of good pictures—very often it does not—but because it "creates a demand for goods." Now when a man gets hard up, amateur photography is one of the things he has to *give up*. It is a luxury, and perhaps a desirable one, but it is an *expense*, rather than a source of wealth, to the nation as to the individual. The picture postcard

craze is regarded as an important source of wealth for the same reason, and special postal concessions are made by Parliament in response to trade representations, not to facilitate communication, for that is expressly ruled out, but to facilitate the using up of wealth in this form. The adaptation of radio-telephony for private use is hailed in giant headlines—not for any good it will do the “listener in,” but as “creating a new industry,” i.e., making more work and using up more material.

In like manner, and with the best of intentions, good men plead for a more generous scale of maintenance for the unemployed, not merely because this is the barest justice to these victims of a vicious system, but because the possession of the money by the recipients will “create more demand” from the tradesman, by giving the people more “purchasing power.” If this were all there is to be said for increasing unemployed benefits, the tradesman might well object to give money away for the purpose of receiving it back over the counter in exchange for his goods—if the reader will work it out he will see that this results in a loss to the amount of the net cost of the goods so “sold,” or given away, and it seems incredible to the writer that people who employ such arguments can be serious. The same argument, however, is urged by the friends of the workers in support of the claim of the latter for a reasonable wage; not merely that it will do them and their children good to consume more of the necessaries of life, but chiefly that they *will* consume them—get rid of them—and

so create a vacuum, with its resultant "demand." Surely, one might think, Mr. Tawney has made a mistake in calling such a people "An Acquisitive Society," for such a society seems bent, not on acquiring but on getting rid of—not on filling itself up but on emptying itself.

But Mr. Tawney has made no mistake. There is no doubt about the acquisitiveness of society—or of those individuals who dominate it. Society itself, as a whole, has *no one* looking after it in this matter, and that primary national duty is left to what is grandiloquently termed "private enterprise."

Now what exactly does "private enterprise" mean? If it is to be defined, not rhetorically but with cold, scientific accuracy, it means just this—literally this: that instead of industry being organised to supply our needs—to feed, clothe and house us—we are not to be fed, clothed or housed except as private individuals may find it to their profit to perform those services for us. Socialism—which is still sometimes supposed to mean anything from saying the Lord's Prayer backwards to murdering our grandmothers—proposes that the State shall at last recognise its long-neglected duty to see that its members are fed, clothed and housed, and that industry shall be organised to that end. This is the doctrine and the programme which false men label "Bolshevism."

The trouble is that the standpoint of the *supplier* as such, instead of that of the community to be

supplied, has been allowed to dominate the public imagination. The interest of the man who desires to make something out of the community has been so artfully identified with the interest of the community, that the language which expresses only the immediate and unsocial interests of the former has come to be adopted as if it expressed the general interests of the latter. Under our system it suits the trader best when the market is "short o' vittles." When everyone's needs are satisfied his occupation is gone. And so it comes to pass that scarcity is looked upon as a source of plenty, and necessity as the mother, not of invention, but of affluence.

It is true that during the deceptive industrial activity that followed the war rather a different tale was told, and the gospel of scarcity was left temporarily in the background. Notices from the employers' associations and their friends in the government appeared on the hoardings and on railway station platforms, addressed to the workers, in which the need for greater *production* (i.e., for working harder) was explained to them with considerable prolixity. *Production*, the worker was told, was the source of wealth; in producing commodities he—the worker, and not those who consumed what he made—was creating wealth; the harder he worked the more wealth he would create, and the more wealth he created the richer we should all become. Seldom, if ever, was so plain a statement of a simple—if partial—truth set forth in the light of day. After a time, however, the posters were withdrawn—

possibly because the worker was drawing certain inferences from them which he was not intended to draw—and the masters were *locking out the men by the million*.

A confusion similar to that which afflicts the commercial world is seen in the case of the worker, in the arguments he uses—or more often the arguments addressed to him—to the effect that any given measures are or are not desirable in proportion as they will or will not “make work.” It is not urged on him that they will make food, make boots and clothing, make houses and furniture—*i.e.*, make *wealth*—but always that they will make *work*. He has thus been taught to express—or to fail to express—his needs in the formula “We want work.” This muddled distortion of a fact opens the door to most of the specious arguments with which the worker is cozened. “If you will reduce my taxes,” says the rich man to him in effect, “and if you will keep out my foreign competitors who can supply you more cheaply, I shall make more money out of you and your kind; I shall have more to spend on luxuries, and you shall have the privilege of ministering to my luxuries. You shall erect for me more spacious dwellings, though you have none for yourselves; you shall build me more stately chariots, decorate my salons, provide me with daintier fare, and make goods to be exported in exchange for costlier wines which I will drink. A hundred of you shall work for six months to produce useful articles, not for yourselves or your children, but to be exported in

exchange for one article of luxury to be placed in my hall. This shall be repeated many times over. You shall wait on me hand and foot, and I will increase my retinue of attendants. Do this for me and my class, and there will be 'work for all.' "

The foregoing remarks attributed to the rich man *are no travesty*. They can be found in effect every week in the sententious warnings of our principal newspapers against any measures which might tend to curtail the spending power of the rich.

Now without any desire to appear humorous at the workman's expense, we must insist that, speaking economically, he does *not* want work. Neither of course do any of us. There will always be plenty of work for us all to the end of time—the trouble is to get things done. Work, as we have seen, is Expenditure, and the only sound economics is to give the least possible expenditure to produce the maximum of receipts. We all act on this rule in our own affairs, and all apply the same rule to the daily toil of the individual worker; and we regard as the best workman the man who produces the most valuable yield for the least possible expenditure of labour-hours. But it ought to be patent to all that the same rule applies to a *community*; therefore we ought not to seek to *make* work, but rather set ourselves to do some of the work that so obviously needs doing. The more work we *make*, the longer will this necessary work go undone.

It is just here that confusion of thought is so general, and so fatal. The man out of work is

disposed to hail the opportunity of employment regardless of whether the work will create wealth or not, and his attitude under present conditions is not altogether to be wondered at. But the offer of a "job" to a man, or the "creation of employment" for a thousand men, is no help whatever towards the solution either of the unemployment problem or of the general problem of poverty, while, if we could only trace its effects, we should find that all useless and extravagant work *creates* poverty and unemployment. It is rather part of the present disease that a man must perform practically any service that secures him a wage for a time, whether it be making boots for the bairns, or making "fancy shoes for promenade wear" to tempt foolish women to have as many pairs of shoes as they have hats. In actual practice, of course the worker does "want work," and it is an essential part of our scheme, as it must be of any sound scheme, to see that he gets it. Every industrious member of the community is entitled to an adequate share of the wealth produced by the industry of the community, and each is in duty bound to contribute to that wealth by some useful service. But once the community recognises its responsibility to its members it may be trusted to see that the service which each renders in exchange is useful. In a sanely organised society, however, the advocacy of measures merely because they will "make work" will be regarded as a symptom of lunacy, while the needless using up of wealth will be reckoned in the same category as arson.

If work is found for a thousand men for one year in—for instance—producing luxuries or extravagances for the few, or follies for the many, this is assumed to be all to the good. Yet what has really happened? As a result of the expenditure of 2,000,000 labour-hours, the workmen have contributed nothing but those luxuries or follies, of negligible or negative—or even minus—value, to the wealth of the world. Meanwhile the thousand men have had to be kept. They have consumed between them in the twelve months about one million pounds of solid food, besides drink; they have had to be housed, and have used up clothes and other commodities, in addition to what they have destroyed in the “industry” they have been working at. And all these things—food, clothes, houses and everything—have had to be provided out of the wealth produced by the labours of their fellows who are more usefully employed. It would seem that the latter are entitled to call on them, if they would eat, to come and take a hand in doing something useful; for as matters stand they certainly have not really provided for themselves and their families. They have been doing work which makes a skilled craftsman of no more economic value than a footman or a *pierrôt*. The engineer or fitter making a motor car to enable some useless creature to lead his or her useless life, and to run into mischief at thirty-five miles an hour, is in effect, and despite himself, a lackey and a pander. This is an occupation to which most free men would decline to devote themselves, but to which many who

believe themselves free are devoting themselves every day.

It may be thought that we speak hurtfully of men who can in no guilty sense be regarded as spongers or parasites on society, but are honestly providing for their own by performing such functions as are available to them under the present régime. Once for all, nothing is further from our intention, and this must serve as our apology in every instance where we may write disparagingly of certain functions which all classes of workers have to perform to-day to get a living. The writer is by no means sure that he can justify his own economic existence. Economically, he has to mourn a largely wasted life, and is therefore not in a position to reproach others. He has the same respect and regard personally for the footman and the valet, the "business-getter" and the stock-broker's "runner," that he has for bakers and market gardeners. His respect begins to wane only when a man refuses to discuss a system because he personally is "in it." We are *all* in it—all caught in its toils—it touches us at every point. And, until our scheme of economic life is changed, we soberly do not know of any way in which a man can dissociate himself from it—unless he is prepared to strip himself naked and to hunger-strike. Personally we do not feel called upon to adopt that course or to recommend it to others, especially as an examination into, and change of, our present social and economic scheme of life offers a more reasonable and less painful "way out."

The practical importance of what may at present seem to some readers to be merely an academic point, viz., that work is Expenditure, and not to be sought after as if it were Receipts, will be demonstrated in Chapter IX, where we show that the mere creation of employment impoverishes a people. We submit later a cure for unemployment which will *enrich* the nation.

Charles Dickens has carried the popular idea to its logical conclusion, though of course only to show its absurdity. In his day, as in ours, whatever "made work" was reckoned to be beneficial, and according to the gifted author, the Messrs. Weller, senior and junior, shared the popular delusion to the extent of regarding even *death* as a source of wealth. Certainly death "makes work" for undertakers, "provides employment" for gravediggers, and "creates a demand" for coffins. Yet who can miss the author's sly thrust at popular economics when he records the conversation of the not altogether disconsolate widower and orphan on their return from the funeral of the late Mrs. Weller:

"Vell, gov'nor," says Sam, "ve must all come to it, one day or another."

"So we must, Sammy," replies Mr. Weller the elder.

"There's a Providence in it all," says Sam.

"O' course there is," replies his father, with a nod of grave approval, "*Wot 'ud become of the undertakers without it, Sammy?*"

The solemn discussions and pronouncements of our

Boards of Trade, our Chambers of Commerce, our Tariff Reform Leagues, and our conventional publicists generally, are really just as funny, and just as grim; and, if the results were not so tragic, we might well reward these modern Tony and Sammy Wellers with the same generous laughter that we accord to their prototypes.

CHAPTER VII

NEED AND SUPPLY

THE real economic problem for a people is the problem of *NEED* and *SUPPLY*. "*Demand* and *Supply*" is a problem for hucksters, not for a people.

Is the difference merely one of words? In positing "The Problem of Need and Supply" in place of "The Law of Demand and Supply," are we merely adding to the wearisome and interminable word-spinning that so largely usurps the place of real thought on these matters? Let us see.

With the "Law of Demand and Supply" as stated by the economists of a century ago we are not much concerned. Their propositions were barren enough, and led nowhere. At the time when the phrase dominated the minds of practically all writers and speakers the workers were sunk in privation and misery, their condition becoming ever more hopeless as the so-called "iron law" strengthened its deadly grip on the minds and consciences of the employing classes. The fact that the order of the words "Demand" and "Supply" was usually reversed in the statements of those economists indicates—as was indeed the case—that the error we are attacking was implicit in their assumptions. With them it was a question of "markets"—of getting rid of the

products of other men's labours, and not of producing them to supply the people's needs. The "profits of industry" meant the profits not of the industrious but of the traffickers in the products of industry.

We are concerned rather with the popular idea of "Demand and Supply," if anything so hazy can be called an idea. It would be vain to attempt to analyze with any precision what these words mean on the lips of many who employ them, for often they are no more than a mere *noise*, like sounding brass or tinkling cymbals. They are two words easily remembered even by the most lazy-minded, and serve to cover a multitude of refusals to think. But behind all this intellectual shirking there ever lurks the ancient error—the assumption that the consumer was made for industry instead of industry for the consumer, and that consequently *demand* is the desirable thing, and the thing to be sought after. Demand is sought and valued as providing an occasion for the lucrative business of supplying it at a profit.

In substituting the true problem of Need and Supply, we do not merely suggest that the word "need" represents the people's requirements better than the word "demand." *Need* does not become the desirable thing, to take the place of the old "Demand"; it is *Supply* that becomes the desirable thing, and the object of industry. *The object of industry is to supply human need by the PRODUCTS of industry.*

Our statement of the real problem starts by recognising the obvious fact that *need* always exists, by

the very nature of our being. Need is created anew every morning, without any help from us, and the object of industry is to create the bread and butter, bacon and eggs, or whatever else may be needed to satisfy it. Unspeakably terrible as need is in the sufferings it imposes if its most primary elements, at least, are not satisfied, its proper satisfaction becomes the means of wholesome and pure enjoyment, growth, progress and fitness for achievement. The only sane object of industry is, by its products, to minister to need—including so far as possible the higher needs, and even acquired needs so long as their satisfaction tends to the uplift of the man, and of the community of men.

Now does the existing system supply the people's needs? Is it *directed* to that end? Does it ensure that each shall perform some useful part in helping to supply human need? Does it furnish even to the most willing of us an *opportunity* to help in the good work? It is time that each man's accountability to the community was formally recognised, and that he was put in a position to fulfil it. At present the law only insists that each man shall get something *out of* the community; it says no word about his putting something *into* its stock of wealth. It is still a legal offence to be without visible means of subsistence, but it is no offence at law to contribute nothing to the fund out of which we feed. It is no offence even to *destroy*, or otherwise diminish, the community's general fund of wealth. A survey needs to be taken, not of the profits or wages each man secures for him-

self, but of every man's day's work for the community. What a man has made *for* the community, and not what he has made *out of* it, affords the only real measure of his worth. Is he a profitable servant? What has he made, not out of his brother, but out of the earth? This is the only real profit, or gain; all other "gains" are mere *transfers*, however rich they may make the transferees.

In a treatise in which the writer's sympathies are so manifestly with the workers, the reader may be surprised to find that we bracket wages with profits, as being equally an illegitimate *object* of industry. But the cause of the workers, as every good cause, can only be promoted by clear thinking. And these two things, profits and wages—generally placed in opposition to each other—belong essentially to the same category. They are what may be termed the *proceeds*, as distinct from the *products*, of industry. To use an expression less open to possible objection, they are simply the *remuneration* for services rendered or alleged to be rendered. Profits are sometimes so swollen, and so disproportionate to the value of any real services rendered, that the fact of their belonging essentially to the same category as wages is easily lost sight of. The fact that the interests of masters and men—profits and wages—are so often in collision, tends to create the impression that they are things of essentially different natures, belonging so to speak to opposite sides of the account. But disputes between masters and men are really disputes about the division of a fund which has one origin, viz., the

price paid by the consumers—willingly or otherwise—for the services rendered or alleged to be rendered to them. It is an essential part of the illusion, moreover, that these profits and wages are regarded as being the wealth created by the industry, whereas the only wealth an industry creates or can create is its products. There is no wealth in the world to-day, apart, of course, from the earth itself, which is not the *product*, or the thing *made*, by industry.

The services rendered by the masters generally include the use of their belongings, that is, of the wealth or stored labour which has somehow come into their possession. In the case of some partners, *e.g.*, shareholders, their services, if any, consist exclusively in this use of a portion of their belongings, though we shall show later that in a large number of cases the services of shareholders consist in absolutely *nothing*, and that they have no real claim on the workers, for in such cases not a penny of the money the shareholder has paid has gone into the business. The workers' services of course usually consist in the devotion of the greater part of their lives and energies to the industry in question.

In the rendering of services or alleged services to the community, employers may of course make huge fortunes; they may contribute millions annually to the national "revenue" in the form of income-tax, etc., but in their capacity as mere "transferees" they *have* no income which was not already someone else's income. They may have provided employment for thousands of clerks and engineers and salesmen

and tens of thousands of workmen, and paid millions in wages and salaries. This seems quite satisfactory both to principals and employees, who have all, as they believe, "made money"; but the gaining of profits, salaries and wages is not wealth-production, and in so far as the activities of these people have not been directed to wealth-production—in its very widest legitimate sense, of course—they have merely diverted from others to themselves a portion of the wealth produced by others. And incidentally they have uselessly *destroyed* by their "industry" a great part of that wealth.

We realise of course that these statements require proof, or at least demonstration, and such we shall endeavour to furnish.

If we had not the guidance of actual experience to prove to us the contrary, there might be some plausibility in the suggestion that a system which makes remuneration its object ought to yield the same happy results as a system which should make supply its object. Even if men do go to work, it might be argued, with the object not of serving the community but of securing remuneration for themselves, what does their state of mind matter, so long as they *do* go to work. Since they can only make profits, etc., by ministering to some need or desire, will not all the needs and reasonable desires of the community get provided for in this way?

But is this really even a plausible argument? Is it reasonable to assume that aiming at one object will attain another? That leaving each to work for his

own profit *could* have the same result as setting each to work for the community? That by each seeking to serve only ourselves we shall serve the others? This could only come about if industry were *organised*, and a system instituted under which a man was remunerated approximately in proportion to the value of his services to the community; then perhaps the state of mind of the person engaged in those services might not so much matter. In every other department of life we set to work to do *the thing we want done*, and not something else, but we have never organised industry to do the thing that wants doing. In any case, we know that the desired end—the supplying of the people's needs—has *not* been attained under our present system. And the community will never be provided for, and we ought not to expect that it will, until we quite simply set about *attempting*, at least, to do it. It is absurd to suppose that the whole can be benefited by each part struggling for itself against the whole. It would be as reasonable to assume that the effective strength of an army whose units are warring against each other is equal to the combined strength of those units organised together for a common cause.

The total income of a country is usually reckoned as consisting of the total of the “incomes,” remunerations, or profits of its individual members. But such a method of calculating national income is like adding together all the prisoners and guns that the mutually warring units of an army take *from each other*, and calling that the total “haul” of the army. The

total "haul," or income, of a country is the total of the things produced and rendered available for actual enjoyment by its people, after adding the things received from abroad and deducting those which it must send abroad in exchange therefor.

So far from the industrial activities of the country being organised together for any common end, they rather resemble, in part at least, the efforts of such a mutually warring army as we have referred to. There is *no* directive power, and no organisation of industry. There is no one to know or to care whether the reader is starving, or whether the writer is rendering reasonable service to the community; no one to check or punish us if we are both engaged in activities which only *destroy* the wealth of the nation. We are *without a government* so far as the great primary interest of our lives is concerned. With a population of fifty million souls, we might go in vain to any government and ask them how they propose that all these people shall be provided for. "Good gracious!" they could only answer in effect, "Don't ask *us!* We don't know! That is *their* look-out! Settle it among yourselves. You must wait for a general improvement in trade, or a clearing up of the European situation. Meanwhile, scramble for what there is; scheme for it; fight for it, only do it quietly, and do not disturb us! We can tell you how much of the booty we shall take from you for the expenses of not governing you; we may intervene to help extreme cases if too many of you show signs of dropping dead in the street—a most untidy habit!

We shall certainly interfere, and perhaps drop a bomb or two on you, if you make too much disturbance over it; but until it comes to that, please remember that a government has too many other things to do to find time for governing."

In peace time, a government spends hundreds of millions annually on organisation to provide the things necessary for war. In war time it organises the whole nation. It is without even the beginnings of an organisation to ensure the provision of the necessaries of life for its subjects in time of peace, and consequently millions of the latter go short of these things.

Our point will however be missed if this is taken as a general charge against governments—and especially against British governments—of disregarding or wittingly betraying the interests of the people. We are not dealing with politics, but with an economic and industrial system, so called. Under that "system" the needs of the population for the products of industry are neither recognised nor acted upon as the object of industry. Those needs are left to take their chance of being supplied out of the activities of a hundred thousand independent and irresponsible enterprisers, whose enterprise is in no single instance motivated by, or directed to the supply of, those needs, but solely to the securing of personal profit. No concerted measures have ever been attempted—and at the time of writing no government has even proposed such measures—for organising the production or importation of commodities with

those needs in view. We shall endeavour to show that a large proportion of the activities of an industry so conducted, generally regarded as legitimate and useful, is really unproductive or even destructive, and therefore uneconomic, wasteful and wicked. Those who have watched the expenditure of energy by chickens chasing and fighting each other for worms may form some idea of the picture presented to the awakened mind by our existing "system," though so far as we are aware the chickens do not profess, as we do, to be guided by economic "laws."

"This is all very pretty in theory," the reader may object, "but *are* there, in actual *fact*, any such businesses as have been referred to, whose activities produce profits and wages for those engaged therein, but no *wealth*, in the form of useful commodities or services for the community; whose proprietors 'have no income which was not already someone else's income?'" The reader may urge that most of the men who have made great fortunes have been instrumental in producing real wealth—coal, iron, ships, bread, wool, cotton, oil, soap and endless other useful commodities—even if they have appropriated an undue share of the proceeds for themselves. We might reply that many of these men have not done so much in *producing* commodities as in *monopolising* production—getting it out of other people's hands and into their own. Often they have *restricted* production—not only their own, but other people's, and this latter by methods comparable with those of the

garrotter—while in general they have succeeded in raising prices to the community in face of an unprecedented reduction in the *real* cost of production. This latter fact is usually lost sight of, but it must be remembered that recent years, which have been years of monopolistic manufacture and high prices, have witnessed a still further increase in the productive power of the labour-hour; and this of course means a decrease in the *real* cost of production.

However, we concede our reader's supposititious point by admitting that some of the activities of these men are instrumental in producing real wealth. But, as we have sought to show, in most businesses part of the work is productive and part useless or destructive. There are few spheres of activity which can be condemned as non-productive as a whole. Yet the result is the same whether some of the businesses of the world are wholly devoted to waste or whether all the businesses are partly so devoted. We have referred to "producers" and "wasters" as to two classes; really the expressions more often apply to two kinds of activities in the same individual or firm—the Dr. Jekyll and the (unwitting) Mr. Hyde in our own lives. It is usually difficult to separate these two classes of activities, but it will be our task to endeavour to effect at least a partial separation.

That task is easier than it might otherwise be, owing to the circumstance that—fortunately for our theme, though unfortunately from every other point

of view—there happens to exist one highly respected and exceedingly powerful trade, already incidentally referred to, which is practically wholly wasteful and destructive, and this trade will serve as an illustration of our case.

CHAPTER VIII

RECOMMENDATION AND SOLICITATION

ADVERTISING is no new thing, but the Advertising Trade is almost entirely a product of our modern conditions. And even advertising itself, in the systematic form and on the gigantic scale with which we are familiar, is so largely a product of those conditions that it strains to the utmost the common proverb that there is nothing new under the sun.

The generally accepted idea is that advertising justifies itself economically by its results. It is probably not too much to say that there was never so universal a belief that was at the same time so utterly and so *demonstrably* false. Empirical experience, it is true, seems to justify the expression already quoted that "Advertising Pays." This means that, *other things being equal, those firms which advertise largely and skilfully obtain a greater share of the public's custom than those which do not so advertise.* But this fact, which probably no one will question, is in itself the final and irrefutable proof that modern commercial advertising is a waste of the community's wealth, as foolish as it is wicked.

In the words we have italicised, we have summed up as fairly as we know how, and virtually in the Advertising Trade's own words, the claim that is made by the champions of advertising. But this

claim means merely that advertising pays the advertiser; let us examine the question whether it pays the public.

It must be clearly understood that the consumer has to pay not only the cost of advertising, but also the *profit on the cost of the advertisements*. To make this clear, let us take a hypothetical case of a manufacturing company which sells its products without advertising (though this is not entirely hypothetical, since such firms actually exist). The capital it provides is, say,

For fixed assets, cost of patents, etc.	£100,000
„ working capital - - - -	100,000
	<hr/>
Total capital	£200,000
	<hr/>

If its annual expenditure for all expenses and purchase of all materials made up and sold during the year is £180,000, it is evident that in order to pay a dividend of 10 per cent., which requires the sum of £20,000, it must sell the year's products for £200,000, i.e., £20,000 profit.

Now assume that the company advertises. The capital figures may be:

For fixed assets, patents, etc. - -	£100,000
„ working capital, apart from	
advertising - - - -	100,000
„ three years' advertising campaign	100,000
	<hr/>
Total capital	£300,000
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Its annual expenditure is now £180,000 as before, plus £33,000 for advertisements. But, in order to pay a ten per cent. dividend, it now requires a net profit of £30,000, i.e., ten per cent. on £300,000. To secure this it must now sell *the same output*, not for £200,000 as before, nor even for £200,000 plus the £33,000 spent on advertising, but for these combined sums plus an additional £10,000 to pay the dividend on the £100,000 advertising capital, or £243,000 in all, made up as follows (we take the third year's working) :

Annual expenditure for materials and working, etc.	- - - -	£180,000
Annual expenditure for advertising	-	33,000
10 per cent. dividend on fixed and working capital	- - - -	20,000
10 per cent. dividend on advertising capital	- - - -	10,000
		<hr/>
Selling price (against £180,000 for costs and expenses)	- - - -	£243,000
		<hr/>

Thus the public, instead of having to provide only the £20,000 profit originally required, has now to provide a profit of £63,000—or more than three times as much. And, long after the advertising capital is exhausted, and when current advertisements are being paid for out of current profits, the purchasers will still have to go on paying the dividend on the non-existent £100,000, which still appears in the books of the company as “Capital,”

and the shares representing which are still being bought and sold on the market. This is the case even when the cost of a preliminary advertising campaign is "written off."

Whatever figures are assumed, the results will be analogous, while in many actual cases the figures will be found still more astounding.

The reader may think he perceives a flaw in the foregoing calculation. Advertising doubles or quadruples the sales, he may object, therefore the goods may still be sold on the original profit basis, the cost of advertising and of extra dividend being paid out of the increased turnover. But there is no flaw. If it is the general rule for all firms to advertise, it is evident that advertising cannot double or quadruple the turnover of all firms. Is it supposed that the total purchases of the public are increased to that extent through advertising? The question answers itself, since such an assumption would mean practically that advertising makes us all spend from twice to four times as much as we possess. It is true that, so long as present scale advertising is general, the firm which does not advertise will probably sell much less than the others; but this is the fault of the advertisers, and surely only shows the evil of the system. We are not recommending any individual company to cease its advertising, nor advising the investor to put his money into a concern so handicapped by the others; we are endeavouring to show the wastefulness of the whole business. On account of the general prevalence of

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advertising it is necessary for most firms which supply the public to provide advertising capital, and to charge the cost of advertising and the profit thereon to their customers. An intelligent examination of the trading books of the general run of companies will show how high are the prices, compared with manufacturing costs, which have to be charged in order to cover advertising in addition to other expenses.

It may still be argued that, however costly advertising may be, it is worth it. Many would maintain that advertising does really fulfil its ostensible mission of serving as a guide to the consumer, since it enables us to know where and what to buy. It keeps us abreast of new inventions and improvements, and gives us information concerning the various commodities which are at our disposal, and guidance in the selection of the best things, or of just those things we may happen to need.

It would seem difficult to conceive of a system which should fail more miserably to perform this desirable service for us. In fact one of the great needs of the day is a system whereby the purchaser really might obtain reliable guidance, and so be saved the loss and mortification which so frequently result from dependence on the *ex parte* statements of the people who want our money. Can any of our readers tell us to-day, for instance—from the advertisements—which is the best infants' food? Is condensed milk really "best for babies"? If so,

everybody ought to know; if it is not, interested parties ought not to be allowed to persuade mothers that it is. Such information ought to be available, for it may be a matter of life and death for our children. And the foods themselves ought to be available, and would be but for the cost of advertising, at very much lower figures than the present fancy prices—quite beyond the reach of thousands of parents of weakly children—since, if they are wholesome, and free from chemicals as alleged, they must be manufactured from quite inexpensive materials.

Is *each* of the advertised foods really the best? Is it a fact, as alleged by the proprietors of one infants' milk food, that "ordinary" dried milk is made from "contaminated, stale or dirty milk"—and that theirs is not? If it is a fact, what shall we say of the claims made in their advertisements by the manufacturers of the articles stigmatised as "ordinary"?

Can our readers tell us—from the advertisements—which is the best household soap? There is unlimited information in the advertisements. The writer, like the reader, has been compelled to see, and to a certain extent peruse, these advertisements ever since he learned to read. How much money it has cost—which the writer has had to pay—to tell him which is the best, it would be impossible to estimate, though it would certainly be enough to make a very acceptable little "windfall," if he could have it now. Yet the advertisers have never

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succeeded in giving him this information, though each has shouted "the truth" at him for decades. And now his wife and a considerable circle of friends have had their "long felt need" met by a soap which was not advertised at all, except by those who have experienced its labour-saving virtues. (Wild horses shall not drag its name from us.)

Can our readers tell us—from the advertisements—which is the most efficient, economical and hygienic illuminant, gas or electricity? Does the recent practice of forming associations of gas companies and associations of electricity companies (the so-called "co-operative advertising") each to advertise the claims of the rival systems, assist the public to arrive at the truth? Does gas-lighting poison the air as alleged by the one, or is this more than counterbalanced by the ventilation it provides, as maintained by the other? Is it a fact that "doctors recommend" gas fires, or do some doctors strongly condemn them? The writer seems to remember his doctor ordering a gas fire to be instantly removed when he—the writer—was ill; but possibly that was only the writer's delirium. Is electric light ruinous to the eyesight, as recently announced publicly? Does not the reader see, not only that it is impossible to obtain guidance from the advertisements, but also that the present advertising system, which maintains the newspapers in their present form, *prevents* us from receiving the reliable guidance which might otherwise be accessible to us? Are the statements of the scientific experts retained

by the gas companies correct, or those of the other side? We actually pay for both, *whether we use gas or electricity—or neither*—since every manufacturer and trader uses one or the other, and the price they pay, including the fees of the scientific special pleaders for each system, enters into the cost of everything which they make and sell, and we buy. Surely we are entitled to something for our money, yet we find it impossible to obey the scriptural injunction to “buy the truth.” We must confess however that they obey the latter half of the text, for they certainly “sell it not.”

The only certain fact known to the writer about the whole business is that the gas “experts” who minimise the danger from *Carbon Monoxide* are most certainly wrong. But this he did not learn from advertisements, and he is not prepared to respect the pronouncements of scientists who can reconcile their reassuring statements with their consciences and their science, and with their duty to the public.

We might ask a hundred similar questions; and the advertisements might supply as many conflicting answers to each. Not only does all this vast apparatus of *Recommendation* and *Solicitation* afford no guidance to the public, tending rather to mislead and confuse, but we shall show also that, so far from yielding any economic results for the community, it simply consumes unproductively an enormous proportion of the people’s wealth. But even apart from this, it is strange that the *morality*

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of the whole business is seldom or never called in question. So long as the system persists, it is true, we cannot charge individuals who engage in it with any special moral obliquity, since they are held in thrall by the state of things which has been created. To refuse to comply to a certain extent with the system under which we live would be practically to refuse to live at all, and therefore the man who would sell his goods to-day *must* advertise. In a "doorless age" such as we have imagined in an earlier chapter, a man could not be blamed for emerging from his house by the window, or even sometimes by the chimney, though this would not prevent his being defiled in the process, but a civilised community would soon devise a better way; and if we would justify our claim to be civilised it is time we devised something more respectable than the present machinery of quackery and misrepresentation and vulgar assertion.

It is sometimes urged that the community benefits by the fact that large scale advertising tends to concentrate business in the hands of the big firms. Such concentration makes it possible to manufacture on the grand scale, and, as mass production enables goods to be turned out more cheaply, the consumer will naturally get the benefit of the economies effected.

But the press and the advertising trade recommend *everyone* to advertise; and everyone is doing it, as largely as they can afford, and as skilfully as they can manage. How can this tend to mass

production? Can *every* manufacturer secure the lion's share of the public's custom, or do the laws of arithmetic hold good here as elsewhere? Can every manufacturer squeeze out every other manufacturer? Is it not constantly urged—unfortunately with only too much truth—that everyone *must* advertise if he would keep his wares before the public, *because everyone else does*? And is not this simply to weight the whole of industry with an intolerable burden which, while it handicaps the individuals engaged therein, leaves them just where they were relatively to each other?

Not perhaps *quite* where they were. The natural result of simple competition in *producing the best articles and supplying them at the most reasonable prices* would be for business to gravitate mostly into the hands of those who succeed best in fulfilling this laudable object. The firms to secure the trade would be those which give best value for money. But we have introduced this disturbing factor which makes the growth of a business depend, not solely on the value which each supplier gives to the public, but partly also on the art with which he has drawn up his advertisements, and on the amount of the nation's wealth he has used up, not by putting the value into the wares which we buy, but by putting it into advertisements which no one can either buy or eat, but which all must pay for. And this factor has become the *dominating* one. Competition in service has largely given place to *competition in crying one's wares*. At immense cost to the public

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we have, to say the least, made it if anything rather *less* likely that manufacture shall be concentrated in the hands of those who render the best service to the community. Careful observation over a series of years has satisfied the writer that it is in many cases *the wrong people* who come to the top as a result of this sinister business, although, for obvious reasons, it is impracticable for us to cite instances in support of our contention.

Production on the grand scale is of course economical, though under existing conditions the economies effected thereby in actual cost of manufacture are often more than negated by the heavy unproductive capital and charges with which the big amalgamations are weighted. But even if and when, in spite of these, a real net saving is effected, there is no evidence to indicate that the public reaps the benefit. Experience of the general trend of prices during the years in which amalgamations have been proceeding most rapidly, and on the largest scale, rather shows that the contrary is the case. It has repeatedly happened that the public has paid for the cost of advertising campaigns by which it has been induced to deal with certain firms in preference to others, and when the firms which have thus "pinched" their rivals' trade are consequently in a position to manufacture on an increased scale, the public, so far from getting back anything out of the economies effected, has had to pay again in *increased* prices, which the suppliers are able to impose owing to the removal of effective competition.

It may be taken as a fairly safe rule that the public is not even *intended* to reap the benefit of cheapened manufacture. This applies of course whether such results have been brought about by advertising or by other means. The general tendency to amalgamation has been steadily to the public's disadvantage, and no one familiar with amalgamation schemes and schemers is in any doubt about the object which has generally been held in view. "Why should we cut each other's throats?" argue these generous-hearted fellows (when it is so much more profitable to cut the public's). Pilate and Herod agree to sink their differences, and the innocent suffer. Occasionally an individual case is pointed out which, on a superficial view, seems all in favour of the "big business." A small tradesman must charge 10½d. for an article which can be obtained at the big shop for 10d., and he confesses that it is impossible for him to compete with the others owing to the conditions under which he must buy. But it is the monopoly of the markets and the control of supplies by the big men that have put up prices to the small man, and have *made* it impossible for him to compete, though he used to sell the same or a better article for 4½d.

During the past thirty years, owing to invention and improved processes, the *real* cost of production of most commodities—*i.e.*, the *expenditure in labour-hours* necessary to produce them—has continued to fall, expenditure on advertising and its kindred activities has increased generally to an unprecedented

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degree; the control of most commodities, at some stage at least of their manufacture, has largely passed into the hands of combines and rings; and there has been a steady *increase* in the prices charged to the public, quite apart from the war. Before the days of the soap millionaire, the cost of household soap was as low as 7d. for the three-pound bar. Chemical invention has rendered large stores of materials available for soap manufacture which could not previously be utilised, and similar facts apply in the case of other manufactures, but the result has generally been *against* the consumer.

Since large scale manufacture is economical in itself, it clearly *ought* to be good for the public, and it *will* be when industry is conducted for the public good. But industry at present is carried on with quite other aims, and the general aim and effect of large scale advertising is *monopoly*, usually by way of the "combine" when one firm is not sufficiently powerful to crush its rivals. Complete monopoly, it is true, is never attained in this country, though our "safeguarders of industries" seem anxious to bring about conditions in which it shall be possible. The case of sewing cotton probably comes nearest to it, but in many industries sufficient control is attained to enable the controllers to put into their own pockets the proceeds of any saving effected through mass production and merchanting, in addition to the *extra* profits which their position of advantage enables them to wring from a squirming public.

Sometimes the point is reached where the necessity

for lavish advertising partly disappears. Still we do not get the benefit of the economy. Our mothers can tell us what they used to pay for sewing cotton and what they pay now. The reader may be able to compare tobacco prices with those obtaining when the "pioneers of cheap tobacco" first burst on an astonished world with processions of decorated advertising cars to herald the new era of cheapness which they would inaugurate "for the benefit of the consumer," and with giant models of the pence and halfpence to be saved, the benefit of which they were "determined to secure for the public." A comparison of advertising then and now will show that the advertisements of the cotton trade—which used almost to lead the dance—have practically disappeared, while those of the tobacco trade appear to be considerably reduced—at any rate in comparison with the *general* increase in advertising—except in the case of firms outside the combine.

An examination of so much as is published of the finance and dividends of the great combines will leave little doubt as to what has become of the economies effected by amalgamation and association, with their consequent saving in advertisements, and of mass production with its cheaper manufacture. A careful study of the facts disclosed in those valuable publications, *The Stock Exchange Year Book*, and *The Stock Exchange Official Intelligence*, is an education in this question. It will throw some light on the point raised as to what your wife pays for sewing-cotton as compared with what her mother used to

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pay. In the case of tobacco however, any precise comparison is impossible owing to increases in duty; but recent dividend announcements may give us some indication of the state of the case.

It should not be difficult, even while still maintaining our system of "private enterprise," to purge it of one of its worst features, by gradually making commercial advertising as it is understood to-day as unprofitable to the trader as it is to the public, and perhaps ultimately unlawful, so recovering for the community the vast wealth which is now squandered in this shameful business. We do not develop our ideas herein in detail, as the public will not be disposed to consider the matter until ample discussion shall have caused it to realise how much it is losing under existing conditions; and we have further work yet to do in analysing those conditions. But our proposals would involve the institution of National Catalogues, with local and trade sections, containing true and impartial information concerning all the principal commodities, their real constitution, qualities and uses, better or cheaper alternatives, where obtainable, etc. Such a system would cost but a fraction of the amount charged to the public to-day for the mutually contradictory advertisements by which they are bewildered, and it would enable the people to learn the one thing that cannot be learned to-day, viz., *the truth*.

The effect of the publication of such authoritative guides would be stupendous by reason of the facts revealed, and thus in the education furnished to the

people. The innovation would enable those who serve the community best to thrive; it would destroy fictions and fancy prices, and it would incidentally kill many flourishing businesses, to the great profit of the community.

CHAPTER IX

THE "KEY INDUSTRY"

AT a recent annual festival dinner of the National Advertising Society, presided over by a well-known peer, the Chairman is reported by *The Times* to have declared that "Advertising was the Key Industry of the Universe." His Lordship would have been nearer the truth had he stated that Advertising is the key to the bottomless pit of waste in which our wealth is consumed. It is safe to say that, with its kindred "industries," advertising involves us in a loss of hundreds of millions of pounds annually. In other words, the workers of this country are allowing the commercialists to seize upon the wealth they have created, representing *thousands of millions* of hours of their labour every year, and to destroy it.

To those unaccustomed to think in terms of real economics it may be difficult to see how the terrible tragedy of our suffering millions is affected by advertising. Why should the consumption of wealth in this trade impoverish the people? Advertising, it might be argued, chiefly uses up timber and paint, printers' ink and paper; it does not consume the houses, bread and butter, boots and clothes and other things from the lack of which the people are suffering.

Advertising is of course only *one* form of waste,

but it is a typical form, and we take it as an example. We might answer the foregoing objection by saying that the money compulsorily spent by the public on advertising could be better spent on the other more needed things, and such answer would in a crude way express something approximating roughly to the real explanation. This answer would not however make clear the very real nature of the waste and loss involved.

The real point is that the advertising trade destroys *wealth*. It destroys the products of past labour, and it perverts to this work of destruction the present labour which might have been employed in producing further wealth for use and enjoyment.

Wealth in its various forms is interchangeable. We do not mean merely that one form of wealth can be bartered or exchanged for another in the market; we mean that we can produce at will, according to the use we choose to make of our labour-hours, practically any form of wealth we desire. Mother Earth is ready to respond in practically any direction, and to yield impartially at our bidding one kind of wealth or another—printer's ink or potatoes, machinery or milk, sky-signs or sugar, according as we apply our labour. We can as easily produce the things which shall supply the people's needs as the things we so wantonly produce to destroy again without supplying anyone's needs.

Until we touch the limits of the earth's supplies or productivity in any one direction—a contingency too remote to affect our argument—we can produce

practically what we like. If we have a plethora of foolish luxuries and a shortage of necessities, this means that we have chosen to apply our labour to producing things we do not need instead of things we do need, or that one section of the community has been compelled so to misapply its labours in the fancied interests of another section.

When once we recognise the essential interchangeability of the various forms of wealth we shall see that it is as wicked to misuse a pound of paint as to burn a loaf of bread. And it is equally as wicked to *produce* a pound of paint for wasteful purposes as to burn the loaf, for the labour given to the production of the paint could have produced the loaf. This essential interchangeability of wealth, or the power to produce wealth in one form or another at will, is demonstrated in everyday business. Under commercialism, the producer of course (with the exception of that model producer the housewife), produces what he can make most profit out of, and not what the community stands most in need of. But let a "demand"—either spontaneous, or artificially induced—spring up for a new article, and immediately labour of hand and brain is turned on to it, and it is produced, and continues to be produced in practically any quantities so long as it continues to "pay" the producer. Amateur "wireless" is a striking case in point. In a few weeks or months, ten thousand shopkeepers, in a thousand towns, stocked their windows with an entirely new type of goods. The greater part of the

industry of this country was of course diverted in this way during the war.

A trade, like an individual, must be judged by what it *produces*. The farmer produces corn, the builder houses, the writer books, and the artist pleasure and culture. The teacher should produce instructed men and women, and the preacher virtuous ones, and the world is justified in judging each by his products. Tested by this, the sole valid criterion, what does the advertising trade produce? Other trades use up material and labour to produce articles for the public's consumption, or services for the public's use and enjoyment; what is the total contribution delivered to the community by the advertising trade in exchange for the millions of pounds worth of the wealth of the community which it consumes, and the untold millions of hours of labour which it appropriates? Which of the clamant needs of the people does it satisfy?

It renders *nothing* in exchange for all that it receives. It supplies *no* need. It fills no hungry belly, clothes no shivering frame, shoes no naked foot, teaches no ignorant child, saves no body or soul. The whole organisation is a contrivance which gives nothing for something. It is a vast mechanism for robbing the public by appropriating and destroying an immense proportion of the nation's energies and wealth, for which it makes no return, and renders no account. It is a machine which takes in the pig at one end, and gives out a squeal—but no sausages—at the other. In America there is a law

imposing imprisonment for certain acts conceived to be "in restraint of trade," as a crime against the public interest, and men of high standing have recently found themselves in gaol as a result. Surely it is a crime against the public interest to pervert labour and to destroy its products, and a truly enlightened community would adopt equally stern measures to repress it.

But, it may be argued—even if the writer's contention be correct—the wealth they destroy is their own, and the labour they misuse they pay for.

Even if we could admit the low ethical standard of such an argument, we cannot admit its erroneous assumptions. To destroy wealth, to whomsoever belonging, impoverishes the *community*, the resultant scarcity making itself felt in increased prices. So long as the destruction represents only a moderate percentage of the total income of the nation, its effect on the community may not be apparent to everyone; but the truth will be recognised in a moment if we imagine such destruction or waste to amount to *fifty* or *seventy-five* per cent. of the nation's income. Probably everyone can see that if three-quarters of the present available wealth of the country were wasted, either by being made into fire-works or by being consumed in other unproductive "industries," we should suffer from famine, and only the wealthiest would get enough to eat. The waste of *ten* per cent. operates in precisely the same way, the difference being merely one of degree. So surely as the *total* destruction of the nation's wealth

would cause us all to starve, just so surely do we as a community get less to eat or enjoy as a result of its *partial* destruction by the advertising trade.

The immorality of commercial advertising as it exists to-day fails to shock us probably for two reasons—our lack of understanding and our low moral standards. The system is a worthy expression of the commercial idea in which we have been reared. Tolstoy's words still remain true that "the remedy for most of our evils is that we should *give up lying*." The greater part of advertising is sheer falsehood—some of it very preposterous falsehood. In other cases the falsehood is only suggested, but it is none the less false for its subtlety. Its influence tends powerfully to destroy in the community generally both the habit of truth and respect for truth. The trade incites and assists each trader to war on and to slander his fellows. Advertising debauches the people; a visitor from a sane world to one of our principal West End centres at night might well think we are a lot of idiot children to be influenced by what can be seen from there. Tens of thousands of pounds must be spent yearly on this folly in one such centre alone, and it would not be spent if it did not have the desired effect—for "*advertising pays!*" Advertising degrades the meaning of language, lowers the public standard of truth and honesty, prostitutes the talents of those engaged in its service, and tends to destroy in us the last vestiges of the power to judge men and things on their merits apart from the assertions that are flashed

before our eyes and dinned into our ears. It makes it impossible for a trader or manufacturer to give us good, sterling, honest value for money, for we will not buy from him unless he spends a considerable part of the price in shouting at us. And even the small shopkeeper who is too poor or too honest to join in the game is compelled to pay for it in the price he is charged for his goods.

It is like the piling up of armaments for war. "What can we do"? exclaims each government; "the others arm, and so must we"! And its subjects have to pay.

"What can *I* do"? exclaims each trader; "the others advertise and so must I"! And his customers have to pay.

And it is war. Merciless, cut-throat war. But whereas there is no authority over the various nations in the matter of armaments to knock their heads together and bring them to reason, one would have thought that a Government might well perform that friendly office for its own subjects when, like the barons of old, they impoverish the country by their *intestine* wars, and bleed the people to furnish them with the munitions.

Now so long as the popular, purblind views persist, there will still be people to maintain that the business of advertising is productive—that it does feed and clothe people—because it "pays wages." It is however a *fatal error* to regard the wages and salaries paid and the profits made in an industry as having been *produced* by that industry. Yet this is

the commonest of errors to-day, and it is fraught with the most deplorable results. If we may be pardoned the repetition, the only wealth which an industry creates, or can create, is its *products*. Profits and wages represent the amounts, legitimate or otherwise, with which manufacturer, merchant and workman have been able to *charge* an industry. The produce of an industry is—what it produces; as the produce of a workman is what *he* produces, and *not what he gets at the end of the week for producing it*. The brewer produces beer, the baker bread and the candlestick-maker candlesticks. All these trades pay wages and profits, or workman and employer could not live; but first they *produce* something. It is of course quite just that an industry should be charged with wages and profits; only let it *be* an industry—let it produce something—otherwise the charges are not justified. So far from the advertising trade producing anything, we have seen that it is a vast *destroying* agency; yet it is charged with profits and wages for this “service”; and these—the *charges*—are held up to us as the produce!

It would be difficult to think of an industry whose labours and products are not used up in some way in the advertising trade. We are *all* in it, more or less. The miners who hew coal with which to work railways, etc.; the men who smelt and cast the metal, and those who make the machinery and railroad material; the bankers and the merchants; all people who produce or transport things that are in any way used in the business; the clerks, travellers and

accountants; the lumbermen, paper-makers, printers and postmen; the men who build the "publicity offices"; the lorry builders and drivers; the directors, managers, inventors, engineers, workmen, staffs, typists and office boys and girls—not only in the advertising trade itself, but in all businesses and trades so far as their labours and products are "utilised" in the business of advertising—all are doing work which produces nothing, but uses up millions of pounds worth of valuable stuff which the people need so sorely for other purposes. One of the most deplorable of sights to the seeing eye is this spectacle of thousands of honest, industrious people busy—and glad to be busy—in this stupendous task of the exploitation of their own labours and the destruction of their own wealth, believing that they are creating wealth when they are only destroying it.

And all these people are capable of useful work! Work that should produce *wealth*; that should relieve the real wants of the nation; that should provide the food and raiment, the homes and instruction, that the people need; filling the land with plenty, and making it to blossom as the rose. Oh the waste of humanity—the folly and wickedness of it all! "Brainy" men, brawny men, men skilled at bench or desk; men of cunning invention, men of administrative abilities, or the winning gift of eloquence—now, alas, prostituted to ignoble ends—skilled stenographers, deft typists, splendid lads and girls; all have their gifts, and all might be serving

society by helping to supply its needs instead of destroying its supplies. When will the workers awake, and refuse any longer to allow the products of their labours to be flung into this infernal maelstrom—instead of lending their hands so docilely as they do to the mad work of flinging them in?

The individual worker cannot of course help himself. The *community* of workers can remedy both this and its allied evils only when they *understand*. At present most of them know the shoe pinches, but are unable to lay their finger on the causes of the trouble. They see in a hazy way that every business seems to “create employment,” but fail to see that this is often analogous to the “employment” provided by setting a man to dig his own grave. With a shortsightedness which is not unnatural, they seldom enquire what is the ultimate effect of the employment; they do not ask themselves what is the real use or object of the work they are called upon to perform—whom, or what ultimate purpose, the thing they are making will serve. And even if they did, so long as the profit-seekers are the sole dictators as to what services our people shall render; so long as workers must work with a sole view to the profit of the employing class, and are not allowed to think of the national requirements; so long as they can be compelled either to devote their energies to a work which in the long run impoverishes both themselves and the community, or to starve with their families, who can seriously expect them to choose the latter alternative?

Important as questions of distribution are in the familiar meaning of the word, *i.e.*, the apportionment to every man of an adequate share of the available products of labour, yet such questions in the form in which they are generally discussed are usually short-sighted in the extreme, resolving themselves as a rule into mere haggling about rates of wages. The first place must be given to the question of the *production* of real wealth, and *the prevention of its destruction*.

In "making work," *i.e.*, wasting labour, you lower the rate of real wages, since you lower the average product of the nation's labour-hours; in destroying material you destroy real wages, since you deplete the wealth from which wages are paid. Yet to-day any man is allowed to use up and destroy a million pounds worth of wealth, and to appropriate to it another million pounds worth of labour, if he thinks that by so doing he can get back something over two millions for himself, and so "make a profit," regardless of whether the products which he restores to the community are of greater or less value than the material and labour he has used—regardless of the fact that his "profit" may be the community's loss. The people whose goods he buys and uses up will tell you it "makes it good for trade," though often it really only diverts trade from others. But—even if and when it does have the effect claimed—who wants to "make it good for trade"? We shall never think clearly till we succeed in tearing ourselves from under the hypnotic influence of these illusive

catchwords ("keeping the money circulating," etc.), and get our eyes fixed on *things*, and on processes, and watch what really happens. Who or what is "trade," that we should be so anxious to "make it good" for that elusive entity? Let us rather study realities, and consider whether what we are doing "makes it good" for ourselves, and *for each other*.

CHAPTER X

THE FEAR OF PLENTY

AT a recent session of the Trades Union Congress, a well-known Labour leader made a strong plea for the reconsideration by France of the German offer to restore the devastated regions, which offer had been *rejected by the French Capitalists*.

Another delegate opposed the plea and, according to the *Daily News*, "impressed, but chilled" the Conference by a "coldly logical speech." Payments had already been made, he urged (evidently referring now to Britain), and they saw the effect in the ship-building, engineering, mining and other industries.

Were the textile operatives, he asked, the ship-builders or the miners, prepared to receive fabrics, ships or coal? There were answering cries of "No"!

So the "cold logic" of a member of the party which is supposed to repudiate commercialist "economics" leads him into practical agreement with the commercialists in believing that the receipt of wealth impoverishes us. In this he appears to be at one with the French capitalists referred to, and, in fact, with capitalists generally. So long as the workers continue to accept this essentially capitalistic doctrine the capitalists will continue to sit securely in their seats.

Are the capitalists prepared to let the things the people need come into the country without paying toll to them in the form of profits? "No"! from the capitalists.

Are the *workers* prepared to let the things the people need come into the country without paying toll to them in the form of wages? "No"! from the workers.

What then must the people do who need these things? Capitalists and workers together: "They must either go without the wealth they represent, or they must pay the *entire cost* of them over again, including our profits and wages, for the sake of providing us with those profits and wages."

This does not seem economical, but it is "economics."

When Germany sank millions of tons of British shipping, this was rightly supposed to represent a *loss* to Britain—a loss in which the whole community shares. According to the popular "cold logic," if we can raise these sunken vessels again, or receive other ships in their stead, this will involve a further loss! When Germany destroyed French mines and factories, and smashed or stole the plant and machinery, we seem to remember that the French people resented this as—to put it mildly—an unfriendly act. Yet according to the said "logic" it would be even more unkind of Germany to return the stolen property or to replace that which she destroyed.

The ships handed over by Germany represent only

a *partial* replacement of those sunk. If even this partial replacement impoverishes us, what a calamity it would have been *if Germany had never sunk our ships at all!* We should have all our original ships on hand, instead of enjoying the privilege of using up our valuable material and labour in replacing them. Let us pray that we may soon have another war, and so get our wealth destroyed as fast as we make it, thus continually "making work."

To be consistent, we ought to consider that we are under a great obligation to Germany. By destroying, and causing us to use up, some eight thousand millions of our wealth, she has given us work to do for generations. And yet—surely there must be a "snag" somewhere—*unemployment exists to-day to a degree previously unknown!*

What is this curse that seems to overhang modern industrial communities, and to turn their gain into loss, so that whatever we receive we are the poorer for it? We appear to dread above everything an abundant supply of the things we need. We loathe a full market and love an empty one. The moment the people's needs begin to be supplied the traders cry out. We talk of a "glut" in the boot trade while people are in need of boots. The shareholders of a great wool combine deplore a bounteous wool harvest, and their chairman bewails the fact that "we cannot stop the wool growing on the sheep's backs." Meanwhile we pay robbery prices for woollen garments, or go without them, "the great American public shivers in high-priced cotton

substitutes for wool," and all the efforts of their National Society for the Prevention of Tuberculosis cannot get wool for them. What is this curse that makes masters and men welcome any new need or scarcity, and view with apprehension the prospect of such need being met; that leads even a labour leader to refuse the free supply of commodities from another country, and our wise legislators to resent even a *cheap* supply, and to tax the articles for the confessed purpose of making them dearer?

There is no "curse" except of our own making. The commercial "economists" however—and some others—evidently believe that it is inherent in the very nature of things. "Very unfortunate," they will tell you, "but, there it is"! The destruction of our ships, they will go on to explain, produces a scarcity of ships, and, as ships are needed, the necessity for building new ones "creates employment," while the call for fresh material to replace that destroyed "makes it good for trade." The destruction of mines, factories and plant in France necessitates years of labour and thousands of tons of material to re-open the mines, to re-build the factories and to re-install the plant, before they can again produce wealth, and this provides employment and profits for hundreds of thousands of industrious Frenchmen.

In existing conditions—and as affecting individuals in specific cases, as distinct from the community—there is sometimes a small modicum of truth in the observed "facts" of this paradoxical phenomenon.

But it is very small, even under those conditions, the apparent phenomenon being largely an illusion. We see the workers and the traders, who are engaged in the work of replacement, actually receiving wages and profits from the unfortunate community (also consisting of workers and traders) who have had to suffer the loss; we do not so easily identify the members of the community on whom the loss has fallen, and who—in the case we have been considering—are actually paying the *entire cost* of replacement, including those profits and wages, to replace ships, etc., which they might have received free.

Moreover, the power of correctly deducing facts from observed phenomena, as is well known to all scientists and psychologists, is one with which the untrained human mind is very poorly endowed. If this were not unfortunately the case, possibly there would be no "Economic Illusion." The capacity even of correctly observing the actual phenomena is one which is well developed in very few individuals, which fact may perhaps justify the somewhat questionable expression "apparent phenomenon" which we have permitted ourselves to employ. Even so, the fallacy of the popular assumption with regard to one important cause of unemployment ought to be apparent on a moment's consideration. We lose *eight thousand* millions of wealth; we recover a *hundred* millions; poverty ensues, with its usual accompaniment of unemployment. And the popular idea ascribes the poverty, not to the *loss* of the *eight*

thousand millions, but to the *recovery* of the *hundred* millions!

So far as there is any truth in the idea that happenings which are essentially of the nature of loss somehow result in gain—a circumstance which is never more than temporary and incidental in the case of legitimate industry—such gain can only accrue to *individuals*; and the circumstance is merely a symptom of our disorder. Its acceptance as exemplifying the working of an economic “law”—as part of the essential and unalterable nature of things, instead of as an anomaly that must be made impossible—involves the acceptance of the very essence of the economic illusion. It is a typical example of “girls’ school economics.”

Unfortunately, however, young ladies leave their seminaries before they have got very far in political economy. Otherwise they might go on to enquire why we do not carry these “coldly logical” ideas to their obvious conclusion. When business is slack, and wages are scarce, might we not ask Germany to sink a few more of our ships, or even to blow up a harbour or two? When there is industrial stagnation in France, could they not induce the Germans to perform a similar friendly office on their mines and factories? This would surely provide “work for all”! Because when you kick a hole in our ant-hill the ants have to “get busy” to repair the damage, it seems to be assumed that the act of demolition is beneficial to our economy.

But of course we are *not* logical in our ideas, for

we are not consistent, and consistency is of the essence of logic. The Labour Party—the one political party which has had the courage formally to adopt a definitely Christian attitude towards our late enemy—rightly opposes all revengefulness or vindictiveness in our dealings with her, and protests against our taking coal from Germany because this *impoverishes Germany*. This is excellent, but we should like to see all the members of the Labour Party as consistent in their economics as the party appears to be in its international morality.

Let us see where we are. It impoverishes Germany to part with its coal; it impoverishes us to receive it! Then who on earth gets the benefit of it? Is it not time we made up our minds as to what are the real effects respectively of receiving and of parting with wealth? It is this chaotic and mutually contradictory state of the public ideas on economic matters which precludes any permanent advance in the right direction. The French capitalists who will not let the Germans re-equip their mines are prepared to seize the German mines in the Ruhr, equipment and all; and most of the French workers who approve the former also approve the latter entirely inconsistent project. Members of the Labour Party who refuse free coal because it impoverishes us to accept it, also allege as a further objection the fact that it impoverishes our German brethren to part with it. It has actually become necessary at this time of day to lay down the elementary proposition

that to receive wealth enriches, while to part with it impoverishes.

All would probably agree that, in the case of an *individual*, to supply him with the things he needs does not impoverish, but enriches him.

It will probably be admitted that the same applies to a *household*.

We are not sure what would be the popular idea in the case of a *tribe*.

But, when it comes to a *nation*, although it should be mathematically clear that the receipt of wealth must of itself make us richer in the same way as it makes an individual richer, yet it is believed that it somehow makes us poorer. This fact, if it be a fact, surely creates one of the most unfortunate dilemmas that ever confronted a poor perplexed community. If our enemy robs us, we must not recover the spoil—must not even accept it, if he repents, and brings it back! If he smashes our house or property, we must not let him rebuild or replace it! To receive fifty million pounds worth of ships, rolling stock, machinery, furniture, or other commodities, according to arithmetic, makes us fifty million pounds richer, as the original loss of them made us poorer; but arithmetic must be scrapped, and we must refuse these things! We must never receive wealth from abroad, or never at the worst receive more than we part with—never make a real profit! A loss once suffered, whether at the hands of a foreign enemy or otherwise, must be put up with; it can never be recovered. There is no remedy—no possibility of our

accepting repayment ; it must remain a loss for ever. We lose by the sinking of a ship—we lose by its replacement. *Heads*, we lose—*tails*, we lose! Did ever a perverse fate so afflict an innocent and virtuous people ?

The immediate cause of this extraordinary attitude of mind lies in the fact that we have a system—so called—under which men are not permitted to work, and so obtain sustenance, unless some employer sees an opportunity to make a profit out of their labours, and so it comes to pass that employer and worker welcome need, or shortage, in the community, since this calls for work which will yield both profit and wages, although at the cost of the community. *And the community foolishly acquiesces.* The fact that the work needs doing, and that the people need the wealth, is not allowed to come into the reckoning, as is evidenced by the fact that the people need wealth in the form of houses and many other things to-day, but they are not allowed to create that wealth by building the houses or making the things, and will not be allowed until it is to someone's profit that the work should be done, apart from the persons who need the houses or commodities.

It is to be regretted that some writers even who cannot be suspected of capitalistic sympathies yet adopt this commercialist error. Thus a Socialist journal remarked recently anent Mr. Bonar Law's reparations proposals: "We differ from him, because *on economic grounds* we object to receiving an indemnity. Unpaid imports, which evoke no

demand for British goods by way of exchange, are a disaster for British labour.”

We have seen that the capitalists regard unpaid imports as a disaster for British *capital*. A Socialist writer regards them as a disaster for British *labour*. May we be permitted to suggest that paying for imports which we need not pay for, or, as in the present instance, for which we have already paid tenfold, is a disaster for *Britain*. It appears to us to be playing into the hands of the capitalists for Socialist writers to make such statements as though they are expressing essential economic truths. They must know, if they are economists, that any accidental justification that may exist for such an *Alice-through-the-Looking-glass* policy is merely a symptom of a perverted economic system, which makes the gaining of profits and wages, instead of the production or obtaining of wealth, the object of industry.

The journal in question, however, for whose opinions in general we have the greatest respect, returns to the charge in the next issue in the following words: “We regard *gratis* imports, which create no demand for British labour, as a direct and ruinous injury to our working classes.” “This is not the general opinion of the country,” it adds. But, on the contrary, this unfortunately *is* the general opinion of the country. It is the general opinion of the capitalists, of the commercial classes, of the man in the train, of the workers, and of the commercialist press. Similar statements can be read in any of the

papers most mornings. It is just part of the ordinary Economic Illusion, and we are only surprised that it should be the opinion of a Socialist writer.

It is of course possible that some such writers assume a degree of enlightenment and understanding on the part of the rank and file which certainly does not generally exist. Or have they given up as a bad job the attempt to make their readers understand? Although there are good exponents of sound Socialist doctrine, or real economics, yet there are some spokesmen for the party who sail perilously near to the fatal commercialist doctrine which regards *demand*—or at any rate “effective” demand—as the source of wealth. “A good crop,” says one such writer, “proved a disaster rather than otherwise.” “Many a producer made the discovery that a general restriction of output may be much more profitable than a bountiful harvest.” “We have not yet discovered a method of distribution that gives the masses sufficient *purchasing power*.”

Now one immediate effect of merely giving the masses more “purchasing power” is to send up prices; *i.e.*, quickly to take that power away again, so that any salvation to be found in this direction must be a very imperfect salvation. Moreover, a method of giving this increased power has never been found because it has never been sought (except, perhaps, by Major Douglas, and we do not think he will find it). The whole realm of commerce reveals no trace of any attempt or experiment that we know of to enable the people to get sufficient quantities of

the things they need; our condition is purely the resultant of millions of private operations carried out with the exclusive object of personal gain. Nowhere in the informative and interesting article from which we have quoted does the writer direct attention to the real moral to be drawn from the facts which he records. A good harvest *cannot* be a disaster in itself. If we allow it to be a disaster for the producer it is because we permit a state of things to exist in which the gains of individuals sometimes depend on the misfortunes of the world, and in which the blessing of the world does often involve disaster for the individual. The real economic problem is not that of a man *getting rid* of his products, but of the people *getting hold* of them—an entirely different proposition as it envisages the problem from the other, and the right, end. Think of the real moral to be drawn from the “disaster” that overtook Jadwin in Frank Norris’s powerful novel, *The Pit*—a “disaster” which brought food and life to multitudes on whose hunger Jadwin had staked millions of dollars. The disaster in question was an example of the very case in point, viz., a good harvest, and this caused prices to “break,” and the flood of supply overwhelmed him. The scene is in the “Pit” (the Wheat Exchange), at Chicago:

“The undiked ocean of the wheat struck him fairly in the face. He heard it now; he heard nothing else. The wheat had broken from his control. For months he had, by the might of his single arm, held it back; but now it rose like the upbuilding of a

colossal billow. It towered, towered, hung poised for an instant, and then, with a thunder as of the grind and crash of chaotic worlds, broke upon him, burst through the Pit and raced past him, *on and on* to the eastward, and *to the hungry nations.*"

"And *then* . . . something snapped in his brain."

"Go on; cheer, you damn fools," remarks one imperturbable dealer, amidst the inferno of the uproar from Jadwin's rivals that greeted his defeat. "*You didn't do it. It was the wheat that beat him.*"

Our system makes little Jadwins of us all, so far as we are interested in trading. What man can invest £5,000 in flour, and not view a bountiful harvest with apprehension? Who can sincerely pray, "Give us our daily bread," when he knows that a generous response to that prayer will depreciate the value of his stocks?

The first nation that dares destroy an evil tradition which identifies its economic interests with *need*, and makes the livelihood of its workers depend on the fluctuations of "trade" or the fortuitous "demand" of markets; the first nation that opens wide its arms to receive the bounteous gifts of Heaven—or of Earth, if the reader does not believe in Heaven—and that by its actions reduces the foolish bleating about "purchasing power" to the gibberish that it essentially is; that nation will merit to be called great among the nations of the earth. Dare we hope for such a destiny for England? Should other nations persist in their folly, she will still become great in a *material* sense, by superior wealth and might.

Always applying her industrial activities to labours which enrich instead of to those which impoverish or destroy; never leaving her willing workers idle when they might be creating wealth for themselves and the world; ever increasing her stores of the things she can make for her own use and of those with which her neighbours will gladly supply her in exchange for the fruits of her people's industry; gratefully welcoming the reciprocal services of those neighbours instead of breathing fire, and hate, and poison gas against them; how should her people ever again know poverty?

Does anyone say this is materialism? It is *righteousness*. It is to put an end to an iniquitous scheme of life by which we inflict preventible suffering on men and women and children. And it will not stop at England, for other nations will not, *cannot* hold back, if England but once again lead the way; and hers will be the greatness of a pioneer nation that dared to believe the *truth*, and to step forward in firm reliance on the truth, and by her example delivered the world from the dominion of one of the cruellest lies by which the devil has enslaved and oppressed a suffering humanity.

CHAPTER XI

AN ECONOMICALLY UNORGANISED SOCIETY

FOR lack of a better word, we have referred to the present state of things as a "system"; but it is really a *no-system*. It is not a system that has ever been deliberately adopted by any community; it is not a system that any community alive to its own interests *would* deliberately adopt. It has simply grown up as a result of the operation of the self-regarding instincts of each individual. In every other sphere than economics, civilisation has meant the controlling of these primitive instincts by law—in so far as it is possible to control them—so that the selfish desires of one individual may not inflict damage on another. In such spheres, *organisation by means of law* has regulated the conduct of the individual, and imposed a *system* for the common good. In economic or industrial matters, if we admit that the object of industry is to supply the people's needs, then there is *no* organisation and *no* system, devised to secure the attainment of that object.

It is amusing—or sad, according to the way one takes it—to read and to hear the solemn warnings of our economic "stick-in-the-muds" whenever a proposal is made to endeavour to shape our "system" into something a little more consonant

with the eternal verities. "Beware," cry these ponderous platitudinarians, "how you meddle with the delicate framework of our social fabric! The labours of centuries have gone to the construction of that which you would destroy in a day with your impious hand. It has been painfully built up and carefully elaborated by the cumulative experience and wisdom of a score of generations," *et cetera, et cetera ad nauseam*. When this is not mere sententious ignorance it is the sheerest hypocrisy. It needs no greater acquaintance with history than is supposed to be possessed by the proverbial school-boy, to know that our economic system was never deliberately "built up" or "elaborated" either by the community or by anyone acting on its behalf. People have discovered various ways of making money, and that is about all there is to it, regarded as a system.

Carefully elaborated! Under the Plantagenets and the robber barons perchance? Or the reckless adventure of the Tudors? Or the corruption and bribery and monopolies of the Stuarts, or by the grinding of the faces of the poor under the Hanovers?

Or in these modern times? Let the reader who knows anything of modern finance, company promotion and practice, or ordinary commerce, contemplate the tender care with which the business man of to-day handles the "delicate equilibrium" of the "sensitive organism" of the machinery by which the community obtains its supplies. Which

of them ever stopped to consider the probable effect of a proposed deal or operation from the community's point of view? What is the "hum of modern business" really all about? Why this unedifying exhibition at "mail-time," this harrying of our correspondents by telegrams, and ringing them up on the telephone till we drive them as frantic as we are ourselves? Why are principals and their managers and subordinates rushing hither and thither, and top-hatted men on the various "exchanges" literally screaming at each other like rabid lunatics?—a sight that has to be seen to be believed. Is this all to warn farmers of weather forecasts, or to tell them when to get their crops in? Is it to advise suppliers that there is hunger or need in a certain district, and urge them to hurry up supplies? Are these myriad activities directed *in any case* to industry's only legitimate end? We know they are not. The whole business is to cut in before each other; it is to "unload" on to the market while there is a chance if they believe the market is likely to be overstocked. It is to take what little there is *off* the market, and into their own hands and power, when they judge the market is likely to be depleted, so as to *intensify* the scarcity, in order that they may hand these things back again later at their own prices. It is in most cases to operate *against* the interests of the community. If this is not "business," if astuteness in this game does not constitute a "good buyer," then we do not know what business or buying is. If ever it should

be the happy lot of humanity to enjoy a real civilisation, teachers of history will find it difficult to convince their pupils that in our day it was perfectly legal to remove necessities from the market when scarcity threatened, with the *express object* of intensifying that scarcity, and that the man who did this most frequently and on the largest scale, so far from being imprisoned, was honoured and made a "lord," and his victims combined to do him reverence.

So far from working the "sensitive machinery of demand and supply" with any view to maintaining that organism uninjured, or to making it serve the interests of those whom it supplies, modern "business" consists in knocking and banging the poor old "bus" about, hitting it in its weakest spot, and puncturing it to make it yield the largest possible portion of its produce, not at the legitimate end of the operation but *en route*, at the various stages where it passes through the hands of our disorganisers of industry.

It may be thought that we wish to condemn suppliers, as a class, and to champion the consumers, also as a class. But we stand for no class. It is the conducting of industry as a war between supplier and supplier, and between the suppliers and the consumers, that must be condemned by every reasonable man who has once realised what the "system" means.

In the course of our development from simpler to more complex communities, we have been compelled

to organise the communal life in almost every sphere. Vast works have been undertaken and carried out in the interests of communities, as distinct from those of individuals; municipal governments have been formed to serve the *community*; communications, water supplies, gigantic sewer systems have been provided to maintain and safeguard the life of the community. Laws have been passed to regulate the relations of men with each other, which really do serve in great measure to prevent the liberty of one from endangering the lives and liberties of others. Armies and navies have been created to protect the community from external danger, and police forces to preserve internal order. And to maintain all these we have established that essentially communal institution, taxation for the purposes of the community, by which all are compelled to contribute to the common good. In all these matters we live under the reign of *law*, on the whole undoubtedly beneficial in spite of its many imperfections. We have taken ourselves in hand in a hundred ways; we have organised *systems* by means of law; and we have found in law—although law is largely of the nature of restraint—a degree of liberty which would have been impossible of attainment in a state of lawlessness. Only in things economic does primitive lawlessness obtain; only in the organisation of industry to the fulfilment of its legitimate end have we never taken ourselves in hand, never asked ourselves what system it is desirable to adopt for our own and our brother's good, and never adopted a

system in the public interest based on such considerations.

We are not of course ignorant of the mass of legislation that exists dealing with industrial and especially commercial matters. The student who, in the course of his training, has had to "swat" Commercial Law may be excused for demurring to our suggestion that we have no laws governing industry, and may even be tempted ruefully to wish it were so. But there are no laws really *governing* industry, in the sense of directing it to the fulfilment of its legitimate end. There are laws confirming the right of the individual to retain what he or his fathers got by hook or by crook, until a stronger or more cunning than he can get it away by any means short of larceny, and giving him liberty to get more than he can, without any reference to the needs of society, or the value of his services to society. For the rest, our "laws" are not *laws* to govern or direct, but by-laws to regulate the fight. Commerce or industry is quite frankly a *contest*, and its by-laws are merely a set of rules by which the government "keeps the ring." The National Sporting Club would reject such rules with disgust. In this contest, heavy-weights may set on to light-weights, and that without awaiting the signal from the referee—for there is no referee. "Time" is often called, but the appeal need not be heeded. Hitting below the belt is of the essence of the game. Hitting a man when he is down, a dozen men setting on to one, and him already winded, all is fair in this glorious game of

“individual enterprise.” And the victor who has won by outraging every dictate of fairness and decency is crowned, fêted, loaded with honours, and “kow-towed” to by a people who would tear a prize-fighter to pieces who had been guilty of a tithe of his ruffianism.

Meanwhile, every argument that perverted human ingenuity can devise is exploited in defence of this legalised street-fighting. Politicians, “economists,” preachers, newspaper monopolists, all really combine—despite their disclaimers—to exalt the principle of self-seeking. “Without the spur of private gain,” etc.—they nearly all talk the same way, the few exceptions serving rather to emphasise the general rule. The “Christian Employer” is now emerging as the latest protagonist, and we welcome him in so far as he is sincere; but so long as he refuses to reconsider a “system” whose evil effects he professes to deplore, so long shall we feel at liberty to hold that sincerity in doubt.

In this unholy fight the workers have been the principal, though by no means the only, sufferers. *How* they have suffered, during the past century and a half especially! The cruelties, the starvations, the imprisonments, the transportations, the hangings of men who, in numberless cases, were verily innocent before God! The middle and employing classes may be thankful that the workers generally do not read history, as they themselves usually read very little. Yet, to any reader who may think that the lives of his fellow-men, and the possible fate of

the world, are worth a few Saturdays spared from golf, or a few Sundays from joy-riding, we would recommend a perusal of those two wonderful books, "The Village Labourer" and "The Town Labourer," by Mr. and Mrs. Hammond. Not that the scenes therein presented are likely ever again to be exactly re-enacted. Conflicts with the workers there may be, in which their rising indignation and resentment may be answered, *as many would like to see*, by the aeroplane and the bomb. But never again shall we witness the dumb, patient agony, the pathetic resignation, with which masses of men, women and children bore the systematic outrage by which our fathers oppressed them, even unto death. "It is impossible," says Mr. Tawney, "to revive the complex of hopes and fears, and ignorance and patient credulity and quiet acquiescence, which together made men plastic instruments in the hands of industrialism."

The talk about the need for a "change of heart" is all true, every bit of it. The writer himself attaches far greater weight to that than to all else that he has said in this book; but a so-called change of heart which does not involve a change of life is hypocrisy, conscious or unconscious. Let us ignore for a moment the fact that some workers are unsatisfactory; let us forget the heartlessness of some employers. We find that exemplary character and conduct in a workman do not save him from suffering privation, or even destitution, in a land of plenty. We find that the most generous-hearted

and enlightened of employers must act, in the main, on the same lines as his competitors, or go out of the business. Now, we who prescribe a change of heart as the only real remedy for industrial troubles, are *our* hearts right? Are we prepared to "consider our ways," right down to the ground? Are we willing to examine into a system which produces such terrible suffering and injustice? Are we prepared to endeavour to amend it if our examination shall indicate a way? Will we frankly abandon all prejudice and self-interest, seek earnestly to understand what it is we are really doing, and consider what we must do? Are we willing, if need be, to *repent*, and to retrace our steps? Old beliefs and traditions, old class prejudices and pride and ways of thinking, are dear, dear as the apple of our eye, but the life of the world should be infinitely dearer to us. We shall venture later to submit propositions as to what we consider the only sound lines on which the economic life of the nation can be framed. Meanwhile, however, we shall propose some measures which we believe can be adopted forthwith, in order to put an end, on a sound economic basis, to one of the most pressing wrongs imposed by the "system" on a large number of our people, and to tide us over the period of transition to a more sane and humane scheme of economic life.

CHAPTER XII

THE IDLE

As we have seen, by the expenditure of one hour of labour we can now buy from the earth at least ten times the amount of wealth that we could have obtained for the same expenditure two centuries ago. If such an achievement could have been foreseen, it is conceivable that some one among our forefathers might have contemplated the possibility of a phenomenon occurring in our days to which he might perchance have given the name of *unemployment*, though it is more likely that he would have used the word *idleness*. "It seems clear," he might have argued, "that those people of the twentieth century will not have enough to do. If they work as hard as we do they will be ten times as rich as we are. Now there can be no object in being so wealthy. There will be no fear of poverty, so that *that* incentive to acquisitiveness will be removed. It is evident that, after making all allowance for their living at a higher standard of comfort than we do, a very moderate expenditure of labour-hours will suffice to supply all their needs, and they will have plenty of time on their hands."

A thoughtful seer might have envisaged the possibility of our evolving a new conception of the object of life, once the horrid fear of poverty, and

the more horrid pursuit of gain, should be banished. He might have hoped that, once we found how easy material things are to come by, we should relegate their pursuit to their proper, secondary place, and turn our attention to nobler aims. Instead of many choosing, and practically all being compelled, to devote our lives to the soul-starving pursuit of gain, we might direct those lives to higher ends. The study of the question as to what is the real aim of life, and the pursuit of that aim as light might be progressively vouchsafed to us, is almost impossible while our souls are incessantly grinding in the sordid mill to which we are chained; but to a people delivered from the fear of poverty and the lust for gain, with its heart free to devote itself to the study of spiritual realities, all things might be possible.

But which of our forefathers could have foreseen the possibility of idleness as we see it to-day, in the form of *unemployment*? That enormous numbers of the people with the tenfold power of wealth-production should be idle because we "cannot afford" to employ them, and to let them produce that wealth? It is not that all the necessary work is done, every need satisfied, every foul dwelling—sad relic of unhappy days—swept away, and *homes* erected in their stead; every unclean rag stripped from the bodies of a people made in God's image, and those bodies clad in fair raiment. Were it so, there might still be an unemployment problem of a kind—the unemployment of a people resting after a good work well done, the problem of what task

they should turn their abounding energies to next. But it is a very different spectacle which confronts us. The work is *not* done, the noisome dens are *not* swept away, the foul rags are *not* stripped off and burnt, the people are *not* housed and clothed. This people—furnished with means to conjure from the earth all that they need with an ease and celerity that suggest the magician's wand, equipped with the seven-league boots which carry them over the mountains in a time in which their fathers could scarce have started on their journey, gifted with the power to converse with their friends a thousand miles away, endowed with wings which enable them to outsoar and outstrip the eagle—this people is *in want!*

In one sense, all are in want more or less; for few, if any, are satisfied, as witness their feverish struggles for more. But many are in *actual need*, because they are not allowed to exercise the industry whereby that need might be satisfied. Idly they stand at the street corners, because it pays no man to hire them; hungrily they take the pittance their fellows allow them to keep them alive against the day when some man shall be able to use them at a profit. Some—grand souls—still hold their heads erect, though we have seen their lip tremble in spite of their sturdy spirit; the hearts of others have failed, and their nervous gait and downcast look tell only too plainly of their broken manhood. Some have given up—faith, hope, character, all gone—and their number is increasing under the steady strain.

And there are those—and they can be numbered by the thousand among the men who, if they are employed to-day, may be unemployed to-morrow—who are *thinking*. Not the thoughts perhaps they ought to think; certainly not thoughts that are good for them, or that will be good for *us*; but thoughts which we may pray will never materialise into action. Ah! this strange, this unknown people; this nation within a nation, unknown to the dwellers at ease. These men are like *you*, my brother, and feel as *you* would feel in their place. Possibly, if the positions had been reversed, they would have treated you as you have treated them—God knows. But in any case, be wise in time, and make your peace with them; and, if you would make it lasting, make it a just and righteous peace.

But, object the commercially-minded, we really *cannot* afford to employ them. Where are their wages to come from?

We cannot afford! And why, pray, even if this were true, should they wait till *we* can afford it? Can we afford to keep hordes of idlers living lives of frivolity and mischief on the wealth produced by those who *do* work? (Two hundred millions a year are spent on pleasure motoring alone.) Can we afford the enormous waste of our wealth consumed in the barren trades of *Recommendation* and *Solicitation*? Can we afford the untold millions that are squandered in the competing displays of hundreds of thousands of tradesmen as lures to make us buy their wares? We seem to be able to

afford everything but justice. And we foolishly imagine we can "afford" to keep in idleness a million potential wealth-producers who are only too willing to be allowed to get to work and produce that wealth!

And who, after all, is this mighty "we," that cannot afford to employ them? Is it the nation speaking? It certainly is not, if it is speaking intelligently, for three-fourths of the nation consist of the working classes themselves, who live continually under the shadow of possible unemployment. Is it even the remaining fourth part of the community? We shall show that they would not speak so, if they understood. No. It is only the *employers* as a class, who, in a short-sighted way, are interested in the maintenance of the existing state of things, who "cannot afford" to employ them. And at present *the whole industry of the country is run in the interests of that class*, as a class. It is those who control the industry of the country—the self-appointed kings and dictators who are our real rulers, who arrogate to themselves the right to say who shall work and who shall eat—who "cannot afford" that men should work without producing a profit for them. We write with no malice against that class; we impute no special moral turpitude to them, for they include merchants, contractors, investors and employers of every type, just as good men as can be found elsewhere, but operating a system which really does debar them from acting on any other principle. But we do impute turpitude—

or stupidity—to any who are not desirous of amending a state of things under which the great nation of workers is for ever dependent for its daily bread on the profit of the few, and who obstinately oppose an inquiry into such a system with a view to its revision.

We have seen that work alone produces wealth, and that work, rightly directed, *always* produces wealth. It is obvious therefore that the community will be *richer* if these men are set to proper work, or wealth-production. And it will hardly be suggested that we cannot afford to be richer.

We can always afford to employ everybody who can work, and we can never afford to leave them unemployed.

There can be no community so poor that it cannot afford to employ everybody who can work.

The poorer a community, the better it can afford to employ everybody who can work, or—which amounts to the same thing—the less it can afford to leave them unemployed.

Every labour-hour that is unused represents the waste of so much wealth; for, if used, or *expended*, it would have produced wealth.

Labour is *expenditure*, productive if rightly directed. Idleness is *waste*, always unproductive. A man's needs are continuous, whether he works or not; if he is idle, he must either starve, or be maintained alive out of the nation's income, diminished by the fact that only part of the community is working.

How little these seemingly obvious truths are understood was shown some time ago by a very sinister object-lesson. The Coalition government, having squandered three hundred millions in mischievous foreign enterprises, discovered that it "could not afford" to keep its plighted word by assisting in the building of the houses promised to the returned heroes and other workers of the nation. Our point is not the iniquity of the government, since we are not concerned here with politics; it is rather the *folly* which condemned the workers to unproductiveness, the houseless to continued homelessness, and the nation to the loss of the wealth which might have been produced.

We can always afford to build houses, if houses are the most pressing need, and we can never afford to leave needed houses unbuilt. Imagine a million people requiring houses for the winter, standing idly by stores of material sufficient to build every house required. All through the summer they stand there, doing nothing, producing nothing. Had they built, they would have had houses to live in by the winter. Surely not only they, but also the community which has to maintain them, would have been richer by the added wealth of the houses. It may be objected that the people out of work are not all builders by trade—that the unemployed, the people needing houses, and the men with a knowledge of building, are three classes which are not identical; but what we have shown as to the interchangeability of wealth—that is of the produce

of labour—renders our illustration a true picture of the real state of affairs. The fact is of course that the people are in need not only of houses but of various things, the unemployed are of various occupations, and the workers make these things for each other.

But, to keep to the question of houses, some may object that we have ignored one important element in the situation. It is true, it may be urged, that you have the labour available, and that if that labour were employed on that material you would enormously increase its value, for you would then possess habitable houses instead of bricks, sand, cement, timber, etc. But, we cannot afford to buy the material. Look at the price of bricks!

Then why not make bricks? If we must write in the language of the market-place, bricks will be *cheaper* the more you make, and *dearer* the longer you keep your brickmakers idle. Material, as we have shown, is simply the wealth produced by labour. If you are in need of such wealth, and you have the labour available, it seems the obvious course to use that labour and produce the wealth. Let us carry our illustration further back; or rather, let us view the situation at an earlier stage, for this is not really an illustration, but a true presentation of the essential state of affairs. Let our needy potential workers be standing by the various sources of supply and manufacture. There they stand, by cold brick kilns, by idle cement works, by silent

sawmills, by deserted ironworks, *looking at them*, and doing nothing!

A *civilised* community would not stand it! An *intelligent* community would not have needed to be talked to about "the *right* to work," but it would hold some strong views of its own about the *duty* of working. "You fellows must work," they would say. "Do your bit, as we are doing ours. Excavate the clay, bake the bricks, burn the cement, saw the timber, and *build the houses*. Every hour you stand idle we have to keep you, or you become deteriorated from want, and the community is poorer both by your deterioration and by the loss of the wealth you ought to have been producing."

And their wages? Is it still necessary to ask where they will come from? Every productive workman produces on the average more real wealth than the amount he receives for producing it. If this were not the case, we could not have existed under our system up till now. They will *make their own wages*, and something over, as they always have done since first men worked for wages. The unemployed will not of course all build houses, for they are of various trades, and the country's needs are various. They will produce all the commodities which represent real wages, things that both they and the community need; or in some cases they will produce articles to be exchanged with other countries for things which we need from those countries. In any case, they will produce more than they will consume; they will produce their own wages and a

profit for the community. If a worker produces £250 worth of commodities in a year, and receives for his trouble certain notes or vouchers (called money) which he can exchange for only £150 worth of these supplies for himself, it is evident that no difficulty exists about wages. These may or may not be the true figures—we believe the real margin is greater. But even on this basis we might put a million of our unemployed to work, and, quite apart from the benefit to them, the community will be £100,000,000 richer after paying their wages, plus probably a further £100,000,000 saved in “dole,” in poor relief to the men and their families, “charity” and incidentals.

CHAPTER XIII

THE FIRST STEP

It would not be easy to estimate precisely the average value of a labour-hour, or the amount of wealth that the average worker produces in an hour. Inasmuch, however, as at least half the potential workers are not working *productively*, and as all these must be maintained out of the wealth produced by the others, it is evident that each *productive* worker must on an average be producing at least twice the amount of wealth that he consumes, *i.e.*, twice the amount that he gets for producing it. In order to obtain some idea of what the nation is losing through unemployment, however, we shall assume a very moderate figure to represent the value of the labour-hour. The reader is of course at liberty to modify it in either direction according to his judgment, and to modify our calculation accordingly. We write in terms of money, as this serves as a convenient "Common Denominator" for the various forms of real wealth.

We assume then the figure of *Two shillings* as representing the value of the wealth produced in one hour by the labour of a workman, averaging skilled and unskilled together. At this rate, for every million unemployed—or *Two thousand million* wasted

labour-hours per annum—the nation is losing *Two hundred million pounds sterling* a year.

In other words, with a million unemployed, the nation which, even before the war, “groaned under the burden of taxation,” is carrying an *additional* burden equal to the whole of that taxation (less, of course, what it was previously losing from unemployment)—a burden which it can shift from its shoulders only when it is prepared to take up its proper burden, viz., that of *managing its affairs* instead of leaving them to chance.

Apart from the wastage of wealth, there is of course the incalculable moral and spiritual wastage. The enforced idleness of lads and young men—thousands of whom have *never had a job in their lives*—is sowing seeds of demoralisation which cannot fail to yield a baleful harvest. Often with wretched homes, with no education to speak of and consequently few if any intellectual resources; with characters unformed, or formed under the conditions of the war years, and with every hour of the long day to fill in somehow or other; how in God’s name can we wonder if thousands of them go to the devil? Those who fall into crime may in due course be dealt with in our courts of law; but no one will be punished—at any rate in those courts—for the inexcusable crime of subjecting them to those conditions.

It is not rhetoric when we use the word “crime”; the thing we are guilty of is, in sober truth, as serious an offence against morality as any theft for which

our victims may be condemned to the felon's cell. The plea of folly might seem perhaps to extenuate our guilt, but it is the folly of an obsession by a soulless and selfish commercialism, and this is *criminal* folly. What right have we always to let the working classes be the chief sufferers from our "system"? So long as the community deliberately maintains that "system"—and so long as it believes unemployment to be "necessary" under that system—then the only just course is for every member of the community to be taxed to maintain its "necessarily" waiting workers, at the same degree of health and comfort as the working ones, till their services are required, in the same way as we are taxed to keep our soldiers when they are not fighting. If the system demands that there shall always be some members of its industrial army acting as "reserves," then *these also serve*, and their services must be properly recognised.

But such an act of justice would *spoil the system*, for that system requires not only a reserve of *waiting* men, but a reserve of *needy* men. We have appropriated and monopolised every source of production, and forbidden the worker access to the land and the sources of raw material, so that he *cannot* produce except when he can produce a profit for a private interest. We have left him no object on which he may exercise his industry. He may not dig, mine, plant, catch rabbits, or do anything whereby he may obtain sustenance for himself and his family. If the worker were to discover to-day a method of

extracting nitrogen from the air without power or machinery, and so be in a position to make a living without paying toll to a private interest, we should most certainly lay hands on the atmosphere to-morrow, as we have on everything else, and pass a law to prevent him.

It is not suggested that the resources of nature should have been left free for every man to exploit at his pleasure, but since the community thinks well—rightly, we believe—to appropriate the control of those resources, it is bound by the laws of common morality to see that the arrangements it makes do not deprive any man of his livelihood. What we have done is to shut out the worker from every possibility of livelihood except by his securing a place in the system, and then not to provide him with that place in the system.

All hope of securing peace under such conditions is prohibited by the very basis on which those conditions are founded, and much disappointment and waste of effort will be saved if such hope is frankly and finally abandoned. The Hebrew prophet can tell our generation more about the way to peace than all our preachers of "mutual forbearance" between the well-fed and the half-starved. "The work of righteousness shall be peace, and the *effect* of righteousness quietness and confidence." Only by real practical repentance *and amendment*, only by taking practical steps to repair the evil, rendering justice where we are rendering the cruellest wrong, can we avert an otherwise certain retribution.

Seldom has a community been faced with the opportunity of escape from the just consequences of its misdeeds on easier terms. For the remedy will cost us—as a nation and in the long run—nothing, and less than nothing. These men must be *employed*; we must wisely *expend* this potential labour, instead of letting labour and labourers run to waste. The workers must, and can, be given the opportunity to *produce*, and to share fairly in the fruits of production. And, until this can be done effectually for each one, we must take these waiting men back into the community of useful and deserving citizens; we must recognise that they are playing a necessary part in the present system, and must treat them accordingly.

First of all, the conscience of the community must be roused. The question of unemployment must be made the first preoccupation of the nation. Legislators who refuse or neglect to devote themselves heart and soul to remedying this crying evil must find office impossible. We must decline to be drawn aside by any irrelevant issues which politicians may seek to impose upon us, and we must make the lives of our people the issue. Men who would direct our eyes—like the fool's—to the ends of the earth must make way for men who will address themselves to the disorder in our own house. We know how dependent the nations are on one another, and that we are bound to suffer from the chaos on the Continent; we wish "God speed" to all who are honestly endeavouring to bring order into that

chaos; but probably the finest contribution we can make to that end will be to clear up the disorder at home. Let us begin the clearing up. One good honest piece of work done by us at home will have an effect on the European situation such as all the effort of our diplomats have failed miserably to produce.

In any case, this is *our* business, and *we* must see to it. The bitterest opposition will be offered by the anti-social elements in press, Parliament and society—united against the “menace of labour”—but on the other hand all enlightened men of goodwill can combine on this first step to amendment once the real nature and effect of the proposed reform is made clear to them. Every party, every organisation, every candidate for Parliament, every church and its leaders; the Industrial League and Council, the Industrial Christian Fellowship, the Christian Social Union; the bishops and other ecclesiastics—especially deans—must all be challenged on their attitude towards the question; and any who oppose must be invited to give reasoned grounds for their opposition—the time for rhetoric is past—and challenged to produce a practical alternative.

Even if only the working classes, whose lives and happiness depend so largely on the result, will unite in making unemployment the issue, commanding as they do a majority of the voting power of the country, they can bring about in short time the greatest and most far-reaching reform of modern times, a reform which shall remove once for all a

great, haunting horror from their lives, and dispel the dull misery of recurring periods of idleness and privation. But we do not rely solely on the working classes. We sincerely trust it will not be left to them; we want to see the end of class warfare. We appeal to men and women of other classes to work and vote, not for themselves, but for their wronged brethren; we appeal to the elector to repudiate the lie that has so often filled the heart of the voter on his way to the poll, and to confess that he is "his brother's keeper." We know how strongly the forces of class prejudice are entrenched, yet surely there is a sufficient number of really well-disposed men and women outside the ranks of the workers to make this something greater than a class question, and to ensure the securing of the necessary reform on the basis of the general conscience of the community.

Our remedy may seem an obvious one—some may say an impossible one, though we shall endeavour to convince them of their error. We propose to *employ the unemployed*. We invite the people of this country to say that, having studied the matter, they are satisfied not only that unemployment is not "necessary" or "inevitable," but also that it is wrong from every point of view, and that they have decided on its discontinuance. And we shall endeavour to show that such a decision can be given effect to on a sound economic basis.

We propose then that the nation shall formally recognise by law its responsibility to ensure a living wage for all its willing workers, and that it shall

employ those unable to find other employment, guaranteeing to each one an appropriate wage until it is able to set him to work.

We do not suggest anything resembling the usual spasmodic "relief works." To "take on" a certain number of unemployed labourers, craftsmen, carmen, clerks, shop assistants, etc., and set them to clear out a river or to make a road, or to some other job from which they can be turned off at the earliest possible moment, is to play with the unemployment question, and to mock at the need of the men. Our proposal would involve in many cases the setting up by the nation of more or less permanent enterprises—manufactories, warehouses, power houses, engineering offices, transport, etc. These would require the services not only of artisans and labourers, but also of general factory and other hands, including a proportion of non-manual workers—all the paraphernalia, in fact, of ordinary business establishments—and a Department would of course be created to organise the undertakings. This would have to be regarded as one of the most important departments of the State, not one to be given into the hands of the first friend whom a Prime Minister might happen to meet on a railway platform—such things have been, we know.

Subject to the usual Government and Parliamentary control, the Department should be free to engage in any branches of useful industry. By "useful" we do not mean merely such as will pay for themselves in the saleable value of the

commodities produced or the services rendered, but such as will create supplies or perform services of real value to the community. This definition will exclude extravagant luxury trades, the production of shoddy, flimsy, imitation or inartistic goods—*however great may be the demand for such rubbish*—worthless books or pictures, innutritious or deceptively named foods, such as the various “mixtures” and “powders,” etc., now so largely advertised for cooking; brown-paper soled boots, and all the false and immoral trades that flourish to-day on the ignorance of the people, degrading the labour of the workers and wasting the wealth of the nation.

The immediately remunerative industries from which the Department might select are legion. We may instance farming, stock and poultry raising, dairying and the milk trade; building, engineering and shipbuilding; the textile, furnishing, hardware, cutlery and analogous industries; coal and other mining; brick and cement making; fishing and the construction of fishing vessels; paper-making, printing and publishing; banking and insurance; the business of public carriers, and, perhaps most desirable of all, after milk, the various other branches of the food and provision trades. It would probably be undesirable for the nation to set up retail shop-keeping under existing conditions, though, quite apart from the unemployment question, we think the milk trade should be taken under control, possibly by local authorities under Government supervision. The Department should also be free to

compete for such national work as is given out to contract by existing State departments.

There are many spheres of national enterprise which have been shamefully neglected, and which might also be taken in hand by the department. We refer to such public works as road, harbour, dock, canal, railway and school construction, afforestation and reclamation and improvement of lands, etc. In some cases of course these works would show no *immediate* revenue, but their construction would add greatly to the wealth, and to the wealth-producing capacity, of the nation.

In view of the notoriously high quality of government-stamped articles, coupled with the fact that the Department would not have to waste money on advertising, fancy packing, electric flash signs, costly illuminated shop-fronts and window-dressing, "business-getters," so called "free" insurance, or any other clap-trap, it would be able to supply the goods and services at very reasonable prices, it would raise the standard of genuineness and quality, and the success of the movement should be assured even from the "business" point of view.

We can almost hear the shocked and amazed apologist for the present disorder exclaiming, "Do you seriously propose that the State should *compete with private enterprise* in all or any of the trades mentioned"? We reply that we do certainly propose that the State should make up for your deficiencies, and assist in the good work of providing the supplies, or wealth, that the people need—or rather organise

the people to enable them to create these things for themselves. With all your private enterprise you have not been sufficiently enterprising to provide adequately for the people whose interests you exist to serve. The legitimate object of industry is not to enable individuals to make profits, but to supply the needs of the nation, and since you cannot pretend you have succeeded in this primary duty, you have no right to object to our doing these things for ourselves. The existence in the midst of a wealthy nation of vast numbers of men, women and children in want is a standing reproach to you—perhaps to us all—and we now propose to put an end to it.

One of the strongest real objections in the minds of many—though we cannot say whether it will be openly avowed, or whether some new and delusive scare or catchword will be invented as a “red-herring” to divert the public from the path of justice—will be the undoubted fact that the public are likely to evince a marked preference for the State products. This is invariably the case. It is amusing to notice how the loudest railer against national industry will plume himself on the possession of some article which he assures you is “government made,” if it is only a revolver, or a pair of field-glasses. The recognised superiority of such goods is of course due to the absence of any inducement to fraud in such matters on the part of Government departments. The incentive of illegitimate private profit being absent, and all necessary tests, etc., being made by experts who have no interest in “puffing” the

article, or in telling anything but the truth about it, there is no temptation to *cheating*, which is of course at the bottom of the misery caused us by the wretched quality of so many articles made to sell.

This circumstance will pave the way for competition of a new kind. It cannot be too strongly insisted that the vaunted "competition" of to-day is largely not what it professes to be. It is not competition to produce and supply the most genuine goods at the most reasonable prices, but *competition in crying their wares*; not so much competition in manufacture as competition in *Recommendation* and *Solicitation*. Manufacturers will now have to compete with goods which will establish a reputation for themselves by their inherent qualities, and in order to compete successfully they will have to drop much of their unproductive expenditure and to put the value into the goods. As regards selling prices, there can be no *unfair* competition on the part of the Department, for it will have to pay its way like the private firms; if it fails to do this, the critics of the Government may be trusted not to be so docile as the shareholders of private concerns usually are.

But there will be this *fair* competition; and so long as our system of private enterprise exists we can do with it. The Department's motto will be that of the honest tradesman, "a fair article for a fair price." Steady persistence in this course cannot fail to smash the "rings" by which so many commodities needed by the people are held up against them to-day; and we know of no other measures

which can achieve this desirable result so surely or so permanently.

The task which lies before the nation is one which will of course demand considerable skill and devotion for its organisation and carrying out. There is no room to question that these can be found. We shall not look necessarily to men belonging to the more advanced sections in politics—politics will be best left out—but to the class of business men, contractors, organisers, manufacturers, engineers, scientists, expert accountants, etc., who rendered such valuable service during the war—to “commercial” men in fact—whose value to the community will of course be immensely enhanced when they are working for a common end instead of, as at present, pitting their abilities against each other and against the public. The general ability and integrity of such men in this country challenge comparison with those of similar classes throughout the world, and this glorious national service is worthy of the mettle of the best men among them.

We shall proceed to examine possible objections to our proposals, as also to make suggestions regarding some details. We only touch here on one objection which some may consider fatal. Would not the setting up of such a Department prove to be the “thin end of the wedge” of a general system of national industry?

We have a Parliament—true bulwark of our liberties in spite of its critics, and of its many very real imperfections. That Parliament is what the

electorate makes it. If we cannot make our Parliament such a body as can be trusted, this means that *we* are not to be trusted; there is no health in us, and no hope for us. At every election the people are free to exercise their votes according to their views, and as experience and reason may dictate to them. The question of further tentative steps in the direction of national industry must be thrashed out from time to time in the only fair and the only constitutional way. Some of us consider that private enterprise has been tried and found wanting, but we have only one vote each, the same as those who think otherwise. Under the scheme now proposed, the champions of existing conditions will have an opportunity to vindicate their claims. Private and national enterprise will be working side by side. Here is an opportunity for those who believe in real competition. Let those in charge of the national enterprise do *their* best, and let the private enterprisers do *their* best, to show who can render the most efficient and economical service to the community, the public being judges. And let the best men win.

CHAPTER XIV

GOOD BUSINESS !

PROPOSALS which may seem to bear some resemblance to our own have already been put forward in certain quarters, though with some diffidence, and by the time these lines are in print such proposals may have been formulated more definitely. So far, however, these have taken the form rather of an extension of the "relief works" idea than of a scheme to form an integral part of our economic system. The weakness of such proposals—so far as their acceptability to the public is concerned—lies in the fact that they are presented merely as a claim on the part of the workers. We of course agree the entire justice of this claim, but, so advanced, it tends to give other classes the impression that a great sacrifice is demanded from them, and it is our task to show that such is not the case, but that, undertaken on the systematic lines we have suggested, and not on "relief work" lines, the country stands to gain in every way. Apart from the abolition of unemployment, even the *incidental* advantages which will accrue from the reform, and to which we shall call attention later, are such as may in time of need yield almost incalculable benefits for the general community.

Before dealing with the question of the economic soundness of a State's raising and employing money for trading purposes, we will consider the question of the *amount* of the capital expenditure necessary to carry our proposals into effect, though we do not venture on any actual estimate.

The capital expenditure required to set men to useful and productive work varies enormously—from a few pounds or less per head up to a very considerable figure. A builder, for instance, in quite a small way of business, and with practically no reserves of capital, can easily set a large number of men to work if only he can get the work to do, and the same applies to work on the land, and to several other branches of industry. Now it is not proposed that the State should plunge at once into all the industries which we have mentioned. To undertake the immediate provision of elaborately equipped new factories to accommodate the bulk of the unemployed would involve an expenditure which, whether justifiable or not, would be sufficiently formidable to scare the electorate from the attempt. Industries which require a somewhat elaborate equipment should be undertaken in moderation, to form a nucleus, it may be hoped, for extensions later, but for the most part it would be wiser at first to take up those which require a comparatively cheap and simple equipment.

The Government has in its dossiers draft organisations and schemes for nationalised industry—heritages from its war-time experiences. It owns

dockyards, factories, workshops and yards, etc., which are not being used to anything like their full capacity. It possesses a large quantity of plant and equipment of various kinds, and what may be called industrial "cadres," prepared for certain emergencies. Plant, equipment, premises, land, etc., can be hired; there is more than enough of all these to set everyone to work, and the State departments know where to lay their hands on these things. Doubtless the information scheduled was not collected for the purpose now proposed, but for the "next war"—and *also for possible labour troubles*; but it will be more profitable for the nation to use these resources for helping the worker than for fighting him. Working arrangements could also be made for the use of various sources of supply of raw materials, thus largely obviating the necessity for capital expenditure.

The magnitude of the undertaking would be further reduced by the fact that to start even some industries would increase the activity in others. This is a well-known phenomenon, and it is not difficult to understand. This fact would reduce any loss that might be entailed at first by our taking a larger number of men into the scheme of benefits than would be absorbed by the State enterprises at once, since many of those waiting would be taken up by private industry, thus reducing the national undertaking to more modest proportions.

The national enterprise would however still remain an important undertaking, and would necessitate the

Government's "raising money" for the initial capital expenditure. But for a State to raise money for remunerative business purposes is an entirely different matter from raising money for the more usual unproductive expenditure, and has quite other results, as has been proved again and again in the case of both national and local governments. Thousands of millions of pounds have been raised and invested in remunerative enterprises by governments and municipalities in various parts of the world; both taxes and rates have been reduced out of the profits of the undertakings after paying interest on the capital; and in many cases the capital itself has been paid back out of such profits, the undertakings thus becoming the property of the community free of cost. "State trading," says that able exponent of Liberalism, Mr. Herbert Samuel, in his *Liberalism, Its Principles and Proposals*, "has so far been almost universally successful."

A limited company has no reason to be anxious because its balance sheet shows a liability of so many million pounds to its shareholders, or even to its debenture holders, so long as the money is profitably invested, and this is the basis on which the bulk of private capital is invested to-day. Business firms which are in a splendid financial position frequently borrow money when they see an opportunity of doing extra business. This is an entirely different matter from borrowing to live when one is hard up. The directors do not lie awake at night thinking of the company's "debt," but rather lull themselves to

sleep with the thought of the "good business" they have done. And it is "good business" that we propose, and we should sleep better for doing it. The money raised by the Government would be invested in far safer enterprises than the majority of commercial concerns which invite subscriptions from the public (so far, at least, as regards their results for the ordinary "outside" member of the investing public), though it is not suggested that the payment of interest and redemption should be dependent on the commercial success of the ventures, but that it should of course be secured by the usual State obligation.

Our scheme is intended to apply only to those receiving "working class" wages, or those willing to accept such rates. The department would be free to engage persons¹ at adequate remunerations for management and other special duties, but no one would be entitled to *claim* employment except at the appropriate wage for his particular duties, within a maximum to be fixed of, say, £3 or £4 weekly. In order to keep the enterprise within reasonable limits at the outset, it is not proposed that the case of women be provided for at first, except in those instances where they can show that they are dependent on their own earnings.

All potential workers who are unemployed and who satisfy certain reasonable requirements, for which the present unemployment books may possibly serve as a basis, will be entitled to register and to receive the benefits. Although the nation may not be able

to set each of them productively to work from the first, it will save the entire present cost of unemployment pay, poor-law relief to unemployed, loss on ill-devised "relief works" and a great many incidentals such as "charity," etc. Seeing that these savings will be effected in respect of the whole of the present unemployed, and that a loss will be incurred only at first in respect of those whom the State industry cannot immediately absorb, the net cost even in the first year should be insignificant in comparison with the ultimate gain. Our experience during the war, however, and also the experience of many private firms, shows how quickly large works can be set on foot, and large numbers of men started on productive work.

Rates of wages would have to be fixed with due regard to the cost of living, which would tend to come down owing to the increased abundance resulting from the increased production. Trade Union rates might form some guide, but in those cases where these have been forced below a living wage some increase is desirable, subject to adjustment *if necessary* as prices fall. There would be no need to reduce wages with any fall in prices if, as we believe would be the case, it were found that the yield from industry permits of a higher standard of living for the producers. The economies of government working have been proved to be considerable, owing to the factors we have mentioned, to unity of control and organisation, to the consequent elimination of waste through competitive and

mutually antagonistic effort, and to other causes. These economies would permit of the fullest justice being rendered to employees, whilst enabling the goods to be produced and sold at reasonable prices. In any case, the starvation wages of unmitigated private profit-hunting must no longer be tolerated.

Conditions of employment, regulations as regards dismissal, loss of time, etc., should be such as obtain in the best firms, or in the present government arsenals, dockyards, factories, offices, etc., and a man dismissed for dereliction of duty would have to take his chance, for a stipulated period at least, of obtaining private employment, for *there would be no unemployment pay*. A worker, however, who was merely found unsuitable for the particular work for which he was engaged would by no means be necessarily discharged. If the worst possible use that can be made of a man is to hang him, the next worst is to turn him into an "unemployed." Better than hanging, and better than "the sack," is to try him at something else, and the varied nature of the Department's activities would afford wide scope for such alternative employments. If there is still a residue of real "unemployables," the difficulty of finding a scheme for dealing with these must not deter us from proceeding with the main reform, which will largely put an end to the manufacture of this unfortunate class which is proceeding apace to-day. Legislation for securing to every lad the opportunity of learning a trade is long overdue, and

facilities for training must be included in the scheme.

Judging by the standards obtaining in the Post Office and in government works, there is little danger of the new department offering any attraction except to men who mean to work, and the managers who will be held responsible for results may be trusted to see that they get their money's worth out of the men. There may however be some apprehension, in the minds of those concerned for the purity of our institutions, lest the new class of workers should seek to establish vested interests, and attempt to exercise undue influence on Parliamentary candidates in favour of increased wages or privileged conditions, but a moment's reflection should show that such fears are groundless.

At the present moment every class of worker or idler, and every interest, urges on candidates its claims to consideration. The new class of State worker would enjoy only the same privilege, to which he would have every right. It is evident however that this would give him no advantage over such rights as he already enjoys as a private employee or as a member of the unemployed. We already have a considerable number of State employees and workmen, and we do not think the position in this respect would be greatly altered by such increase in their number as our proposals would involve. Postmen, post office sorters and similar government workers have not so far exercised any marked influence on the composition or policy of our

legislature, or, if they have, they must be sadly disappointed with the result. We believe the same fact applies to State railway workers in Continental countries possessing nationalised railways. The State workers would be scattered among the various constituencies, thus avoiding an extension of the evil which perhaps exists in such parliamentary divisions as Woolwich and Portsmouth, since there would be no temptation for a candidate seeking votes to offend the bulk of his constituents for the sake of the government workers among them.

It would be necessary to insert provisions in the Act, similar to those in the Unemployment Insurance Acts, to prevent the Department from being used as a factor on either side in trade disputes. We are possessed of no specific against strikes and lock-outs so long as our present system is maintained. Yet we would very diffidently suggest that the possibility might be considered of mitigating their evil effects somewhat on the following lines. In the event of the men being out, owing to a dispute, beyond a certain period, a special Council of Arbitration should have the right to declare whether the men are or are not "unable to obtain employment under reasonable conditions." The result of an affirmative decision would be, either that the employers would make their conditions "reasonable," or that the men would become entitled to certain benefits. This suggestion however is by way of digression. It is no part of our main proposals, and is not put forward with the same assurance, since it would require a

good deal of thinking out to arrive at a method whereby the principal cost of such benefits should fall on the employers who were at fault instead of on the community. If the Council, however, were also authorised to act as Conciliators, it should certainly have more power for good than any existing body. However, we return to our main subject.

Owing to the increased prosperity which would accrue to the country from the increased wealth produced, it is improbable that the State would ever again be called upon to deal with a state of general under-employment. Such a reform as we propose ought of course to have been introduced when trade and employment were good, as the scheme would then have been of much more modest dimensions, but unfortunately it is not our custom to exercise a wise foresight in such matters. Had we done so the present state of affairs would never have arisen. *Unemployment creates unemployment*; poverty begets poverty; uncertainty and lack of confidence produce the same phenomena; and "bad trade" is but the completion of the vicious circle. Under the measures proposed, the vicious circle would be broken, once for all it may confidently be hoped.

Moreover, the present abnormal percentage of unemployment is partly caused by what is euphemistically described in the trade journals as "*the employers' conviction that wages must come down,*" and by their perfectly consistent efforts to accelerate the process. Under the new conditions

this war against the workers would cease, the employers realising that it had been decided against them. Employers would know that they no longer had a reserve of needy workers to fall back upon, and would endeavour to keep their men and employ them usefully. Incidentally, this would tend to kill the present practice of restricting production with a view, not only to lowering wages, but also to maintaining or raising prices, as the necessity for retaining the men would compel the industrial machine to go on continually grinding out wealth. This would tend to bring down prices to somewhere near their true economic level. Some agreement would perforce be come to between manufacturers to reduce or abolish their present enormous unproductive expenditure on competitive advertising, "sales organisations," "touting," etc., so as to enable them to compete on equal terms with the State products. The thousands of millions of labour-hours saved by this abolition of waste would all be available for the production of wealth, so that a greater amount of wealth would be created by a given expenditure of time and effort. This is of course what produces the phenomenon known as "cheapness"—really *plenty*. The opposite process, or the devotion of a continually increasing proportion of labour-hours to non-productive work, has been the growing cause—and is the chief cause—of modern scarcity, or dearth.

Another incidental advantage to be derived from the setting up of permanent State industry is one

of the extremest importance to the nation. It would prevent the cost of commodities being run up to famine prices during any slight or temporary shortage, for the Department would continue to sell at a reasonable profit. The Department should also make a practice of creating and maintaining reserves of food and other necessities to provide for any case of national emergency, such reserves to be released in time of need, so preventing that need from being exploited by our too enterprising private enterprisers. It was State trading and control that saved us from the cruellest extortion during the war, as we shall show in our next chapter. Although the extraordinary drain on our resources naturally caused considerable scarcity, or dearth, yet the great general rise in prices occurred chiefly when control was removed after the cessation of hostilities. It is even questionable whether the war profiteers, with the exception of the shipowners and one or two other classes, made so much out of us as did the *peace* profiteers, in proportion to the periods covered by the war and by the "boom" respectively.

The continued rise in prices shortly *after* the war teaches us that exceptional scarcity or dearth under modern conditions is not usually due to natural causes, or even to causes which the nation might not control if it so decided, but is more often caused by the deliberate action of those whose duty it is to supply us and so prevent scarcity. When the "U" boats were sinking our provision-laden ships at sight; when half the producers were away fighting, and

most of those at home were busy feeding the greedy monster of war; and when the nation had to live on the margin of production and imports available after feeding the Beast—the people in these islands were kept alive and in working condition, and at no very extraordinary increase in cost, solely by virtue of State-organised and State-controlled industry and trading. But when the sinking of our ships had ceased, and they could bring their precious contents safely into harbour, when the drain on our production caused by the demands of army and navy was enormously diminished, and millions of fighters were set free for their proper work of wealth production; *and when the State resigned the control of supplies into the hands of private interests*; then it was that prices in general soared to heights they had never touched during the war. Sir Leo Chiozza Money's book mentioned in our next chapter should be referred to for particulars of the greedy gambling in the people's food, etc., of which we were made the victims in the period following the war.

The present is not a temporary or "emergency" scheme, to tide us over the time till trade improves. As we have seen, when private employers want their men back the latter will probably not be forthcoming. It is an absolute essential of any scheme which is to effect the permanent cure of unemployment that employers shall no longer have a reservoir of unemployed, or even underpaid, labour, into which they can dip their hands whenever it suits them; they must obtain their labour, as they obtain their

materials, by fair offer in the open market. Such a prospect may dismay those employers who are still obsessed by the barbarous notion that the lives and happiness of the great bulk of our people are to be held subsidiary to the desires of the profit seeker. But this is the only way to bring about that "freedom of contract" which they profess to favour. It will now be a reality instead of a farce, and every man endowed with the most rudimentary sense of fairness must admit that employers have no right to claim that workers, whom they are not paying, should hold themselves at their disposal at the cost of suffering to themselves and their children. If the employer insists that the worker shall wait for him, the latter, like the taxi-cab driver, must charge the same rate for waiting that he charges for working.

It is true that individual employers may thus lose opportunities for extra profit-making in good times. It must not be supposed, however, that the community, or the nation, has anything to fear from this. On the contrary, it has everything to gain. No "business" will be lost to the nation. No opportunities even of "money-making" will be lost to the nation. Under present conditions, which leave the workers dependent on the vagaries of "trade" for employment, the total volume of work done and of wealth produced in the country never reaches the maximum possible. It can only occasionally even *approach* that maximum, and this only during the brief and rare periods of trade "booms." Under the new conditions, the country will always be performing

the maximum work and producing the maximum wealth, since all will be always working—week in, week out, Sundays and holidays excepted. A share of the resulting profit will however accrue to the community through the State, which will never again be called on for unemployment pay.

CHAPTER XV

NATIONALISED INDUSTRY

THE real test of any economic proposition, apart from actual experience, is the mathematical test. We shall come presently to an instance of actual experience in nationalised industry, but first we very briefly review the facts and figures of our proposition.

The practical problems of real economics do not call for abstruse calculations, but they do require the intelligent application of such elementary equations as that two and two make four. To apply this test to many of the "axioms" of commercial economics, however, is to resolve them into foolishness.

According to the arithmetic of the "demand" mongers, the scarcity hunters and the plenty abhorers, two and two do not equal even three, but something less than two. In their equations, *plus* signs are employed for *minus*, and *minus* for *plus*; receipts impoverish and expenditure enriches; we live on the wealth we send away, and lose by that we import; an empty market spells prosperity and a full one disaster. Not that they usually attempt to state their propositions mathematically, or even logically, for that would be fatal to them. They prefer what is known in logic as "begging the question," as when they argue that certain measures will "stimulate trade," or "cause money to

circulate," leaving it to be inferred that either or both of these operations will fill the people's bellies.

According to simple arithmetic, to set a million men to useful work will produce wealth to the tune of, say, £200,000,000 a year. *This* is the wealth, the wealth *produced* by the labour, which the popular economists persistently ignore. They take no account of the enrichment directly wrought by the actual production of the wealth, but only of the "trade" occasioned by, and the wages paid in, an undertaking. Yet even on these lines—though we hate to resort to the "purchasing power" gag—it is evident that, if you let these men create wealth, and remunerate them out of the wealth so created, they will have the money to spend, with which they will buy your manufactures, as you will buy theirs. It is true they already have *some* money to spend, received as unemployment pay; but if you prefer to *give* them money, instead of letting them produce and hand you wealth in exchange therefor, then we confess we are unable to square your ideas either with mathematical economics or even with the conventional variety.

So long as we deal in *things*, in facts and figures, instead of in those abstract catchwords of commercial economics which Mr. Tawney refers to as "the counters of a highly inflated and rapidly depreciating verbal currency," then whichever way we look at the question the result shows the advantage to the nation of setting these men to *produce*.

Assuming that there are ten million potential

producers in the country, then with a million unemployed the nation is living on the wealth produced by only nine millions when it might enjoy the wealth produced by ten millions. The one million are living—so far as they can be said to live at all—on part of the wealth produced by those who are working; if you set them to work they will produce for themselves the wealth they must consume, so relieving the other workers and all of us.

Simple logic says, let them produce, for themselves and each other. Mathematics says that, so long as you neglect to do this, the nation is poorer by the amount of wealth which the unemployed and their families consume; and *humanity* says that, by persisting in this neglect, we are guilty of a grievous wrong against innocent men and women and children.

But some will listen neither to logic or to mathematics—hardly even to humanity. They prefer to listen to a minister of a recent Government, who declared in the House of Commons that for every man whom the State employs it will put another man out of work. “And if,” he adds, “we are to provide work by taxing each other, we shall soon be on the high road to industrial ruin and national bankruptcy.” This is greeted with “loud ministerial cheers,” and the ejaculation from a Labour member, “Good old Standard VII”!

Good old Labour member!

We wonder if the following simple calculation ever occurred to the minister in question, who, after all, does know more of mathematics than is taught in

Standard VII. At the time he spoke, over a million men were unemployed, which means waste at the rate of £200,000,000 per annum. And one year's saving at this rate would suffice to build the half-million houses we were promised, and to make a *free present* of them to the houseless workers. We do not recommend the making of such free presents, but it is as well to realise that we are wasting in *one year* a sum which would provide those needing them with houses which, with a moderate allowance for upkeep, would certainly last *one hundred* years.

In actual practice, when the unemployed are set to work, they will not of course be engaged in producing things solely for their own and each other's consumption. Some of their products will be consumed by other members of the community, while they in return will consume some of the latter's products. Some of their products will even be consumed by *other* communities, with the same *quid pro quo*. But this is quite as it should be, since it confers on all parties—including the "hated foreigner"—the benefits arising from the principle of exchange. It in no way invalidates our contention that the million workmen when set to work will produce the wealth required for the maintenance of the million workmen and their families.

Sometimes even the exponents of the conventional idea stray by chance so near to the truth that one almost begins to hope that the light has at last broken through, and will flash forth in the next sentence, but we are always disappointed. "The

countries of the world," said Mr. Lloyd George, in the closing days of his premiership, "had spent *fifty thousand millions of pounds* during the war. There was only one way in which that wealth could be restored, and that was that *the depleted wealth of the world must be built up.*"

"To this end," he did *not* add, "we shall immediately introduce measures whereby our unemployed shall be given the opportunity to assist in producing the wealth required to replace that which has been destroyed." No; the famous light from the Welsh hills was on this occasion the "light that failed," for it brought the then Premier no illumination.

Many proposals have been made from time to time for the nationalisation of various industries, the case for which, in some instances, is in our opinion overwhelming for quite other reasons than the effect of nationalisation on employment. But the mere fact of nationalising, say, mines or railways, though urgently desirable, would not of itself provide a complete remedy for unemployment. The scheme now submitted is from first to last *a scheme for abolishing unemployment*, and is entirely independent of any specific nationalisation proposals, with which it would not interfere in the slightest degree. Our proposal begins right where the trouble is, and deals directly and at once with the terrible running sore of unemployment. Looked at purely from this point of view, specific nationalisation proposals commence at the centre, with a possibility

of their beneficent effects spreading to the circumference. Our scheme starts at the circumference, and ropes in every man able and willing to work. Its essence is the enactment of a law whereby the State admits its responsibility for the lives of its honest and industrious citizens. Its acceptance depends on the acceptance of the proposition—the truth of which will be manifest if we have been successful in stating correctly the true factors of the economic problem—that to permit unemployment is not only a criminal injustice to the workers, but also a criminal folly for the nation.

The question may be asked, Has not such a plan as that now proposed been tried before? The answer is in the negative. Whenever a proposal is put forward which involves the recognition by the State of its responsibility for the lives and welfare of its subjects, opponents of that principle have a habit of talking darkly about “National Workshops,” and of the ventures of Robert Owen and other Communistic experimenters. The experiments of the latter, however, were not of such a nature that their results could have any bearing on the *national* action now proposed. As regards the “National Workshops” to which such objectors refer—set up in France in 1848—these rather resembled the wretched “relief works” we have referred to than a real attempt to *cure* unemployment, and bore no resemblance to what we propose. Moreover, they were set up and managed, not by the promoters of the idea, or by persons in sympathy with them, but by their

opponents, with the express object of discrediting both the ideas and their originators. They were intended to fail, and they failed "according to plan."

The only real National Workshops that we have for a precedent are the workshops established by the nation during the war, the general efficiency and success of which has been attested by statesmen and experts of every shade of opinion. It was when private enterprise failed that these workshops showed manufacturers the way, not only to turn out munitions and other needed articles in continually increasing quantities and with continually increasing efficiency, but even to deliver them in many cases at progressively reduced prices on an otherwise rising market. These facts have been sedulously misrepresented by the commercialist press, which has succeeded in creating an almost universal impression to the contrary.

It is curious to notice how little the members of Mr. Lloyd George's late Government have done to defend the splendid record of nationalised industry during the war, not only from the standpoint of efficiency, but also of *initiative, enterprise, expedition and economy*. We are no champions of that Government. We are rather of opinion that its energies were not devoted with a single eye to the winning of the war, but that it was engaged at the same time, in concert with the "interests" and a great section of the press, in a campaign against *democracy*, both at home and abroad. We believe lives were wasted by the thousand, and money by

the million, as a result of amateur strategy and wild adventures and errors in policy. With this, however, the departments as such had nothing to do. These were getting on with their job, and their achievements during that tragic period surpassed anything that could have been imagined possible. The work of the regular civil service and of the new departments created for war purposes; the work of permanent officials and staffs, of the business, technical and scientific men who lent themselves to the nation "for the period," and of hundreds of thousands of working men and women, was proceeding all this time with, on the whole, a steady devotion and ever increasing efficiency and economy. The disingenuous "Anti-waste" wasters and their instigators in the press have made more fuss about two hundred and fifty *thousand* pounds spent in salaries since the war, than about two hundred and fifty *million* pounds squandered—also since the war—in politically dictated interference and bloodshed, and generally in meddling with the affairs of other nations in the interests of reaction; and they appear so to have muddled their followers' sense of proportion that the latter have become incapable of appreciating the difference between a thousand and a million.

In the research and other laboratories, in workshops, workrooms, factories, yards, audit offices, etc., owing to a co-ordination which, though incomplete, was yet incomparably more efficient than is possible to private, competitive and mutually destructive

industry, results were attained in economic production and economic contract-purchasing, both for the purposes of the war, *and also for feeding and supplying the population*, which probably halved the costs for which we should have been held to ransom by our super-enterprising private enterprisers—if indeed the unchecked activities of the latter had not resulted in entirely strangling the nation, and causing us to lose the war and everything else. The things that *were* done by these latter gentry, both before the State laid its hand successively on the various commodities, and also even during control, owing to its incompleteness, may give us some idea of how much we were saved from. The Government system of costing alone, although introduced late, baulked would-be profiteers of millions of the nation's money. Those people who chafed under the comparatively slight privations they were called upon to endure during four years of the greatest war on record, can have no intelligent idea of history, or of the miracle of industrial organisation which kept fifty million people tolerably fed, instead of leaving them to compete with each other for the purchase of sewer rats for food at famine prices.

Any reader who saw nothing of this work for himself, or who holds a contrary belief as to what was accomplished, is invited to read that powerful and well documented work by Sir Leo Chiozza Money, *The Triumph of Nationalisation*. There were doubtless mistakes, abuses and self-seeking among those engaged in the work, though probably not to

the same extent as in commercial life during the same period; but, on the whole, this first gigantic experiment in nationalised industry was truly, as Sir Leo calls it, a *Triumph*. The stories to the contrary so assiduously disseminated are not told with the object so much of discrediting a particular government as to discredit the principle of nationalised industry; and the champions of vested interests whom a befooled people send to Parliament are not concerned to see justice done either to that principle or to the men who, on the whole, served us in our need so faithfully and so well.

If we do not quote Sir Leo more fully in support of our statements, it is because we want our readers to go to his book for themselves. He furnishes chapter and verse in support of his statements, with quotations from reports of the Auditor-General, from other official documents, and from the speeches of Conservative and Liberal statesmen, some of whom were "almost converted" to Socialism, or the principle of Nationalisation, by their experiences.

The thousands of people who carried out this national work were by no means *Admirable Crichtons*. On the contrary, they were in many cases decidedly below the average in skill and ability until they were taught their business by the State departments, for the demands of the fighting forces had robbed us of hundreds of thousands of our best workmen. But organisation and co-ordination get the best out of even the most unpromising material, and even under these conditions, and despite the

drawbacks of hastily improvised schemes functioning under all the difficulties imposed by a state of war, their work was such as no private firm would need to be ashamed of.

And neither were they *Sir Galahads*, but just ordinary people of like passions with ourselves. Many precisely similar men who remained in private enterprise lost all restraint, and are rich men to-day in consequence. Put the average man to serve his country without any special temptation to illegitimate private gain, and he may be relied on to rise more or less to the occasion. Put him where he can make an easy fortune out of his country's need, and too often, alas! he will rise to *that* occasion. Men see red, they go morally mad, at the sight of sudden riches, which too often breaks down the last barriers of decency and restraint. "From the moment a soldier is allowed to pillage," said Napoleon, "his discipline is gone." Yet the incentive of private gain—not personal reward in proportion to the service rendered to the community, but gain *at the expense* of the community—is glorified, almost deified, to-day as the ideal propelling motive for industrial service. The war was won by men who had not that incentive.

The scheme we have submitted for the cure of unemployment must be judged in the light of the analysis of the real economic problem by which we have preceded it—assuming that analysis to be correct. We have sought to show that all our wealth consists exclusively in the things we make or import

—what we *get*, in fact. This seems so obvious that it should be absurd to insist on it, yet current economic language seems to deny it—and behind the wrong language there is of course wrong thought. The public has been taught to bleat “markets” so incessantly, that it has almost entirely lost sight of the fact that it is the *stuff* we want, and has come to believe that what we need is to *get rid* of the stuff. After all that we have written, we should still not be entirely surprised to hear a reader object, “But where will you find markets for your products? How will you get rid of the stuff these men turn out”?

Yet we were under the impression that there was need in the country—that the people, and especially the unemployed, need the stuff. If we are mistaken, if all the people’s needs are satisfied, if there is no want, no poverty, then there is no occasion for our proposals, and we have put them forward under a mistaken idea. If, however, such need does in fact exist; if all our people are not really well fed and clad, well housed and provided for; if there is privation and distress and homelessness; if there are mothers by the ten thousand worried to death to know how to obtain necessaries for their children; then no apology seems necessary for our proposal that we should get to work and create the wealth which shall supply that need.

The fact that we are a great importing and exporting nation may seem to complicate the problem, and doubtless it does help to confuse minds

that have been already muddled by the popular economics. But the object of foreign trade is *imports*—exports are but a means to that end. We are never actually richer by our foreign trade except by virtue of our imports. How can we be richer except by what we receive? The position is unaltered by the fact that we may invest part of the proceeds of our exports in the foreign country; this is only a reserve entitling us to call for imports in payment of the interest or for return of the principal. The whole object of the export trade, which is made so much of by our commercialists, is to obtain the very *imports* which these same commercialists seem so much to dread. Until we receive these, we have not received payment for the goods we have made and exported.

But this desirable end of securing wealth from other countries as well as our own will not be attained merely by the process of “seeking to discover new markets,” which occupies so much of the time and discourse of these commercialists—some of whom appear to live in the perpetual hope of discovering a new tribe of natives to whom they can sell loin-cloths. It can only be attained by dropping all jealousy of, and all savage policy towards, our foreign brethren, rendering them brotherly help where necessary, granting them a fair share of access to the world’s sources of raw material, letting them get on with their work and produce as abundantly (cheaply) as possible, and also getting on with our own work of producing as abundantly as possible.

Only by encouraging *both* these processes—their successful production and our own, so obtaining a larger amount of wealth in exchange for the products of each British labour-hour—can we reap the maximum result from our foreign trade.

It is difficult to believe that anyone having the interests of the nation at heart, who can *see* the simple truth we have been seeking to enunciate throughout these pages, will continue to consent to the tremendous wastage of unemployment. To our mind, there can only be two classes of people who can withhold their support from some such scheme, viz., those who have really failed intellectually to grasp the position, and those who are opposed *in principle* to the workers being allowed to do work whereby they and their children may live without paying toll in the form of profits to private interests.

CHAPTER XVI

EGOISM AS A BASIS FOR ECONOMICS

It has been well maintained by an ethical writer that *Egoism*, or the cult of the Self, considered as a philosophy, is irrational, since it involves a contradiction. Egoism assumes that it is reasonable for me to assert that "*my* good is the only thing that ought to be pursued," while it pronounces that my neighbour is equally reasonable in denying that proposition, and in asserting that *his* good is the only thing to be pursued. Thus two entirely contradictory propositions are declared to be true by the champions of egoism.

It may be objected that this is Ethics, and has nothing to do with Economics. On the contrary, it has everything to do with economics. Egoism as a basis for *economics* is even more irrational than egoism as an *ethical* proposition. Ethics is concerned with foundations, and its exponents are still discussing whether we really *ought* to consider others besides ourselves. Economics takes for granted that we most certainly *ought*, since economics is concerned with the well-being of the *community*, and has no meaning apart from consideration of the *general* welfare. How inconsistent therefore, as well as irrational, must be the conventional economics—a professedly *social* science—which is based on the

principle of individual egoism, and which professes to expect the good of society to result from the operation of mutually opposing motives on the part of its members.

Our assertion will not be admitted by all without some reservation. "We agree," the popular economists may say, "that we rely on the self-regarding instincts as the basis of our economic life, but we admit that the principle can be carried too far. While accepting egoism as the *basis*, we quite recognise that the unbridled operation of that principle may involve great injustice and suffering for many. We do not believe in the Socialist theory that industrial effort should be co-ordinated for the common good, but neither, on the other hand, do we stand for egoism pure and simple. We stand rather for egoism mitigated by mutual consideration. The principle is sound, but it must be applied with reason and moderation. We look to conscience, to morality, to humanity and religion, to obviate or mitigate any possibly evil effects."

But is it not of the essence of any sound principle that, the more consistently it is applied, the more perfectly it will work? A sound principle is surely one which we can follow without misgivings. A sound system must be one which we can pursue with our whole hearts, knowing that the more thoroughly it is worked the more satisfactory will be the results. This is not a case of certain dangers attending a system on account of the difficulty of applying the principle consistently; it is a case of mischief arising

from the principle itself, and in exact proportion to the consistency with which it is applied. Where can we expect people to stop? Will a man run a race to lose? Will he fight to be beaten? Yet you set the people to race, and ask the fleetest, or those with an unfair start, not to run *too* quickly. You set them to fight, and beg of the stronger or more efficiently equipped not to be *too* hard on the others.

Individuals may possibly attempt sometimes to give effect to your recommendations, but they soon find that to do so systematically threatens to lead to their own defeat. And in the reactions of fear and of the instinct of self preservation they leap back into the fray, and quickly become indistinguishable from the rest in the general *melée*.

We are not here merely moralising against the general prevalence of selfishness in human nature and actions. Our complaint is that that principle has been adopted as the basis of a so-called science which, if it is to have any justification for its existence, must exist to *combat* the workings of egoism. It has been welcomed, embraced, "established" and made respectable, instead of being recognised as chief among the evil tendencies whose workings it must be the object of every real *social* science to circumscribe.

But the more thorough-going champion of the present régime may not feel at all disposed to adopt the semi-apologetic tone of its more shamefaced adherents. "Call it egoism," he may say, "or call it what you will—it is a system that *works*! It is

quite enough for the individual to concern himself with his own affairs. We leave him to find some means of securing a livelihood; he can only satisfy his perfectly legitimate egoistic desires or needs by inducing others to provide him with that means of livelihood, for which he must render an equivalent service. Each must give a *quid pro quo*, and so we all get provided for. The quest for personal gain thus ends in the community's gain, and your so-called egoism turns out after all to be the truest altruism. This is the system which has stood the test of ages, and it ought not lightly to be abandoned. It has served us well. It has brought us through. It is 'the bridge that has carried us over.'"

Excellent!—if it were true. We shall not trouble about theory so long as your system "works," and secures the desired end. But can anyone profess to be satisfied with the working of the system—unless, perhaps, it be a Mr. Mallock, with his contempt for the "super-sensitive social reformer?" The system has *not* stood the test, but has broken down miserably under it. Society does *not* get value for value from each of the struggling contestants for personal profit. All are *not* provided for, though there might easily be more than enough for all. Egoism has *not* revealed itself as an allotropic form of altruism. The bridge has *not* carried us over. Or if it has carried *us* over—you and me—it has let through countless numbers of our brethren and sisters into the torrent, which has swept millions to destruction, while millions more still struggle in its depths in full view

of the more fortunate ones who are feasting on its banks.

But our whole proposition may be queried by some. "Is the present system really based on egoism at all?" they may ask. "In what way is it so based? If the writer merely meant to call attention to the evil results of the ruthlessness with which many pursue their own ends regardless of others, he would simply be writing what everybody knows. But he has asserted that this principle is embodied *in our system*; he has implied that the more efficiently our system is worked the worse it will be for us. Can he demonstrate his proposition?"

This ought not to be difficult. It must be admitted that no organisation exists to direct our industrial activities to any desired end—much less to their only legitimate end of supplying each other's needs. In these conditions it is practically impossible for a man, however much he may so desire, to enter industry with a view to devoting his capacities to the service of the community. He is compelled to seek practically any opening in which his capabilities can secure him personal profit, without reference to whether the services he renders are productive, non-productive, or even destructive. Under a system in which the true object of industry had been recognised and acted upon, such action on the part of an individual would rightly be stigmatised as *treason to the commonwealth*; yet this is the action that is imposed on us all to-day unless we would starve. There is no one, for instance, representing the

interests of the community, to whom a young man entering on his career might go, and say, "I have such and such abilities. In what way can I be useful to my country? What work needs doing, in which I may take my share?"

He may, however, possibly meet with someone who says to him in effect, "Never mind about your country; there is something you can do for *me*. I understand you are, say, an architect; I want you to design me a mansion."

The lad's cheek burns with shame—that it should be thought that he was born, educated, trained for *this*; that all his strivings to excel should end in *this*; that his gifts, his powers, his personality, are to be acquired for a price; that all his dreams of serving his country, and in some degree helping to lighten her heavy burden, are to come to nought—he must swell the rich man's retinue of lackeys. "But—my dear sir!" he exclaims, "you have three mansions already, and as many motor cars. You are already monopolising the entire life's services of many men of equal abilities to mine. You already have possessions representing the proceeds of millions of hours of men's labour. I may as well die at once, for any use my services will be to my country, if I enter *your* employment. I want to do something *useful*! I understood that there were numbers of people who have no houses, who have not proper food, who are not decently clad, whose lives are stunted by ignorance. Certainly I am out for remuneration, but—I want to *earn* it!"

We fear we have let our pen run away with us. The foregoing is only what he *would* say, if he dared, and if he had been properly brought up. We know he *must* accept the commission, as we should all have to, and be thankful. Or he must enter the service of someone else who is working with just as little reference to the people's needs. It may be a firm of luxury providers or of rubbish manufacturers, of advertising agents or of speculative middlemen. He may have to build hotels for week-end wasters, or offices to house a "cartel" to keep up prices or a "federation" to keep down wages. It is quite impracticable for him to consider what may be the result of his services for the community. The question of the personal profit to be secured from the post is the only question he can afford to consider.

Or perhaps he has been trained for a "business" career. He will enter the "market," selecting the one perhaps of which his father or his friends have some knowledge, and which they assure him affords "opportunities"—not for service, but for money-making. It does not matter what market it is; we will call it oranges and lemons.

The point does not arise whether, in the particular organisation of middlemen which he selects, there are already sufficient men engaged to *perform the services*, if any, which they are supposed to render to the community. "It's a bit crowded, perhaps," says his father, a well-meaning man who has no idea that he is doing anything of an anti-social nature, or

encouraging his son to do so, "but there are always opportunities for a young man with capital and brains. You have got your capital, from me; and you have got brains—may have come from me too; it's not for me to say—but there seems no reason why you should not do as well as I have done."

"There was Bull, for instance—you knew old Bull. Oranges were very scarce, and he bought up everything he could lay his hands on. He made £20,000 over that deal. And my old friend Bear—though that was more risky—sold lemons for future delivery when he hadn't a lemon to bless himself with. Tricky market—lemons—but he's as knowing as they make 'em; and he'd got his agents everywhere, and had reliable information of consignments coming forward in the near future, and trees looking well; and before he was due to deliver the goods he bought all he wanted at two-thirds his selling price. *He* netted twenty thousand too, I believe."

It is interesting to enquire where the profits really come from in such transactions as these, which are everyday transactions in the various markets. Mr. Bull and Mr. Bear each "made" £20,000. Let us put this in the form of goods, or property, instead of money. Each suddenly became possessed, then, of a mansion and grounds, or of twenty suburban villa residences, or of over a million loaves of bread, or of anything else he liked to buy of an equivalent value. That value, £20,000, represents the proceeds of the labours of 500 craftsmen for three months, or of 500 husbandmen for six months, or of

one husbandman for *two hundred and fifty years!* Where did these things come from? They did not come fresh into the world by a special act of creation. He did not by his labours give an equivalent amount of wealth in exchange. He did not by his science impart such knowledge to the workers as should result in extra production to that amount. He did not contribute goods or services to the community's stock of wealth, in exchange for what he took out of that stock. We say he "made" a profit of £20,000; he certainly did not *make* the mansion, or the houses, or the loaves of bread. All he did was to write or say certain words in the market, and lo! mansion, or houses, or loaves of bread appear as by magic. Yet they did not come into *existence* as a result of Mr. B.'s deal; they only came into his possession. The common idea that a man, who does not contribute an equivalent service to production, may enrich himself without anyone else becoming a penny the poorer, is a piece of inexcusable stupidity. Mr. B. gained his mansion, houses, or loaves of bread, *from the community*—which *lost* them.

Still this does not fully explain the real genesis of Mr. B.'s suddenly acquired wealth. Mansions, houses, loaves of bread, are all the produce solely of labour, in which we of course include every form of productive labour, from the labour of the architect or agricultural expert to that of the hodsman on the scaffold or the ploughman in his furrow. According to the popular idea, money, or wealth, is somehow *made*, or brought into existence, by such market

transactions. But real wealth is only made by labour, and this labour does not take place on the exchanges. Who, then, *made* Mr. B.'s wealth? Where did his houses, etc., come from?

There need be no mystery about the matter. The workers, the only producers of wealth, did actually have to build or make these things for Mr. B. for nothing. It is true that no one group of 500 men laboured for six months in his actual employment, and entirely without pay. If things worked out in that simple fashion the business would soon be stopped. The loss was contributed to by all the workers. The £20,000 was added to the prices which the community paid for the fruit. They got less for their money, so that the *real* wages and salaries of the people were diminished by that amount. As a result of the deal, each worker in the country receives less for his labour on an average by the equivalent of a piece of bread or brick. The child's treacle-crust has been "pinched." The time that each worker worked for the piece of bread that he did not get was his forced contribution of labour to the speculators in oranges and lemons; and the total contribution levied by Mr. Bull and Mr. Bear by these two deals amounted to the proceeds of over half a million hours of such unpaid work.

The foregoing is not a fanciful or far-fetched "illustration." It is the scientifically true explanation of the transaction whereby the Messrs. B. suddenly became possessed of wealth which they did not help to make; and very little reflection is

necessary to satisfy anyone who thinks in terms of realities that there is no other true explanation.

And the total of the pieces of bread or brick which are chipped off the worker's wages daily to provide such "profits" (really *losses*), amounts to a figure which often makes all the difference to him between plenty and penury, and all the difference to his children between sickness and health, or even between life and death.

The present argument is not directed against the people on the various exchanges, or in any other line of business at present recognised as legitimate, except in so far as such persons may oppose enquiry into our "system" with a view to its revision. The great majority of such men, we trust, would decline to undertake a "shady" transaction, however profitable; but few, if any, would decline a transaction because of its possible economic results. They would scorn to take advantage of their brother, but they must take advantage of the "market," that is, of millions of brothers.

And so it must be, so long as industry is regarded, not as an institution for serving the people who compose the nation, but as a field for exploitation by the egoistic proclivities, and so long as an "economics" is taught which, instead of being directed to the curbing of the operation of the self-regarding instincts of individuals in the interests of the whole, incorporates the evil principle of egoism as the very essence of its "system."

What can any of us do, as things are? We will

suppose I am possessed of capital—which is only a supposition; and that I love my country—which I trust is true. I look around on England as it exists to-day. “Is there anything I can do—not as a philanthropic ‘side-line,’ but as my life’s work? May I assist in any of the countless tasks that cry aloud for willing workers? Slum-clearing, housing, beautifying our cities? Feeding the hungry, clothing the foul and shabby? Helping to bring order into the awful chaos of our coal mining and distribution? Stocking the country with proper reserves of timber and fruit trees? Removing the sordid advertisements that disfigure our glorious countryside? Doing *anything* to make this tortured land more happy and beautiful?”

“No, no! There is no money in many of these things, your interference would be resented in others, and most of the remaining occupations are overcrowded, *though the work is not done!* There is a gin palace at the corner going cheap—a veritable gold mine—you might take that. If that does not suit you, the house-agency business is very profitable, you might put your money in that.”

“But are there not enough house agents in the town already? Is this housing difficulty of which we hear so much due to lack of a sufficient number of agents to attend to the people’s requirements?”

“Oh, no. The town swarms with them. If I put up a house for sale to-day the agents will descend on me to-morrow like the Assyrians. But with your money and brains you ought to be able to force your

way in, and share the plunder. Or, talking of houses, this new government scheme should stimulate the demand for builders' materials. Now is the time to buy; why not put your money into materials, and sell them back at higher prices when the people begin to ask for them, just as hundreds of people, who knew nothing of the various trades, put their money into food and metals after the Armistice, and made pots of money?"

"I must think of it. I must live somehow; and there seem to be more opportunities in business for preying on my fellows than for serving them."

CHAPTER XVII

THE RIGHTS OF PROPERTY

WE employ the expression at the head of this chapter, not because it is a correct or logical one, or because it expresses what it is generally intended to express, but because it is a well-known phrase which has come to stand roughly for a certain claim, or attitude towards social questions, with which we are all familiar. Property itself, as such, of course *has* no rights, "rights" being the exclusive prerogative of beings who are capable of enjoying them, or suffering if they are deprived of them. In other words, only men, women, children and animals can have rights. Loose expressions like "the rights of property," "the claims of capital," etc., are probably not only the outcome, but also the cause, of much muddled thinking.

When the phrase is employed in its least aggressive sense, it usually means the right *to* property, or the right of individuals to possess certain things in ownership. With such a principle we have no quarrel, since we are satisfied that individual ownership is an institution which is essential to a community's ordered existence. The law must prohibit the snatching away of a man's dinner off his plate or the stripping of his coat from his back by another man, and it should also preserve to him the means of obtaining both dinner and coat, and

other necessities, for himself and his family. The airy suggestions that one sometimes hears for the total abolition of private ownership appear to us to be merely foolish. Leaving aside for the moment the question of *how much* a man should be allowed to own, it is evident that home life, the rearing of a family, the performance of many kinds of work or of social duties—even the appearing clothed in public—and practically all the interests and relationships which give meaning and interest to our lives, are inconceivable without the right to possess certain things as one's own, free from interference from others. The desire for property to this extent is not acquisitiveness, it is an entirely healthy desire for the means of the exercise and expression of one's personality and one's relationships with others, and this desire should be encouraged by the provision of opportunities for the acquisition of such means by all worthy members of the community.

The claim that is often advanced however, either expressly or by implication, in the words "the rights of property," is really the claim that an individual should have the *unlimited* right of acquisition and possession, a claim which is clearly incompatible with the rights of others, and which is even more patent nonsense than the idea of totally abolishing individual ownership. Its absurdity becomes apparent on a moment's reflection. All would admit, for instance, that no man must be allowed to own the whole earth, since this would enable him to starve the rest of its inhabitants. But may a man

own a whole country? May he own a county? May he own a town? Or may he own the whole food supply of a country or county or town? May he own a half—a quarter—a tenth part, of such supplies? The mere asking of such questions shows us that any rights of owning property which may be conceded to individuals must be limited by considerations of the general good of the community. In certain states of society—our own, for instance—a man may have secured the *power* to do some of these things, but this of course is no guide to what is *right*.

What principle, then, is to determine the conditions and limits of the individual's title to acquire and hold property, or wealth? What is it that really confers on the individual members of the community the title to acquire or own any portion of the community's total stock of wealth? Many speak and think as if there were some self-evident, or "natural" right, independent of the conventions of the particular society in which a man may live, and under which he has acquired his title. It may be interesting to enquire whether any such "natural" right to own any particular property does in fact exist. Is there, in any instance, such a right as shall appear to all reasonable people on examination to have been conferred on an individual by nature, in such sort that, to their natural sense of justice, *independently of all laws and conventions*, a property appears to be inherently *his*, or intended by nature to be his? The only instance of such a "natural" right to any particular property that we

can think of is the right of the infant to its mother's milk. Here nature has so plainly prepared and pointed the way, that we may reasonably speak of the infant's *natural* right to the wealth which was so clearly made and intended for it, though we understand that many mothers of the class which contends most strongly for the "rights of property" repudiate the child's claim.

Another claim which is sometimes advanced as a "natural" right is the right of the individual to the produce of his own labour. Since, however, no man in a civilised community grows or makes without assistance just the things he needs for his own sustenance, such a claim is entirely impracticable as a basis for an economic system. If it were possible to calculate the actual wealth-producing value of each man's labour, then this alleged right might conceivably be discharged by giving him its equivalent in the form of "wages"—though we fear that some of our millionaires would fare poorly in such an allocation—but since such a calculation is not possible it is useless further to consider this claim, however much there may be to be said for it in theory.

People who never look deeper than the particular conventions of society which may happen to exist in their own short day and their own limited sphere, are apt to regard *inheritance* as in some sort constituting such a "natural" right. But this idea contains two fatal flaws. In the first place, inheritance is secured and regulated by *laws*, and the laws

of inheritance differ widely from time to time and from country to country, so that what is a man's in one country would not be his in another country. For an individual to claim a *natural* right to a particular property solely because the laws of his own age and country have awarded the property to him, is to condemn the laws of other countries and times as being violations against nature. Even if the inheritance is by will, the case is no stronger, seeing that the laws of many—probably most—countries have repudiated the unlimited right of a person to say what shall be done after his death with the property which he controlled during his life; as, in fact, our own laws regarding primogeniture and entail, and our mortmain restrictions, do to-day. The second flaw in the claim to a “natural” right to property through inheritance lies in the fact that such a claim merely carries the question a stage further back—to the right of the previous owner. To say that I have a “natural” right to a thing because I inherited it from my uncle, who inherited it from his aunt—unless the aunt's “natural” right be proved—is to argue as weakly as the classic geographers who taught that the earth is supported on the back of an elephant, which in its turn stands on the back of a tortoise, but who were unable to say what the tortoise stands on.

The laws of a country as to property command our respect and obedience until they shall be modified by the general conscience of the community. Their infraction is rightly stigmatised and punished as

theft, and the denial of their validity can lead only to anarchy. But let not the possessor of any particular property imagine that he owns it in virtue of any self-evident, inherent and "natural" right; he owns it by virtue of the laws of the country where the property, "real" or personal, is situated. The title conferred by such laws is derived solely from their own authority. We are led to the inevitable conclusion that there can be no such thing as an unquestionable "natural" right to any particular property, or wealth, which can be urged against the general sense and interests of the community. We should be the first to admit, and even to contend for, the existence of certain natural rights for every individual, to which the community should seek to approximate its laws ever more closely. These may be difficult to define off-hand beyond a certain point, but they would certainly include the right to life and liberty and the means of enjoyment for every individual, so far as these are not injurious to others. But the determination of these rights, their definition, and their application in practice, are the prerogative and the duty of the community acting by means of law.

The right of an individual to property or wealth then, to be valid, must be a right conferred or allowed by the community; and the community, in passing the laws or creating the system which determines the conditions governing the acquisition and holding of wealth, must be guided by what it conceives to be the general interests of its members.

No claim can be valid which is opposed to those interests. Only in the rarest circumstances, if ever, could it be justifiable for an individual to press a *personal* claim as against the general sense of the community, or to act *for his own personal interest* in defiance of the community's laws regarding property. The community may err, though a free community acting through its representatives is less likely to desire injustice than the individual who is pressing a personal claim. But in any case the remedy consists in proving the justice of the claim with a view to securing the modification of any laws which are felt to be unjust, and not in asserting any supposedly inherent privileged "rights," on the part of individuals or classes, in opposition to the general welfare of the community.

The same principle will of course apply in offering opposition to any proposed changes in the laws; those individuals or classes who consider that their interests would be adversely affected thereby must give some better reasons for opposition than the mere fact that they have "always" enjoyed certain privileges, and that therefore they have a "natural" right to them. Our Statute-books are the product of centuries of legislation. Much of this has not been the work of the community, but of certain classes which had secured the power to enact laws governing the lives of their fellows. A great deal of such legislation has happily been repealed or amended, and, for the rest, what the community has made, or what individuals have made in defiance of the

community's interests, the community can unmake, or re-make. It is plainly the nation's duty to effect such changes in its laws as may appear to it to be necessary for the removal of unjust conditions. Should such changes involve the lessening of the power of individuals to continue to amass wealth as existing laws have permitted them to do, certain classes may claim that the innovations interfere with their "rights." The privileges they have enjoyed under existing laws may be advanced as being "natural" rights, maintainable as against both the conscience and the well-being of the community; and it will be only according to precedent if the advocates of reform are charged with every kind of impiety. But it is evident that any claim to privileged rights, *as against the interests of the community*, is devoid of *justice*. Without professing to exhaust all the meaning of this august word, we interpret *justice* as meaning first, in its social sense, that which is in the general interests of the community; and the community which constantly seeks to bring its laws into ever more perfect accord with the general interests of its members is a community which is simply following after justice, or righteousness.

Many people are as unwilling to examine the foundations of their assumed rights as others are to examine the foundations of their faith. The appeal to "justice" raises in their minds the terrified vision of a raging mob, whose leaders wave red banners inscribed with "Justice

for the Workers," while the mob exemplifies that "justice" by smashing the property and the heads of innocent and inoffensive citizens. It is true that persistent injustice may bring about such undesirable exhibitions, although in our own country violence on the part of the people is as rare as red flags are common. But if we wish to preserve this desirable state of immunity, the present foolish opposition to enquiry—which can only be maintained at the cost of playing the fool with one's own conscience—must be dropped, and well-disposed persons *of all classes* must set themselves frankly to reconsider conditions which impose such an intolerable burden of injustice and suffering as is endured by large sections of our people to-day.

Those conditions have been built up almost anyhow. They are entitled to claim no sacrosanctity. Their careful and conscientious revision can have no terrors for the just, while it can bring relief and comfort to millions. We have every consideration for those who hold back simply from genuine and *disinterested* fear of change, though we would persuade these timid souls that the greatest danger lies in the present suppression of both truth and justice. For the rest, for those who knowingly oppose reform from purely interested motives—whom the sight of suffering will not move to abate one jot of their selfish claims—it is time the community gave these people to understand that they are guilty of a moral offence of the gravest character. Such enemies of their fellows should be thankful that a

truly awakened community will be bent on rendering justice and mercy to the sufferers rather than retribution to the delinquents.

In the industrial disputes now current, the privileged claims of wealth are more frequently urged in their modern form of the "Rights of *Capital*," or the "Claims of Capital." The new phrase, taken literally, is of course as meaningless as we have shown the old one to be, but it is important that we should realise what it is that is often really claimed under this ambiguous phrase. It is employed to cover a multitude of meanings, but the claim that it is frequently made to serve is one of the most pernicious that one section of the community could advance to the detriment of the others. Like the "Rights of Property" claim, it involves the practical denial of the rights of those who are not furnished with wealth. It is a claim that millions shall be born and live practically without rights. It is a claim that the affairs of men shall be directed by a self-appointed *oligarchy*—the claim of a class to the lordship of the earth. We have no desire to write wildly concerning capitalism. Any loose ranting about "the capitalist" can only offend the serious reader. But we desire to call attention to the realities of the position, appealing, not to prejudice or passion, but to reason and intelligence. If the lordship claimed, and largely exercised, by the capitalist interests be carefully examined, it will be found to differ from practically every other kind of lordship, in the material respect that it does not,

even in theory, recognise any responsibility towards the governed. The capitalist personally may be quite as kindly-hearted a man as any of the rest of us. Individuals among that class are sometimes keenly sensitive to the interests of their *employees*. But the capitalist as such does not in practice, and probably cannot, recognise any responsibility to the *community* as attaching to the possession of capital, that is, as attaching to his control of the means of production by which alone the community lives. In fact, to recognise such a responsibility would involve a surrender of the "claims of capital," while its *general* recognition would inevitably lead to the radical reconstruction of our whole economic system.

It will probably be conceded by every reasonable person that there can be no real rights without corresponding responsibilities. Yet, having obtained control of the community's sole means of subsistence—*i.e.*, of the means of production—it does not occur to the capitalist that his first duty is to use those means for the purpose of supplying the needs of the community, and especially of supplying the greatest or most pressing needs first—any other object than that of exploiting his trust for his own personal gain simply does not enter his head. Other rulers admit—at least in theory, and some even in practice—their obligation to govern for the benefit of the governed; our capitalist rulers cannot admit such a principle even in theory, but hold themselves free to employ their control solely for their own personal profit. This control is coming more and more to be exercised by

combinations which—quite dispassionately examined—are of the nature of *conspiracies against the governed*, that is, the community. They may combine to sweep the market bare of the necessaries of life, and only to release them at their own time and prices. They may order the restriction or cessation of production of any article of which the people need an abundant supply, and the diversion of the workers' energies to the production of things that are not really needed. They may command whole sections of the workers to cease producing, thus robbing the community of the wealth which might and ought to have been produced. And all these things they do; for the system compels them to bend their energies to meeting, not human need, but what they call "effective demand," that is, the desires of the class which can afford to reward them most munificently. Thus our whole system of production, the springs of the industry by which alone we live, the determination of the ends to which the labour of production shall be directed, are in the hands of irresponsible and, from the community's standpoint, non-intelligent and non-moral powers.

It would hardly be fair to charge these rulers of ours with a betrayal of trust—they simply are not conscious of any trust. And it is true that this trust was never formally committed to them. The "rights of capital" represent no rights delivered to the capitalists by the community. They were never elected to the offices they hold, and are never called upon for an account of their stewardship. Neither

the community nor its representatives ever appointed them to be our rulers, nor *would* a community ever deliberately so appoint them. The control that they wield has simply been acquired by them owing to the supineness of the people, who have never addressed themselves to the management of their own affairs, or to the organising of their means of life on any considered basis.

It may be expected that the writer, like most other writers on economic subjects, will address some part of his remarks to the consideration of the question, "What is Capital"? But, while admiring the courage of the numerous economists who have proffered as numerous answers to this question, the writer does not propose to emulate them, since the word "capital" is employed in a score of different ways. For practical purposes it is often quite legitimate to employ the word in these differing senses, according to the circumstances in which it is used. But logic does not permit of the "definition" of a word which is used with equal validity to express different people's different ideas of different things, and which has different meanings in different connections. As the reader will perceive, we have employed it so far in this part of our argument to signify the means of production, or the control of those means. We now propose, however, to examine some specific claims which are made for "capital" in a sense which the context will make perfectly clear; and we may learn from our examination what, in these particular instances at least, capital is. or is not.

CHAPTER XVIII

THE CLAIMS OF CAPITAL

THE greater part of the industry of this country, other than national and municipal industry, is conducted by Joint Stock Companies. Information is available concerning these which is not available in the case of private firms, and this gives us an opportunity to examine, in the light of ascertainable facts, certain claims which are made by holders of capital in these concerns.

The "Claims of Capital" in this connection, as advanced in their most modest form, may be taken to mean simply the claim of the investor or capitalist to a reasonable return for the use of his money invested in industry. Under this plea, however, the investor is often, consciously or unconsciously, claiming a very great deal more than that. In order to examine what the claim of the investor frequently really amounts to, and to compare that claim with the modest demand which he believes or pretends he is making, we will for the moment assume his right to this reasonable return. We do this for the purposes of the argument only; not because we really admit the principle, but because it will be convenient in our illustrations to have a constant figure to represent this so-called "reasonable return."

We will assume, then, the right of the investor or capitalist to a yield of 5 per cent. per annum, this

being a rate at which the British Government to-day can get all the capital it wants. It must not be supposed, however, that the Government recognises any such "rights of capital." The Government gets its money as cheaply as it can—it is not so many years since it reduced the interest it was paying from $2\frac{3}{4}$ to $2\frac{1}{2}$ per cent. We will however assume 5 per cent. for our "normal" rate.

The investor looks, then, to receive £5 a year in dividend on every £100 he invests in a company's shares. Should this fall to, say, £2.10.0, he is apt to feel that he is being hardly dealt by, and this may predispose him in favour of any suggestion to reduce the wages paid by the enterprise in which his money is invested. His argument sounds reasonable. "Let us all do our share," he says; "*I* am losing money; let the working man bear his share of the loss."

It will sometimes help us to realise the position if we enquire how such persons acquired their shares. "Bought them in the market," may be the reply, "and gave hard-earned money for them." On further enquiry, it often transpires that the shares were purchased at a price far in excess of their nominal value. To take quite a common instance. At the time the investor bought his shares the company was paying 25 per cent. dividend, and the price of the £1 shares had risen on the Stock Exchange to £5 each. This means that the investor was willing to give five times their nominal value for the shares because they were yielding five times the normal dividend; and so our investor paid £5,000 for

his 1,000 shares. He however expected the high rate of dividend to be maintained or exceeded, but the company has not since succeeded in making such large profits, and the dividend has fallen from 25 to $12\frac{1}{2}$ per cent. Now it might seem that a dividend of $12\frac{1}{2}$ per cent. is a fairly handsome result for a company, but $12\frac{1}{2}$ per cent. on the £1 share only represents $2\frac{1}{2}$ per cent. on the £5 which our investor gave for them. As we have seen, he paid five times the nominal value of the shares in the hope that they would continue to yield five times the normal dividend, and when the dividend falls to half that rate he complains that he is "only getting $2\frac{1}{2}$ per cent. on his money." Before we talk of reducing the workers' wages to increase the investor's dividend, however, we ought to review the relations existing between the parties concerned, and their mutual obligations towards each other.

Firstly, as between the company and the shareholder. The latter is apt to say that he has "got five thousand pounds in the concern." But he has no such thing. It will have been noted at the outset that *none of his money went into the company*. The company has never had the use of his £5,000. He bought the shares on the Stock Exchange from a previous holder, who had paid the company only £1 for each £1 share, or £1,000 for the 1,000 shares which he afterwards sold to our friend for £5,000. They still stand in the company's "Capital Account" at £1,000, representing all the cash the company ever received for them; and although the company is not

making such large profits as formerly, it is still doing exceedingly well, making profits of $12\frac{1}{2}$ per cent. yearly on all the capital it has ever really had to work with. It would not appear therefore that, unless the shareholder alleges mismanagement, he has any very strong case against the company.

However, if the shareholder knows of any method of enforcing his "claims of capital" as against the company, we shall not interfere. But it should be noted that the current talk about the "rights of capital," or the "claims of capital," meaning the right to a certain rate of profit or dividend, is not usually directed against a company, or against any other interest or dividend-paying concern, such as the Government or a bank, either of whom would simply laugh at the man who came claiming, apart from a specific bargain, an "adequate return" on any money he might have to invest. It is against *the workers*, with whom no bargain has been made, that the talk about the "claims of capital" is almost exclusively directed.

The relations between the workman and the company call only for a glance. The workman has no part in the management or policy of the company; his approval was not asked for the amounts paid out of the capital for "goodwill," etc.; he has no say in the matter of the sums taken out of the company's funds by managing directors, financial advisers, and the "camp followers" who hang on the skirts of so many companies; and he cannot be expected to guarantee any particular rate of profit; yet as a

result of his labours and those of the management and staff, the company is earning profits of £12.10.0 per annum on every £100 invested in the business. It does not seem that the company can make out a case for reducing wages on the plea that it is not securing an adequate return on its capital.

But what are the worker's obligations towards the man who paid £5 each for his £1 shares, or £5,000 for 1,000 shares? We have seen that the investor did not pay this money to the company; it is equally certain that he did not pay it to *the workman*. Neither did he consult the workman before investing his money. Neither is there any contract or understanding, expressed, or implied, or subsisting in honour, which should constrain the worker to forego any part of the reward of his labour in order to earn a dividend on the £5,000 *which neither he nor his employers have ever seen*. It would appear that if the investor has any claim at all, it is rather against the man who sold him his shares, and pocketed his £5,000.

Intelligent but inexperienced readers may be disposed to doubt whether serious business men would ever advance such a claim as that we are contesting. We can only assure them that it is the real basis of the stock arguments of many of the investing public, and of much that appears in the press, though the facts are not always so bald as in the case we have instanced. The writer on one occasion had to contend for nearly an hour with two highly-placed bank officials, who maintained that,

even in such a clear case as that cited, the claim was valid as against the workman, and the argument only closed by the gentlemen agreeing to their mutual satisfaction that the writer "did not understand" the meaning of capital.

There are numberless instances, however, in which the essential facts are not so immediately apparent as in the foregoing, but in which the claim is seen to be equally invalid once the real circumstances are disclosed. For instance—quite apart from dealings in shares in a company's capital at inflated prices—an enormous proportion of the co-called capital of companies, on which the worker is expected to earn a dividend, is itself fictitious. We could fill a book with explanations and illustrations of the numerous methods by which the nominal capital of companies is often inflated. The case we have been considering, however, will furnish a basis for one simple example. In that case the investor who complained of his low rate of dividend laid himself open to the retort that the company was paying $12\frac{1}{2}$ per cent. on its capital—no mean dividend—although *he* was only receiving $2\frac{1}{2}$ per cent. on the amount he had paid to a third party for the shares. But the capital arrangements of a company often disguise such facts, and make it appear that it is really only paying the lower rate; as instance the following:

The capital of the company which is paying the 25 per cent. dividend is £100,000, which means that it is earning and distributing a net profit of £25,000 a year. But these handsome profits would suffice to

pay a "normal" dividend, or 5 per cent., on a capital of £500,000. In other words, the profits would "justify" a capital of half a million! *Why not call it half a million?*

No sooner thought of than done. Without putting a single additional penny into the concern, its "capital" is increased fivefold. We have more ways of performing this operation than the French have of cooking potatoes, but probably the simplest way of all is to sell the whole undertaking to a "new" company—consisting of the same individuals. In exchange for the 100,000 shares the proprietors receive 500,000 new shares, each holder thus getting five new shares for every old share he held. Our investor pays his £5,000 to the original shareholder, not now for 1,000 old shares on which he hopes to receive 25 per cent. dividend, but for the 5,000 new shares which the seller has received in exchange therefor, and on which the buyer hopes to receive a dividend of 5 per cent. The result is of course precisely the same, since in either case, so long as the company's profits are unaltered, the shares will yield him £250 per annum, or 5 per cent. on his £5,000. The *apparent* high rate of dividend has however disappeared, since the company is now "only paying 5 per cent." Now this alteration of the nominal capital from £100,000 to £500,000 has not of course affected the company's earning powers one way or another, and its profits may fall to £12,500 as before, in which case it will "only be paying 2½ per cent.," and we shall be told that the shareholders are "not getting an adequate

return on their capital." They may plead that the "rights of capital"—that is, in this case, the seemingly reasonable claim for a normal dividend—entitle them to revise wages. Yet the company is still paying $12\frac{1}{2}$ per cent. on all the capital that was ever really put into it. Nothing is essentially altered. The amount invested in the company, the real rate of profit or dividend, the obligations, if any, of the worker to the shareholder, all remain exactly as they were in the case previously cited, where no "increase" of capital had taken place.

Still the weak point in the investor's case remains, that his £5,000 did not go into the company. In the third and final case that we shall instance, however, we show how even this fact is often concealed, and the £5,000 appears to have been put into the business when such was not substantially the case; though we of course do not allege any necessary intention to deceive.

The company with the £100,000 capital, which shows results "justifying" a capital of £500,000, is sold for that sum to a new company, represented this time by a *new* set of shareholders. The old proprietors "bring in the public." The investing public are invited to subscribe the half-million—which they probably do like lambs. Their half-million "goes into the company"—their cheques are actually made out to the company or its bankers. In this instance, our friend with the £5,000, instead of buying shares from someone else, pays his money direct to the company, and receives his shares from

the company, and he would appear to be more justified than before in saying that he has "got £5,000 in the concern."

But the £500,000 which thus "goes into the company" immediately *goes out again*, though it appears and remains for ever at £500,000 in the "Capital Account" in the company's books. It is paid out to the old proprietors as purchase consideration for the assets of the old company, which assets are made over to the new company, and valued at the new figure. The members of the public who subscribed the new capital were probably afforded the opportunity of knowing what was to be done with their money, but, if they ever understood, they forgot next day, and they think and speak as if their money was still in the business. And, in any dispute concerning the rewards of capital and of labour respectively, our investor is still inclined to consider he has a claim to consideration, not from the vendors who have pocketed his £5,000 and ninety-nine other similar amounts, but from the workman, whose high wages he suspects are depriving him of an adequate return on his capital.

Yet the essential position is absolutely identical with the two previous cases. In the first case, we had the sale of 1,000 shares for £5,000; here we have the sale of 100,000 shares for £500,000. How should either or any of these operations establish a claim for dividend at any given rate on the "capital," to which the workman can be expected to listen? What has he had to do with their "finance"? To the unenquiring

public, the claim may appear to be much stronger in this last case than in the first, since the investor, as he believes, actually put his money into the business which employs the workers. Yet when the profits fall to £12,500 as before, admitting only of a "2½ per cent. dividend," the real position is precisely the same as in the two previous instances—the company is paying 12½ per cent. on all the capital that was ever really invested in the business.

In the majority of cases, it is true, the circumstances are not so simple as in the instances we have cited, but those examples represent faithfully the true inwardness of an enormous number of capitalisations and flotations. The arranging of the "assets" which, by all the laws of book-keeping, must balance any creation of capital, is easily managed, while there need be no difficulty in satisfying the requirements of the Companies Acts. In fact we know of nothing to prevent a promoter from receiving 500,000 shares for an old hat, except the fact that the public are better judges of hats than they can hope to be of the various items—goodwill, patents, licenses, concessions, investments, stock, premises, etc.—which appear as assets in company accounts and prospectuses. Even when these items are shown "at cost," which description seems to infuse some solidity into the figure at which they stand, these words sometimes cover transactions which would make the intelligent and informed investor button up his pockets. The controlling proprietors—known as "the group"—do not usually clear out altogether as in our third example, and the

arrangements by which their interests are differentiated from those of the rank-and-file shareholders often introduce complications which reduce the ideas of the latter, as to how much money is really being made out of the enterprise, to nonsense.

In the "boom" following the war, the moment of inflation was seized upon to float concerns on to the public on the basis of profits which the promoters might have known—as we certainly know now—could not be maintained. And workers to-day are being asked to consent to reductions in wages because they cannot earn a dividend on tens or hundreds of millions of pounds which are not in the businesses at all, but in the pockets of the vendors—or being spent by them at Monte Carlo, or on "creating employment" in the luxury trades at home. This was done in spite of the most solemn warnings from responsible quarters. We are indebted to Sir Leo Chiozza Money (*The Triumph of Nationalisation*, p. 156) for the following extract from a speech of the then Chancellor of the Exchequer, Mr. Austen Chamberlain, in the House of Commons on March 16th, 1920:

"I must say that I think that those who are capitalising and re-capitalising old businesses on the basis of the present inflated profits are entering upon a most dangerous task, are taking a great responsibility, and are laying up for themselves, if they continue to hold any interests in these concerns, and certainly for those whom they induce to come into them, as well as for the country, very perilous future problems."

In view of the notorious fact that company directors and controllers abound in Parliament, one wonders how many of the guilty parties were listening to Mr. Chamberlain as he spoke, and how many of these same delinquents are among the men who jeer at those members who represent the workers in the House. For the "very perilous future problems" of Mr. Chamberlain are now our present problems, and the men who speak for the chief sufferers do not always meet with the sympathetic reception that their case demands. It is true that everyone does not jeer. Other arguments are used. The natural objection of the worker to suffer for the sins of others is being parried by the "hard case of the widow and orphan." These and other unfortunate members of the gentle classes, we are told, are in thousands of cases dependent on the few pounds a week they receive as dividends on their modest investments. We admit their hard case; it is true they have been robbed; but it was the capitalist, and not the working man, who robbed them.

The reader will entirely miss our point, however, if he reads this chapter as an imputation on the general honesty of those responsible for the conduct of limited companies, or as an alleged "exposure" of company methods and finance. On the other hand, neither is it a certificate of character for those concerned. In such an enormous sphere of operations as is covered by limited companies, it would be strange if we did not find a certain proportion of abuses and fraud, but there seems no reason to doubt

that the conduct of the generality of company directors and officials is quite up to the recognised standard of commercial integrity. Many company re-capitalisations are, from the commercial point of view, both justifiable and desirable. Our Companies Acts, though not perfect, have been carefully and conscientiously framed to facilitate a form of enterprise which is virtually indispensable under existing conditions, and to protect so far as possible the interests of shareholders, though the Registrar of Joint Stock Companies is not of course expected to constitute himself an assessor of values. Our object here is solely that of examining the "claims of capital" as commonly advanced by capitalists and investors in their attacks on "labour," and to show the absolute hollowness in the majority of such cases of the word "capital." The capital of probably most companies is the resultant of such varied arrangements and operations, while the amount paid by the shareholder often bears so little relation even to that quasi-entity, that to quote it on either side in industrial disputes becomes a mere farce, since in such a connection it so often means just nothing.

This incontestable fact may be disconcerting to the man who has paid £100 to his broker, and received in exchange an engraved certificate under the company's seal stating that he "is the proprietor of 100 fully-paid shares of £1 each in the company's capital," but it will probably help matters considerably for him to realise the facts. In Mr. Tawney's words, it will "contribute to the restoration

of sanity" if "the exact situation is stated as it is."

A well-known company whose shares were once purchasable on the market at 6d. each afterwards recovered itself, and succeeded so splendidly that the shares to-day fetch a few pounds apiece. It has increased its capital again and again, both by giving free shares as dividend or bonus to its shareholders and by the more usual methods. If we take the value of the original share plus the shares which have been received by the holder in respect of it, then that once sixpenny share and its offspring can now only be purchased by the investor for *many* pounds. What is the capital on which the holders are to receive an "adequate" return, failing which they may penalise the workers? Is it the sixpence, or the few pounds, or the many pounds? Such issues of free shares are quite common, and may be perfectly legitimate, so long as they are not used *to establish a fraudulent claim on the workers*. We see a reference in the paper to a company which has recently distributed a dividend of over 200 per cent. in shares. On the other hand, hundreds of companies, and thousands of shareholders, lose their money altogether, and both are left to lament the hollowness of the "claims of capital," since there remains no one against whom they can urge those claims.

We have shown that, even assuming the right of the man who ventures his money in industry to a reasonable reward for the use of his capital, the

urging of such a claim in industrial disputes is devoid of application or meaning, since in numberless instances the enterprise is yielding a return equal to ten or twenty times that reasonable reward on all the money or real money's worth invested in the business, while in numerous other cases the investor is getting *no* return, and all talk of rights or claims is futile, since there exists no one against whom the claim can be laid, or the right maintained. But these facts show us something more. They show that the "right" which we have assumed for the purposes of our argument *does not in fact exist*. We ask the reader not to imagine he sees the red flag peeping out, but to examine the case calmly *as it is*, when we assert that Capital—and we mean now *real* capital, as distinct from the fictitious varieties we have been considering—has no *right* to the "reasonable return" which we have assumed. We are not alleging that it is *wrong* for it to earn such reward, for it is the natural tendency of real capital, or wealth employed in industry, to earn more; and it must continue generally to do so, under a socialistic or any other régime, or civilisation will perish; but the "right" that is insisted on by the individual investor that his particular venture shall prove successful, and that he is entitled to cause others to suffer to make it so, is merely the outcome of muddled, biassed and egoistic thinking.

Capital has no *right* to a reasonable return even *in practice*, and in the commercial world. We invite the confirmation of the commercial man and the

financier from their own experience. They will tell us that opportunities usually exist for the profitable employment of money; but that some seeming opportunities prove delusive, and when money employed as capital fails to earn a profit, or even to save itself, there exists no "right" by which it can be made to do either. The expressions "rights of capital" and "claims of capital" simply *do not exist* in the commercial world. They were invented solely for use against the worker, and as such they are pure rhetoric, and find their proper level in the columns of a press that traffics in catchwords.

And, as capital has no such right in practice, neither has it any such right in theory, that is, in logic or morality. Here we cannot examine the claim in detail because we do not know what arguments, if any, are advanced in its favour, though we continually hear the claim made. It would be difficult indeed to maintain, on any grounds of pure reason, that because capital is usually found to be profit-bearing there exists a right to insist, at the expense of others, that it *shall* be so in any given case. What has happened is that wealth used as capital has generally been found to provide a means for getting more wealth. We are not questioning the morality of the individual's employing it with that object; but the fact has led the thoughtless and the unreasonable to regard such increment as a *right*, though *enforceable only against one class*—the workers—and to the coming of a phrase asserting that right, as one more contribution to the creation

of the economic illusion—an illusion which owes its existence, or at least its persistence, almost as largely to catchwords as to any other one cause.

To thousands of intelligent people, whose circumstances have debarred them from any opportunity of investing money on their own account, the whole business of investment is a mystery. For the benefit of such we may be permitted to explain that there are, broadly, two very distinct ways of investing money.

In the first case you may lend money to a friend, or to a bank, or to the Government, or to any other person or corporation, either of whom agrees to pay a certain rate of interest and to repay the money at a given date. When such a bargain has been freely entered into, the lender's right to demand its fulfilment is unquestionable, as is also the right to insist on the due discharge of all monetary engagements and undertakings, unless a judge shall hold them in any case to be "unconscionable." But this is not specifically a "right of capital"; it is the right of the contract, or bargain—the right of the *promise*, or the plighted word—which must ever be held sacred if social order is not to fall to pieces; and our laws do well to enforce the sanctity of all such engagements.

The second method is to venture the money in some undertaking, in which no agreed rate of interest or profit can be stipulated for, but from which the profits may in some cases be unlimited. Thus a man may buy and work a business, or he may buy a share

financier from their own experience. They will tell us that opportunities usually exist for the profitable employment of money; but that some seeming opportunities prove delusive, and when money employed as capital fails to earn a profit, or even to save itself, there exists no "right" by which it can be made to do either. The expressions "rights of capital" and "claims of capital" simply *do not exist* in the commercial world. They were invented solely for use against the worker, and as such they are pure rhetoric, and find their proper level in the columns of a press that traffics in catchwords.

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The second method is to venture the money in some undertaking, in which no agreed rate of interest or profit can be stipulated for, but from which the profits may in some cases be unlimited. Thus a man may buy and work a business, or he may buy a share

—or “shares”—in a larger business, or company. In this case the proprietor of the business has the right to receive all the legitimate profits of the business, and the proprietor of shares has the right to receive his due proportion of the legitimate profits of the company, which comes to him in the form of “dividend.”

It is in connection with the second method of investment that the phrase “the claims of capital” is employed. If for any reason the profits of the business or of the company are not large enough to satisfy the proprietor of the business or the shareholder in the company, he sometimes begins to talk about a “right.” But this “right” is urged *solely against the worker*. The man whose business is doing badly does not expect to buy his materials cheaper; yet he expects to buy his labour cheaper. He claims that the employee or workman shall contribute out of his wages to secure him the profit or dividend to which he thinks he is entitled, although when the profits are high he does not invite them to share proportionately. We have shown in the case of the shareholder that the “capital” upon which the return is demanded is often fictitious, and that *in any case*, the so-called right is nothing more than a reasonable hope. Surely the prospect for the “restoration of sanity” would be much brighter if we would once for all discard such question-begging phrases, and relegate the so-called right to the limbo in which the divine “right” of kings languishes to-day unmourned and unheeded.

CHAPTER XIX

A FURTHER STEP

A NATION which really desires to abolish poverty must arrange for its industrial activities to be directed to the production of wealth; it must divert to this object the energies of its members now wasted in mutually antagonistic effort; and it must prohibit the destruction, in sterile commercial processes, of the wealth produced.

The economic results of the present expenditure of our industrial energies may be illustrated by the following *pro-formâ* statement, in which we have had to assume figures, since the actual figures are not of course ascertainable.

	Wealth pro- ducing	Non- Wealth pro- ducing
Labour devoted to productive activities		
say,	50%	
„ „ „ non-productive activities		50%
<i>Deduct</i> , products of productive labour which are subsequently used up in non-productive activities	20%	
<i>Add</i> , do. do.		20%
Total net wealth-production	30%	
Total waste and destruction		70%

If these figures should be anything like the true ones, they would show that we might, with our present expenditure of labour-hours, treble the national production of wealth, by turning the energies now wasted to the production of the things, and the performing of the services, which the nation needs. However, we do not propose to argue on assumed figures as if they were real ones; but the form of the statement may serve to bring out the double nature of the loss involved by our present methods, to which we have called attention in previous chapters.

In the majority of cases, of course, it would not be either necessary or desirable actually to make or import three times as much of any given article as we do to-day. We do not require three times as much as we have at present even of bread, and we certainly do not want three times as many motor cars, though we could do for some time with more than thrice the present annual output of houses. Generally, however, to reform our industrial procedure would not mean that we should use up the earth's resources in producing enormously increased quantities of the present articles of commerce. It would simply mean that we should devote the energies at present wasted to making or doing whatever might be necessary to meet the real requirements of the nation.

Whatever be the actual figures representing the needless and avoidable waste of labour-hours entailed by the present system, there can be no doubt that there is at least a sufficiently ample margin, were it

utilised, to feed, clothe, house, educate, and generally raise the status of life of the large number of our people whose lives are at present painfully depressed in these respects—in other words, to abolish poverty, and the fear of poverty.

The probability is that the figures of waste in our *pro-formâ* statement are by no means too high. Apart from the appalling waste in particular branches of activity referred to earlier, a large part—very often the chief part—of the energies expended in thousands of establishments is really of the nature of mere “business-getting.” The business when got is frequently, to a greater or less extent, of such a nature as would be unnecessary under an ordered system, and is therefore uneconomic. But even so, the clerks, correspondents, book-keepers, agents, managers and principals engaged therein are to a large extent not occupied in carrying out that business, such as it is, but merely in *getting* it—a branch of industry which would be incomprehensible to a people who had been brought up—as we should be under a co-ordinated system—to study, devise and carry out the legitimate objects of industry.

In the financial and higher commercial centres—notably in London—are engaged vast numbers of men who would be of incalculable value to their country could their gifts only be devoted to their country’s service. Many of them possess the practised knowledge, the comprehensive grasp, the bold but calculating courage, which would fit them to render invaluable service to the nation in devising

and carrying out a system whereby the whole of the industrial energies of the country should be devoted to wealth-production, and the producers assured their meed of the products. True, it would be necessary for most of them to rid themselves of certain ancient traditions and habits of thought, but the experiences of 1914-18 suggest that this, though a difficult, is by no means an impossible feat for them.

To-day, practically not one of these men is consciously trying to serve his country by the exercise of his business abilities. Things are not so arranged that they *may* try. They may carry out their particular tasks conscientiously and, so far as the system permits, with due consideration for others, but the great needs of their country leave them, *as business men*, absolutely unmoved, however sincere may be the concern with which they read of these things in their evening paper, when business is done for the day. The contribution of each one to industry, as business men—that is, as exercising the principal activity of their lives—is merely to avail themselves of such opportunities of personal gain as are afforded by its existing state of disorder. Anyone familiar with “City” business, if he will reflect, must realise what an enormous proportion of the exceptionally valuable labour-hours expended in the City are absolutely barren from the point of view of wealth-production. Many of us are rendering no more real service to our country, in exchange for what we make out of it, than a

speculator in shares renders to the company in whose scrip he operates.

We might survey the whole field of commerce and industry and find the same things continually repeated. The independent, competing, entirely self-directed and mutually antagonistic effort; the absence of thought for the community whom industry is supposed to serve; the quest for "demand" instead of concentration on producing the much-needed supplies, or wealth; the millions wasted by competing salesmen on lures to sell their wares; the general exaltation of salesmanship above craftsmanship; the useless expenditure of time and material in the strife of competition for "orders." The number of labour-hours wasted by technical staffs alone, in estimating, specifying, designing, preparing plans and schemes, pricing, and doing all the other work incidental to competitive tendering for building, engineering and similar jobs—all to go into the waste paper basket in nine cases out of ten—may be faintly imagined only by those familiar with this sphere of activity; but it is not improbable that this one item alone, if diverted to the production of wealth, would be sufficient to raise every family, now living below the "poverty line," well up to or above that line.

And even where men are actually producing, the wealth they produce in many cases never reaches the community. Multitudes of workers are digging, planting, reaping, mining, building, manufacturing, transporting, printing, dyeing, sewing and engaging

in practically every form of industry, only for the products of their labours to be seized upon by thousands of independent and warring units, and used up for non-productive and mutually destructive purposes. How long will the workers consent to continue working, merely to produce apparatus and fuel to enable the great non-producing machine to keep up its barren grind?

Imagine, if it were possible, the whole industrial system of the country to be the property of one man, and he the biggest and most capable of our "masters of industry," interested only in getting the maximum results from it. The first thing he would do would surely be to cut out all those forms of effort which merely "cancel out" against each other, and so to re-organise all our duties as to get a full return from the millions of labour-hours at his disposal. Imagine such a man even, not as owner, but appointed as "boss" on behalf of the nation, the members of which are to share in the economies effected and the additional wealth produced; what a revolution there would be! Then imagine such a vast system, not only without a "boss," but without even a representative committee or central organisation, or any mutual understanding or arrangement whatever to study the needs of the nation or guide the efforts of its members—and the results need not be imagined; we have them before our eyes.

And, if imagination is equal to the effort, imagine such a "boss" being content to leave a million of his workers idle, or being so incompetent that he

does not know how to use them. Yet the enforced idleness of our workers is a chronic feature of our industrial anarchy. And *there is no hope* of our ever being able permanently to employ them under the existing régime. The champions of that régime themselves declare unemployment to be inseparable from the system. Unemployment is "inevitable," they assure us. Several authorities among the leaders of industry have recently issued pronouncements to this effect, one "expert" calculating that even under normally flourishing conditions we must for the future always expect about a million men to be in this deplorable position. Personally we have no respect for such a "calculation" so far as regards the figure arrived at; but a moment's reflection must convince us of the general truth of these assertions that our system can never afford a reasonable prospect of remunerative employment for all those willing to work.

Why *should* it do so? And *how* should it do so? Is it not manifest, on a moment's consideration, that under existing conditions there simply exists *no reason why* the demand for men to perform the services required by those who can afford to pay for them, or who can profit by using them, ever should coincide with, or even approximate to, the number of men who must depend on such employment for their means of sustenance? The two figures bear no necessary relation whatever to each other. There is nothing in the nature of the circumstances to justify us in expecting them ever to come together. Men

are only employed to-day when the wealthy wish for their personal services, or when those engaged in profit-making see an opportunity of using the men for this purpose—never, except in Government or municipal service, because the community needs the produce of their labours—what grounds are there, under such a system, for expecting that the demand and the supply of workers should ever even approximately balance? As a matter of fact, a state of things is easily conceivable—if we can conceive of the concurrent continuance of our system, the growth of labour-saving invention, and the acquiescence of the workers—in which the combined demands of the wealthy for attendants and of the profit-seekers for employees might together afford employment for no more than half the workers.

There is no doubt that to co-ordinate industry involves the principle of Socialism, and to this, of course, we must come. If we ignore those people who consciously oppose Socialism from purely selfish motives—and who *ought* to be ignored—it is difficult to understand the general antipathy to the word, and to the thing it stands for, except on the grounds of prejudice, a prejudice deliberately fomented by the anti-social interests and their organs of publicity. The word itself is of course a beautiful one, implying as it does the working together for the good of society as a whole—each for all, and all for each. Still, we must not be the slaves of mere words, which often bear a different sense in their practical application from what might be deduced from their etymological

signification. We have to consider what Socialism means as a practical proposition.

There is no doubt that some good souls really believe that it means community in wives, in spite of the fact that the proceedings in our divorce courts and police courts, to say the least, do not seem to point to Socialists as the chief offenders against the marriage laws. Others are persuaded that Socialism is "godless." It is useless to point to the fact that many Socialists are lay Christian preachers, and some even High Church parsons, or that one-third of Mr. Ramsay MacDonald's followers in Parliament are reported to be members of Christian churches, and that many more would be if the un-Christian sentiments of many of the "religious" did not drive them away. The two words "godless" and "Socialist" have been continually used in conjunction, and this has undoubtedly produced on weak minds the effect that such a phrase is intended to produce.

Prevailing ideas as to what constitutes godliness, however, stand in sore need of revision in the light of Christ's teachings. It is not praying in our churches that the "prevailing unrest" may be allayed, or singing of our blessings while the people perish from injustice which we reckon is no concern of ours. God has not called us to the ego-centric and sterile life of self-congratulation which passes with so many for Christianity. He is *not interested* in the irrelevancies which so largely occupy the minds of the religious. He calls us to righteousness and mercy,

to love and compassion, to active and self-renouncing effort for others. He loathes the courtesies offered to Himself, the Invisible, by those who let their brother suffer before their eyes. Love for our neighbour, passion for truth and justice, sincere study and effort to help our brother, these are the most acceptable offerings we can bring to God; and with such sacrifices alone is He well pleased.

Many seem to believe that Socialism means "having all things in common." This however is not Socialism but, as the name implies, Communism. The confusion can only have arisen through many people's objectionable habit of lumping together all the things they do not like, and calling them by the same name. "Liberalism, Socialism, Bolshevism," said a French Conservative to the writer, "are all *le même diable*."

Then there is the idea of some that under an organised system we should all be the slaves of the State, every man being compelled to perform just the task that the Government gives him. But it is just in this matter of liberty that the greatest improvement would be effected. At present there is practically no choice of employment for the mass of workers. Each must consider himself lucky if he can get a job. With the affairs of the country co-ordinated, the "job" will be assured, but the variety of the State's requirements will provide the worker, whether manual or mental, with a choice which he does not enjoy to-day. Unless human nature alters, competition will doubtless be keen,

but it will be as much to the interest of the State departments as it will to that of the worker to see that the latter gets the job he is fitted for.

The most widely held idea concerning Socialism, however, is that it involves *confiscation* in some form or other. Now confiscation is a word which can be applied to any proposed measures which do not meet with one's approval. Its use is more often an expression of bad temper than anything else. The death duties, the income tax and other measures have been stigmatised by the name of confiscation, and in so far as all measures of economic reform must tend in some way to affect the incidence of wealth, any Socialistic measures will doubtless have to endure the same oburgation. But there is really nothing in such measures even to excuse, much less to justify, such a reproach.

There are admittedly some extreme advocates of class warfare who do preach both confiscation and violence, and some of these may call themselves Socialists. Their idea of "justice," however, should rather be called *revenge*, a desire for which is the unhappy fruit of the cruel injustices to which the workers have undoubtedly been subjected. Retaliation, however, is not justice, and in any case these sects bear only about the same relation to the true Socialist movement that the Antinomians bore to the Christian church in the first centuries, or to the Reformers in the sixteenth.

The true principle of Socialism has been declared ten thousand times in the well known formula,

“Production for *use*, instead of production for profit.” It aims at the recognition of the fact that the only legitimate object of industry is to supply human need *by its products*, and not by its profits.

It may save misunderstanding if the writer is permitted a word of personal explanation. In a previous work he stated that he was “not a Socialist.” This disclaimer occurs in a chapter urging the ideal of mutual service as the only reasonable basis for an industrial system, and was motived by the writer’s consciousness that what he was writing was really Socialism, though he himself was still a member of the Liberal party. The present work is but a development of the ideas adumbrated in the chapter in question.

At the time the said work was written, Liberals had not ruled out from their programme the principle of the national organisation of industry—this is clearly stated in Mr. Herbert Samuel’s *Liberalism, Its Principles and Proposals*. This fact, together with the splendid record of Radicalism in its earlier days, seemed to justify the writer in refraining from a step which he had often contemplated—that of breaking from his life-long associations and proclaiming himself a Socialist. He had often declared, however, that should a day ever come when the opposing principles of Private Gain *versus* Mutual Service should become the definite issue before the country, his place would be on the side of the latter.

That day has arrived. The middle classes have largely rallied to the call of Mr. Lloyd George to

“unite against labour.” The spirit of the Liberal party has probably been undermined by its millionaire manufacturers and financiers; it has lost its early inspiration; its former chivalrous ideals are dead, or survive only in the breasts of a few stalwarts rendered impotent by their associations, while the party has now, by the mouths of its leaders and in its election manifestoes, formally and definitely rejected the ideal of organising the resources and industry of the nation to supply the needs of the nation, in favour of leaving those resources to be exploited for private gain. It has repudiated production for use in favour of production for profit. And in defending its position it adopts the very arguments on which it used to pour such withering scorn when used by its Tory opponents.

No intelligent Socialist, we imagine, would deem it practicable to prepare at once a cut and dried detailed scheme for the organisation of the national resources. All that is necessary to begin with is the recognition of the truths underlying the Socialist doctrine, which we have endeavoured to the best of our ability to elucidate in this work. Now those truths are what they are quite independently of their having been recognised by Socialists. They are not, properly speaking, the “truths of Socialism”; they are simply the truths of economics, or, shortly, just truths. A man is not free to accept or reject them as he would be free to accept or reject a political proposition. He may decide to act in defiance of them, as people act in defiance of the laws of

arithmetic; but, once he has grasped them, he is no more at liberty to *reject* them than he is to reject the proposition that three times nine are twenty-seven. Any scheme for their practical application can only be realised gradually, and its details must be the work of many minds. It will not be worked out specially by men who at present call themselves Socialists, but by our business men, who, once the irresistible weight of the facts is brought home to them, will settle down to the work with that practical good sense with which Englishmen, in spite of their protests and expostulations, usually set themselves to tackle a task which must be done—*and do it.*

Some of the most “brilliant,” but shallow, champions of the egoistic régime delight in trying to make our flesh creep with their pen pictures of “England under Socialism”—an England where all would inhabit the same kind of houses, wear the same kind of clothes, do the same kind of work, receive the same remuneration, have the same ideas, and pursue the same dull round of monotonous existence. But the introduction of order into the national life will rather tend to dispel the dull drabness and misery which are the fruits of the present disorder; and the substitution of co-operation for *individualism* should at last make possible the development of *individuality*, crushed and broken as it so largely is to-day by a sordid and soul-starving commercialism.

It will be the nation's duty to review, in the light of the basic truths of real economics, the whole field

of industry as it exists to-day, with a view to taking over from time to time, at fair valuations, such enterprises as may seem most desirable, paying for them, of course, in Government stock. The land, being as we have seen the source of all wealth, must be brought under the nation's control, otherwise the benefit of our economies will accrue ultimately to the landowners, instead of to the nation. The case for the nationalisation of mines and railways has been fully made out, and is familiar to the reading public, and certain other industries have also been put forward as candidates for the first attention of the State. There is one important industry, however, to which we think the nation might well turn its early attention, that of shipping. Had the country owned its mercantile marine during the war, it would have saved *several hundreds of millions* of pounds, or at least *two or three times the total value of the ships*, made as profits by our patriotic shipowners; and it would also have prevented those same patriots from in many cases selling to foreigners the vessels on which the nation's existence depended.

We should not have to wait for complete nationalisation in order to realise the benefits of national ownership. With its shipping in its own hands, the nation would be in a position to control its imports. The State would not only contract for purchases in gross from foreign producers, often making arrangements ahead which would enable the latter to regulate their production according to requirements, but it would doubtless also in many

cases acquire those foreign and colonial sources of supply which are now owned by British capital; and it would sell the supplies to the home distributors at prices shorn, in many cases, of several illegitimate profits, and of many needless expenses. All this would tend to the gradual abolition of the anarchy which exists owing to the country's overseas supplies being made the subject of speculation and exploitation. It would tend to the gradual extinction of the "markets" in which so much of the nation's wealth is now swallowed up, partly by rendering the services of the middlemen unnecessary, and partly by making the occupation of the speculator unprofitable, owing to the stability of prices which these measures would introduce.

As regards exports, without which we cannot obtain the so necessary imports, the strong position of the Government would render it increasingly profitable both for the British manufacturer to sell to, and the foreign and colonial purchasers to buy from, the Government. The latter would however continue meanwhile to execute all shipping orders of private merchants, which it would be in a position to do at much more economical rates than those at present charged.

It only remains to deal with the stock objection that men will not work a mutually advantageous system as they will work exclusively for private gain. But what answer can we give to this objection, unsupported as it is by a shred of evidence? We have dealt in a previous chapter with our experiences

during the war, which certainly point in the contrary direction. Moreover, the views and proposals of this class of objector show that they have never taken the trouble to learn even the first rudiments of real economics. For such people to set themselves up as authorities as to what will or will not happen in a reorganised society is a piece of gratuitous effrontery. In any case, the incentive of private gain will not entirely disappear. The difference will be that workers will be rewarded in accordance with the value of their services to the nation, instead of, as very often at present, in proportion to the injury they do the nation. For the rest, though we are not believers in the perfection of human nature, we reject the "doctrine of devils and despair" which tells us that we are all such rascals that we can only work a rascally system, and produce rascally results.

On some such lines as we have indicated, and, we believe, on no other lines, will justice and peace be secured. The benefits will be for the whole nation, and ultimately we trust, by force of example, for the whole world. But these benefits will come first to the classes who need them most—the "working classes." The advantages to be obtained from collective bargaining, and from other activities of the men's organisations within the existing system, have now reached or passed their limit. Valuable as has been the work of the Trade Unions, their ultimate effectiveness is determined by the "state of trade" for the time being. When this is good, the worker may secure twopence an hour increase; when

it is bad, threepence may be knocked off. The fear of unemployment makes the workers' resistance curl up like a leaf, and scatters the members of their unions as the wind scatters the leaves. Is it likely that a better state of things can ever result from the oscillations of this everlasting see-saw?

Do the workers imagine that even in the most roseate conditions of trade they are ever likely to get justice out of the "competition for trade in world markets"? Under the most flourishing conditions of commercial prosperity they may get some slight improvement, but such conditions never last for more than brief periods. These periods suffice, however, for most of the principals to make more than sufficient to carry them over the lean years, during which the workers live as they can. The acceptance by the worker of the idea that he must look for relief to an "improvement in trade" condemns him for ever to an existence fluctuating as "trade" fluctuates. The workers have in their hands, in the form of the *vote*, the power to lift themselves for ever out of the quagmire into which the world's preoccupation with "markets" has landed them. And other classes have the power, if they have the will, to assist in destroying a system founded in delusion and falsehood, and introducing a system based on truth, and reason and justice.

CHAPTER XX

THE ROOT OF ALL EVIL

“WITH room for 200 millions of people,” writes a friend from Canada, referring to unemployment in that country, “we have hunger and despair, not of a few, but of scores of thousands, and our population not yet nine millions. We have made Mammon king, and we obtain the fruits that such a worship must bring.”

The conducting of industry merely as a hunt for personal profit *must* bring poverty and misery whether the population be nine millions or ninety. Yet, when that land of glorious possibilities attains a population approaching her potentialities, what will be thought of the fact that in 1924, it “could not find work” for the would-be workers in a population of nine millions? And what a commentary on the doctrine that our unemployment is due to over-population, and on the despairing proposals of our bewildered legislators for emigration to the Dominions as a cure!

It is frequently urged by people who ought to know better that unemployment is due to the workers' own fault. It had been the writer's intention, in this concluding chapter, to remind the workers of some moral causes which are holding them back. He might still do so were he sure that his words would

be read by none but the workers. But, as a member of the commercial classes, the writer is ashamed to lecture the worker in public about his "faults," and he only touches upon one serious matter because it threatens death to all the workers' hopes for emancipation.

Possibly the working man generally may not always be all that we could desire. Perhaps he is not all that he himself desires. Conceivably *we* are not all that we should be. Yet that the working man and his wife can be as honest and industrious, as brave and cheerful, as helpful and generous, and as free from resentment and revengefulness as in the main they are, in view of the grave disadvantages which have been imposed on them and their progenitors, is the more remarkable when taken in conjunction with the modest standard attained in these and other virtues by the classes which judge them. If the workers evince no great desire to come to our churches, this can hardly be wondered at so long as we do nothing more, by way of showing our Christian love for them, than merely seeking to "convert" individuals among them into somewhat indifferent specimens of the lower middle classes.

We will write nothing therefore that might seem to swell the chorus of vituperation against the working man, for we believe the common attitude of the comfortable classes towards the workers to be one of the most deadly and menacing sins of the age. If a man dares to pass criticisms on any other class, half as severe as those passed so commonly, and with

such levity and disregard for truthfulness, on the working classes—if he calls attention to traits common among the middle classes, or the “religious” classes, for instance, which seem to be contributing to the present misery—he is usually charged with “judging,” or denounced as an evil speaker, as the present writer knows to his cost; yet every slander seems to be permissible in speaking of the working man. The faults of the workers, real or imaginary, are the constant theme of the comfortable. The sole contribution that many of these make to the grave problems that confront us, their sole response to the worker’s demand to be allowed to live a civilised life in a civilised land, is to blacken the personal character of the working man. We are frequently shocked to hear members even of the “religious” classes, in flagrant defiance of Christ’s teachings and example, join in accusations against the workers which in the last resort can only be characterised as heartless, false, slanderous and cowardly; while the “more-in-sorrow-than-in-anger” tone in which these aspersions are often made only adds the sin of hypocrisy.

In the faults which are common amongst all sections of the community, the workers no doubt have their share. There are objectionable characters in *all* ranks of life—as there are also splendid men and women—but in the matter of the greatest sin of the present age, the sin of *exploitation*, the worker is certainly—perhaps by force of circumstances—the victim rather than the culprit.

This is no reason, however, why the worker should permit himself to be exploited in a direction in which he is perfectly free from compulsion. How can the workers hope ever to assert their manhood against those whom they charge with wronging them, while so many of them willingly yield themselves to exploitation in a matter in which they are at perfect liberty to exercise their own free will. The almost universal mania for betting, and the increasing preoccupation with vicarious so-called "sport," exercise their deadly influence nowhere more fatally than among the workers. In the case of horse-racing at least, the thing has been entirely artificially induced. The average worker knows nothing about race-horses; he does not really take any interest in them as horses, and left to himself he would not have troubled to listen to you if you told him the result of a race. He has simply allowed himself to be worked up into a frenzy over a matter which is nothing to him, and his obsession with this folly largely incapacitates him from studying the matters which concern his true interests.

Betting on horses is a vice which, like so many others, has largely descended from the "upper" classes to the "lower," though we do not suggest that any class was ever free from the gambling instinct. Interested parties delight—à la Bottomley—to teach the poorer classes their vices, as traders teach natives to drink gin, in order to make money out of their depraved habits.

The love of money is the root of every kind of

evil; and the lust for gaining money without working, and at other people's expense, is one which can easily be induced even in many who otherwise would show no special proclivities in that direction. The newspapers, vying with each other in the trade of the *pander*, the proprietors of racecourses and the promoters of sweepstakes and lotteries and "sporting events," the bookmakers and the whole fraternity interested in betting, have combined to work up the present madness for the express purpose of exploiting it. The newspapers have simply driven the public silly, in order that they may sell fresh editions every half-hour to people who cannot afford to buy them, publish the number sold at the end of the week as an inducement to advertisers to give them the preference, and raise their advertisement charges as they induce more fools to buy their blurred publications. The increased advertisement costs have of course to be added to the prices of food and other commodities advertised, so that every man who bets is helping to make living dearer; and the love of money thus makes us poorer. But it is not for these papers to reproach the workers, as they do, with their "vices."

Our workers are keeping ten thousand bookmakers in worse than idleness. They contribute out of their hard-earned wages to the purchase of large tracts of valuable land for racecourses of which they will never own a square foot, and the maintenance, at enormous cost, of the immense paraphernalia connected with racing. They buy champagne and

cigars, furs and silks, mansions and motor cars, for the host of parasites who live on the business. And they are tamely playing into the hands of the very people whom they imagine they are struggling against. It is the plain duty of their leaders to tell them so. Resolutions should be brought forward, discussed and voted on, in every Trade Union lodge, and in every local Labour centre, declaring that betting and gambling are inimical to the workers, and are opposed to Labour and Socialist principles, and the same should be done at the delegate meetings and conferences. The "Socialist" who bets or gambles is to that extent, and at heart, not a Socialist but a Capitalist. The raising of money by "draws" or lotteries should be abjured by every Labour organisation, and anti-gambling societies should be formed in every district, and a vigorous campaign waged by the more enlightened among the workers to induce their fellows to take the anti-gambling pledge. Incidentally, this would test whether there is sufficient moral courage among the workers to stand the ridicule which the pioneers would probably have to endure from some of their fellows in the early days of the movement.

The worker will never be in a position properly to study the questions which concern his true welfare, and consequently he will never secure justice, till he refuses to allow himself to be manipulated and debauched by those who trade in his weaknesses. And neither will other classes be disposed to concern themselves about rendering him that justice while

their own lives continue to be obsessed by the Mammon-worship that is the real cause of our sorrows. So utterly abandoned are we to this unholy cult, that gambling—one of its ugliest manifestations—is now naked and unashamed, and conducted under the highest auspices, while powerful influences were recently at work to induce a not unwilling Government to avail itself of this vice for revenue purposes—as is done with brothels in some countries. Sweepstakes and lotteries for tens of thousands of pounds are now among the accepted methods of raising funds for hospitals and other charities. Apart from the main objection to these methods, they are more frightfully uneconomical even than the old system of begging letters. In their desperate desire to keep these institutions from being taken over as a national obligation, the grave and reverend gentlemen who control them are instigating the people to the very practices which are the cause of so much of the poverty, and of the bodily and mental and spiritual sicknesses, which their institutions exist to combat. It would be just as consistent if the leaders of the temperance movement were to obtain funds for their cause by running public-houses. And some of these gentlemen do not scruple even to circulate, with their incitements to gambling, extracts from betting and racing journals certifying the “straightness” of the well-known “sportsman” whom they have engaged to run their £10,000 sweepstake.

“We have learned nothing, and less than nothing,

from the war." We are sorry to repeat so hackneyed a remark, but it is so painfully true—and true, too, in a sense which is not suspected by many who repeat the phrase. Even good men, who appeal to us with impassioned fervour to avoid another war at all costs, are unconsciously urging us along the very road that leads to war. Thus General Smuts—no armament-monger, but a lover of his kind—referring some time ago to the way in which the Allied nations were "going gaily on to carry the old burdens" of warlike preparations, declared that they were committing suicide, since, owing to this burden of expenditure, they would be *left behind in the coming economic race*.

Now what does this mean? It means—if it means anything—that we are not, at present, to waste our resources in fighting each other with shot and shell, but to utilise those resources in fighting each other for, and in, the world's markets. The gallant gentleman does not tell us what the end of that struggle is to be—what goal he proposes as the end of the race. Surely it is this very conception of the nations' relations to each other as an "economic race," each contestant panting with fear lest it should be "left behind," that led to the last war, that makes the present so-called peace a virtual war, and that is hastening us on to the next outbreak—which will be *the last*, at any rate for civilisation as we know it. The "economic race" is a race to hell.

How little have we studied the real *root* causes of the war! Voices in the wilderness here and there

have cried to us, pointing out those causes, but their message has not fitted in either with our preconceived ideas or with our desires, and therefore we have turned a deaf ear. The writer has learned one thing, if only one, from the war. With anxious foreboding, like many others, he watched the change in the public spirit in the years preceding the war; saw the seriousness and sincerity of whole sections turn to frivolity and cynicism; marked the decay of *faith*—the faith which *really* believes in the better things; beheld the foul spirit of commercialism creeping into spheres where its presence was a profanation; noted the hardening of the public conscience, the growing tendency to *bargain*, the readiness to sell for a price treasures more precious than gold, observed how the people bowed to the powers of *mass suggestion* wielded by a prostitute press, how the old watchwords fell into contempt, and principles which had commanded the reverence of millions, and the lip-service of all, began to be greeted with derision. Then came the war, and terrible as was the price we must pay, he felt a deep conviction that now, at last, we should be taught wisdom—that dark though the night through which we must pass, it would be followed by the dawn. The discovery of his mistake has been one of the profoundest disappointments of his life. We are turning more frenziedly than ever to the things that have been our undoing; not merely to the evils which are recognised as such, and against which we have preachers enough, but to the *lust of acquisition*—in all its most subtle guises as well

as in its most blatant forms—from catch-penny “competitions” to commercialised “revival” stunts, from gambling on horses to gambling in the bodies and souls of men.

It was this lust of acquisition on the part of another nation that we resisted unto blood, but it is this that we have enthroned in our own temples, glorifying it as a virtue, and worshipping it as God.

The writer is almost tired of preaching that our real trouble is that we are away from God, though this is of course the truth of truths, the essential and ultimate truth. But the inferences and implications of the conventional religious spokesmen cause the writer to be entirely misunderstood, for people assume that he means what these mean—that we should be more “religious.” Desperate efforts are being made to rehabilitate religion and the churches. The desire seems to be to save these rather than to save the world. Home missionary societies and their missionaries are appealing to commercial Dick, Tom and Harry for funds to maintain religion as an “antidote to Socialism,” and to preserve the present order from attack—making Christ the minister of unrighteousness. And people are practically being taught that, if they will only show more deference to God in the way of religious observance and phraseology—for that is all it very often means—He will be placated, and be gracious to us; He will allow us to continue our neglect of the weightier matters of the law—justice, mercy and the love of God—and, as a fair bargain in return for our

courtesy, He will spare us from reaping the natural fruit of our doings.

Against this ecclesiastical, or "Mumbo-Jumbo," view of the Holy God, there seems only one course for serious men to adopt. It is futile to gird vaguely at the "prevailing ungodliness"—people will only think you mean Socialism, or Sunday games. We must go into details, and say what we do mean. We must study earnestly to discover and expose the ways in which the evils denounced by Christ are manifesting themselves to-day—and we shall find them chiefly in the things that are "highly esteemed amongst men." We must descend from our lofty heights of religious contemplation and enjoyment, as the Master left the mountain-top again and again to mix with the sin and misery below. We must enter into the hurly-burly of life, and be prepared to receive hard knocks—if need be, even, to give them. We must "go into politics," to the horror of the "unworldly" Christian. We must live and die, not to uphold a religious system and tradition, but to save our brother by asserting and practising the real teaching of our Master. This will not, perhaps, bring us reputation as heroes; therefore let us count the cost before we start. For we are only too likely to find that it will bring us into contumely even with the very system which calls itself by His name.

We are up against the fact that, so far, the country as a whole has *refused*, and is refusing, to deal with existing social conditions, with all their terrible fruits. Many so-called Liberals—notably those who recently

coalesced with the Tories—must now be added to the latter in any estimate of the forces opposed to righteousness. The “Free” Liberals are impotent, and for the most part half-hearted; and they are now, *as they were not previously*, pledged to the maintenance of the system. The great Tory party exists to resist enquiry and revision. According to the *Daily Herald*, this was recently avowed by their Chief Organiser, who announced in a speech that their object is “To see that attacks on the conditions in which we live are resisted, and resisted successfully.”

Oh! Tommy, Tommy Atkins! Here's your country's love to you!—to see that every effort to redeem our promises to you is “resisted, and resisted, successfully.” Probably you believed the promises made to you during the war—Anything, anything! if you would only go and save us from the Germans!

“ We will love you, bless you, kiss you,
When you come back again ”

sang the siren voices. You could almost feel their arms about your necks. But the spokesmen of those days, and those who cheered them to the echo, have forgotten or repudiated their promises, while the Tory Party practically tells you that you were silly fools ever to have believed them.

We appeal to good and sincere men who are still attached to those parties to *come out of them*. We know the courage it needs to avow your conversion

to the neighbours, and to the man you travel with in the train. We know how dismayed wife and daughters may feel to find themselves frowned upon by "all the best people." But it must be done, unless we are to remain for ever ineffective. Not that the mere swelling of the numbers of any other party will of itself do an atom of good—that would be a fatal error—but the shackles of those parties cripple a man for the work that has to be done, which is nothing less than to change the whole sinister idea on which our social and economic scheme is founded. Persistence in that idea is leading now straight to the final disaster, for in the next war the catastrophe for civilisation can hardly fail to be general and overwhelming.

To the thoughtful mind there seems no escape from the conviction that the path we are treading leads again to war, for *it is the path we trod before*. The idea that we must strain ourselves to the utmost to get trade and to make money; the delusion that there is not easily enough for all; the infatuation with which we destroy the nation's wealth in order to gain something for ourselves; the unreasoning jealousy of the nations one against another; the fact that ducal millionaires are allowed to speak in public in favour of war as a general principle; the panic of fear into which we are thrown—fanned into blind rage by the newspapers—when we learn that another country has secured an order or a concession which *our* commercial lords were after; the efforts of the press of each country to lash their readers into fury

by reporting every increase in the exports of another nation as if it were a mortal affront to us; all these things render it inevitable, unless a halt is called, that the deadly paraphernalia which the nations are now preparing for each other in their laboratories with such devilish haste and ingenuity will be let loose upon us before many years have passed over our heads.

No effort of the writer's imagination would be equal to picturing what that will mean for us. Suffice it to say that there will be *no escape*. No matter when it comes, we shall be unprepared. Nations which believe that their own existence is at stake, and that that existence depends on being the first to lay the other's cities in ruins, are not likely to respect the ancient practice of the three days' ultimatum. We shall *all be in it*—caught like rats in a trap, stunk out like wasps in a nest, crushed and mangled together as we let our sons be crushed and mangled out there.

Yet, far more just that it should be so—if we *will* have it—than that we should be able again to send out our children to suffer alone for our sins.

* * * * *

In seeking after wealth, we have not found it. In aiming at wealth as the end of the national existence, we have missed it. Not only have we missed the *true* wealth—the well-being—we have failed as a nation even to provide necessaries for our people. The life is more than meat, and the body than raiment; we

have failed to attain the true life, and have come short even of the food and raiment.

Had the community not been possessed by the frantic idea that *getting* and *having* are the true ends of existence, it would have gotten, and it would have had. Our preoccupation with wealth has been the cause of our poverty, as it has been the cause of our wars, and of so many of our other miseries.

Why then has the writer dealt so continually throughout these pages with questions of material wealth. Why has he laboured so insistently to set forth what are to his mind the true principles—the real elements, or factors—in the problem of wealth-getting, its production, its conservation and its utilisation? What is his quarrel with those superior persons who profess to deprecate preoccupation with “material things”? He agrees with them that mere material things are unworthy objects to set before ourselves as the end of human existence, since these are the things we share with the beasts; the higher things are those which belong to man—wisdom, love, the knowledge of God and of His wonderful works. Why then has the writer made so great a fuss about the secondary things?

It is the writer's conviction that the present welter of want, and strife, and confusion, is the result, first and foremost, of our *moral* failure. The individualist craving for getting, encouraged and sanctified by our “system,” the lust of acquisition and accumulation each one for himself—chiefly with the object, conscious or unconscious, of triumphing over our

brother—has blinded our minds to the true elements of the simple problem even of material wealth-production, caused us as a people to miss the very thing we have followed after so ardently as individuals, and reduced our professions of prizing the higher things to hypocrisy. The first step on the right road is to cease from this evil, and to do justice to each other in the material things. We have been like greedy kittens to whom an ample basin of milk is given; each is afraid it will not get its share—or wants more than its share—and they have upset the basin, and are reduced to licking up what they can from the ground. We have been maddened by the false fear that there is not enough for all, and our quest for wealth has resulted like the quest of the Jews for righteousness—we have not attained it because we sought it not *in faith*, but have stumbled at that stumbling-stone.

True, the spiritual things are the ultimate realities, but it is not sufficient to tell that to our needy brother; we must act as though we believed it *for ourselves*. To rob our brother, to offer tithes from the proceeds on the altar, and to be so rapt in our devotions that we cannot hear his cry, does not suggest a very high degree of spiritual attainment, any more than it does to preach to the people we have wronged about their sins, without first ceasing from *our sins against them*.

Man is a spiritual being, but he exercises his activities on and by means of material things. When he sins, in nearly all cases he sins in material things.

and when he does righteousness he does righteousness in material things; and all so-called religion which does not manifest itself on the material plane is false. When one hears people refer disparagingly to questions of practical righteousness, stigmatising them as "materialism," "politics," "worldly matters," "mere social reform," etc., it is hard to believe that these good souls have ever read the four gospels, unless it be that they hold to some system of "special interpretation," and believe that Christ did not mean what He said.

There is a mine of precious ore. Instead of the miners concerting a plan for its efficient exploitation, each "freezes on" to the richest spot he can find. The "eyes" of the mine are picked out by the more fortunate diggers, or these combine to exploit the richest veins, whilst others toil in barren stopes. Winzes are sunk, and cross-cuts struck, at random; they cut into each other's workings, and choke them by using them as dumps for their own rubbish. Such methods of "exploitation" not only result in poverty for the less fortunate or less astute members, but also reduce the value of the whole property, which produces only a fraction of its possible yield; and poverty and strife are the inevitable result, in spite of the fact that many are "making their pile."

A miner proposes that a consultation be held, to produce a concerted plan whereby all may live, and the total product be so increased that there may remain no excuse for strife and suffering. But some

are too busy saying their prayers to give heed to these "worldly matters," or recommend him instead to undertake a "mission" to the despoiled, which they—the spoilers—will finance. But, as a follower of Him who "went about doing good," he declines their suggestion, deeming it a nobler mission to *do good* to the people, and to turn them from doing evil one to another. Which course is the more truly "spiritual"?

As a community we admit, in words, the transcendence of the spiritual things, but we have not ordered our scheme of life as if we believed it. To do this means relegating the acquisition of material gain to its proper, secondary place; but it means doing justice in these things to our brother first. There is no more deadly hypocrisy than to profess to deprecate this world's goods while we seek them for ourselves and deny them to our brother, offering him instead "religion," which costs us nothing. The immediate duty for men of goodwill to-day is to study the question of how to utilise our resources so as to do justice with them. The problem, when once we take it in hand, will be found to be one of fascinating interest; but it will be a simple one compared with that of finding a means whereby all shall get what they need out of the present chaos of conflicting effort. Our resources are manifold greater than our needs, as we shall discover so soon as we set about seeking to use them, instead of abusing them.

Until we have done this we shall not even begin to

learn what is the true meaning and end of life—much less pursue that end. We cannot do so until we have disabused our minds of the infatuation that a man's life consists in the abundance of the things that he possesses. For this, after all, is the great lie of the devil, and the real Economic Illusion.

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