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The Living Wage

The Living Wage

by

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A Report submitted to the National
Administrative Council of the Independent
Labour Party

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CONTENTS.

	Page.
I. The Place of Wages in a Labour Strategy	1
II. Under-Consumption	8
III. Credit and Banking	13
IV. Family Allowances	20
V. The Minimum Wage Standard	27
VI. The Re-Organisation of Industry	37
VII. Prices and Raw Materials	42
VIII. The Provision of Capital	44
IX. The Export Trades	48
X. Conclusion	52

The Living Wage.

CHAPTER I.

The Place of Wages in a Labour Strategy.

THAT industry should pay to all engaged in it "a living wage" has become in our generation an ethical principle, accepted as one of the foundations of our civilisation. Neither of the capitalist parties ventures to dispute it, and it has stimulated the Labour Movement to some of the most stubborn and passionate efforts in its history. In defence of this principle, indeed, when the coal owners defied it, millions of wage earners faced, on behalf of the miners, the risks and privations of a National Strike. But as if by tacit consent, the Labour Movement has hitherto avoided any precise statement of this far-reaching principle. Yet we appeal to it in every dispute over wages. It inspired the legislation which created Trade Boards in the sweated industries. Occasionally, as in the historic arbitration proceedings, when Mr. Bevin pleaded the case of the dockers before Lord Shaw, an attempt has been made to define in pounds and shillings what are the minimum needs of an average family. A dynamic principle of this kind will often work effectively without precise definition. But as yet, custom, precedent and public opinion have failed to establish any general standard of what a living wage should be. The wages fixed for agricultural labourers may be as low as 30/-. The Samuel Commission, though it made no definite pronouncement, seemed to have in mind some such figure as 45/- as a suitable minimum for miners. These are wide variations, but they conceal still graver anomalies. For when wages are paid by the day,

The Living Wage

weekly figures may be a mere delusion, unless the principle of the guaranteed week is accepted.

No ethical defence is possible for the wide variations which prevail. This vaguely accepted principle does not in practice result in a weekly income which satisfies even rough work-a-day standards. Public opinion tolerates the most scandalous differences between the rates prevailing in various trades, though no one would argue that the work of an engineer, for example, requires less skill, less effort, or a less exacting training than the work of a builder.

That we tolerate this chaos seems all the more curious, when one takes account of the broad economic consequences of the low wages prevailing in so many of the bigger industries. All of us realise that the low purchasing power of so many millions of wage earners is among the most potent causes of the widespread unemployment which has cursed our country during the last six years. Indeed, the argument that any reduction of wages must limit the home market and aggravate unemployment, is continually used by every body of workers in combating wage cuts. In this negative sense no principle is more generally accepted throughout the Labour Movement. Yet, strangely enough, we make no positive use of it. One would have supposed that in its constant struggles against unemployment, the Labour Movement would have concentrated its efforts on this first objective of raising the purchasing power of the mass of the population.

There are, no doubt, weighty reasons which explain the delay in working out a concerted strategy to win "a living wage" all round. It is usually assumed that wages are the concern of the industrial movement alone, and that political action should be called in, only when the workers in an ill-paid trade are so depressed that they cannot combine. Trade Unionists often express the fear

The Place of Wages in a Labour Strategy

that if a living wage were imposed by Parliament the vitality of their own organisations might be sapped. There is, further, the practical difficulty that any attempt to impose upon such depressed and unsheltered trades as agriculture, a wage which would really satisfy a civilised standard of life, would immediately ruin them. And this fear leads to another which is equally natural. If we were to press for the definition of a general standard, must it not be fixed at a low level, which would be based on what the average concerns in the most backward industries could pay? And, finally, it is argued that this low minimum would tend to set the standard, even for more efficient or fortunate trades.

These are real difficulties. We believe that they can be overcome, but we hold that the dangers which threaten us, if we fail to grapple with this problem of increasing the purchasing power of the masses, are graver still.

THE position of the political Socialist who hesitates to attack this question of wages, is, we take it, somewhat as follows. He would answer that through the extension of social services, especially education, health and housing, through widows' and old age pensions and through a humane administration of the Poor Law, we are lessening the pressure of poverty on the present generation. But for low wages a more fundamental cure is required, which can be found only in the abolition of the private ownership of capital. This problem he hopes to tackle gradually, by nationalising, as occasion offers, the more essential industries, one after the other.

We would reply that to nationalise important industries in conditions which resemble those which prevail to-day, would be a disappointing and even perilous proceeding. For while these vital industries may influence the fortunes of other trades, it is also true that their balance sheets

The Living Wage

reflect the general conditions of industry. In a time of "slump" the railways will carry fewer goods and fewer passengers. But a Labour administration dare not resort to the usual capitalist expedient in such an emergency: it dare not start nationalisation by reducing wages. On the contrary, it would have to improve the wages and conditions, at least of the worst paid grades. It would then have to face the disagreeable choice between raising railway charges or paying a subsidy, until the benefits of unification and re-organisation began to accrue. The same difficulties, in an even graver form, would recur in the case of the coal mines, and here an additional problem presents itself. The industry of coal mining is overmanned, and is carrying to-day a burden of surplus labour of anything over 100,000 men. A national administration would have to make its choice. It might maintain the uneconomic pits, risk the consequences of over-production, and continue to carry the burden of this surplus labour. In that case, it would either pay low wages, or require a subsidy. The other alternative before it would be to close down the uneconomic pits and turn a big body of men adrift. If it were to do this in a period of low wages and mass-unemployment, these discharged workers could not be absorbed by other trades. If, on the other hand, it were possible by any means to promote an upward movement of wages in industry generally and so to stimulate trade, the problem of nationalisation would be immensely simplified. Given a brisk movement of goods, the budget of the railways would bear the costs of improving the men's conditions. And again if trade were expanding, it would be possible to find work in other industries for the surplus labour of the mines.

The conclusion seems to follow that the political Socialist who aims at nationalising certain industries piecemeal, is mistaken if he supposes that he can isolate

The Place of Wages in a Labour Strategy

this problem. He dare not disregard the general condition of trade, and it would seem to follow that he must either wait for the arrival of a "boom" before he nationalises, or else have some expedient ready which will enable him to create general prosperity before he attempts to carry through the process of nationalisation. One might add the obvious consideration that if a Labour Government were to confine its attention to the mines and the railways, while leaving the problem of low wages and unemployment as it found it, it might provoke widespread disappointment in the mass of the electorate, and risk thereby the reversal of what it had achieved.

A PARALLEL argument may be addressed to the industrial movement. If the rule that wages are the concern of the Trade Unions exclusively, is rigidly followed, it is difficult to feel confident that any general improvement in the level of wages can be secured. It is still more difficult to look forward to the removal of the gross inequalities which obtain at present in the wages of various trades. The trade cycle is a perpetual handicap to any continuous effort to raise wages by combination. What seems to be won in the boom is lost in the slump, and gains and losses alike are often illusory, since the struggle rages round money figures, which have no constant value. Trade Unions can rarely hope for success, if it comes to struggle, save for a brief period in each cycle, and during the years of slump they must expect to see their membership and their funds depleted. But only by political action (for example through the control of credit and the stabilisation of prices) can one hope to lessen or abolish the oscillations of the trade cycle. Again it is obvious that the chances that the workers in any trade can raise their wages by combination, vary with circumstances that are beyond its control. A "sheltered

The Living Wage

trade" may succeed, where an exposed trade must fail. Labour, when it sells itself as a commodity in the market, must usually accept a price which varies according to its scarcity. So long, then, as trades fight their battles single-handed, there seems to be little prospect that men in exposed and over-manned industries can greatly improve their position. The trades which are in the worst case are those which occupy the least favourable strategical ground in the struggle.

In some of these trades the men are suffering for the inefficiency and the defective organisation for which the employers are responsible. But even if they could by industrial action win a share of control in workshop management, and in the higher politics of single industries, they would discover that these industries in their turn are not sovereign powers. Behind the manufacturer and the farmer stands the mechanism of banking and credit control, which has a chief influence in determining the general price level. In some industries, again, the fluctuations in the price of the raw material are an important factor in deciding their fortunes.

If, on the other hand, a concerted effort were to be made by industrial action to raise the general level of wages, or to impose some minimum standard, a difficulty of another kind would confront us. The immediate effect would be an attempt to raise the prices of many essential goods and services, with a resulting disturbance to trade, and the gain from higher nominal wages would turn out to be largely illusory.

The conclusion from this summary survey is, then, that the political and industrial movements are mutually dependent on one another. A Socialist strategy which ignored the question of wages would encounter grave dangers. On the other hand, the industrial movement can make little progress in solving its own special prob-

The Place of Wages in a Labour Strategy

lems of wages, unless at every turn its strategy is coordinated with political action. In attempting to work out a plan, it is obvious that any process is objectionable which might weaken Trade Unionism. In the last resort it is on the organised refusal of men to work for less than a living wage that our hope of securing it lies. Even a strike which fails in its immediate purpose, may in the long run hasten the ultimate victory, for it leaves behind it the costly lesson that a society which refuses elementary justice to its wage-earners cannot hope for a smooth and untroubled life. A Labour Government which sets out to solve this complicated problem, after the two sides of the movement have reached an understanding, will have behind it not merely four or five million voters: it will have behind it the organised will of the Trade Unions. But it is clear already, if only from the bearing of wages upon prices, that any attempt to achieve the ideal of a living wage for industry generally, will lead us far beyond our immediate objective.

CHAPTER II.

Under-Consumption.

TWO lines of thought converge upon this problem of achieving a Living Income for every worker.

One of them is ethical. The gross inequalities of income which prevail to-day forbid a great part of the population to attain, in its mental and even in its physical growth, the full stature of humanity, and condemn it to a life of care and privation, if not of actual want. A society which allows generation after generation of its children to grow up in this condition, violates morality in its very structure.

The other line of reasoning is economic. Low wages mean a limitation of the home market. The benefits of mass production cannot be realised to the full, because the power of the masses to consume fails to keep pace with the power of the machines to produce. The wrong division of the product of industry involves in this way a limitation of its output. We produce less wealth than our technical resources would enable us to create, because the mass of the wage-earners lack "effective demand." The owning class has misused the advantage of its position. Too much, proportionately, of the product of industry, has been accumulated and applied to the creation of fresh instruments of production: too little, proportionately, has gone in wages to make a market for the product of these new machines. The recent experience of America confirms this diagnosis. Great national resources and high technical efficiency are only part of the explanation of the present prosperity of the United States. Much is explained by the fact that the re-

Under-Consumption

striction of immigration and the consequent scarcity of labour compelled the employers to resort to a policy of high wages. That gave them a vast home market, and enabled them to develop the full possibilities of mass production.

The practical conclusion from this familiar analysis of the vices of the industrial system, as we know it in this country, is that by one expedient or another we must aim at a general and simultaneous increase in the purchasing power of the masses. The bootmaker will demand high wages with success, if his factory is working economically, at its full capacity, to satisfy an assured and constant demand. But that will happen only if the wages of engineers and agricultural labourers permit them to buy more boots, and to buy them steadily. The agricultural labourer, in his turn, would find himself in this fortunate position, if an increase in the wages of every poorly-paid trade enabled working-class mothers to increase the inadequate quantity of milk which their children at present drink.

In thinking out any constructive policy, we would urge that the Labour Movement must base itself upon this fact of "under-consumption." We are far from disputing the reasoning of thinkers who insist that higher production is necessary in order that the national income may be increased. That is self-evident. But it is equally necessary to insist that higher production is in the long run unattainable, or can at best be only spasmodic and temporary, unless there goes with it a parallel increase in the purchasing power of the mass of the consumers. Every improvement and expansion in production, whether it comes from fresh investment, better organisation or new inventions, must be accompanied by a corresponding expansion of the market. We can, however, ensure the observance of this axiom only within that part of the

The Living Wage

market which we can control—in other words the home market.

This expansion of the market will be found to have two aspects :—

1. The necessary expansion of credit and currency to keep pace with the growth in the output of goods and services, with which we deal in the next section.
2. The wider distribution of this expanded purchasing power.

It is not sufficient to ensure that the nation's total purchasing power shall be increased. Care must be taken, in distributing it, to ensure that a due proportion shall be observed, in its probable destination, between saving and spending, or in other words between expenditure on reproductive instruments and on consumable goods and services.* This means that a higher proportion than is customary in our society must go to the wage-earning masses, and a lower proportion to the owning and investing class. Failing this readjustment in the distribution of the national income, the inevitable glut will recur periodically as the result of under-consumption, and the process of production will be subject to the jerks, the interruptions and the waste of the trade cycle.

There are two sources from which this fresh stream of mass purchasing power can be provided. The simpler of these two methods is by a re-distribution of the existing national income, through the instrument of direct taxa-

*It is important to note, in comparing these two types of expenditure, that while the purchasing power which goes to wages circulates rapidly, and is immediately spent on consumable goods, an appreciable delay usually occurs before that portion of profits, and of middle-class incomes generally, which is saved, is re-invested, and again circulates actively in the form of the wages paid to workers engaged in making new instruments of production.

Under-Consumption

tion. This occurs whenever a part of the income of the wealthier tax-payers is diverted from its natural destination of saving, to working-class consumption. Old age pensions and all expenditure on the social services are instances of this transference. We propose in Section 4 the payment, out of direct taxation, to every working-class mother, of children's allowances. This method of increasing the purchasing power of the mass of consumers is, to our thinking, the most socially beneficial way of spending the national income. It is also free from any risk of promoting inflation. It requires no issue of fresh currency or credit. It merely effects a re-distribution of actual annual income, and would have no disturbing influence on the general price level.

The other method of increasing mass purchasing power is by raising wages. While this may be the more powerful of the two methods, it raises complicated problems, which we discuss in the later sections of this report. The obvious danger which has to be combated is that any widespread increase of wages may be wholly or partially neutralised by a rise in prices. We shall suggest several ways in which this may be obviated.

1. By the control of credit and the stabilisation of the general price level.
2. By the economy which would follow from the elimination of dealers and middlemen in the State-organised importation of staple foods and raw materials.
3. From the economies which would follow the stabilisation, both of supply and demand, in standard commodities.

But plainly, the surest way of all is to increase the output of essential goods and services, through the re-organisation of industry for higher production. There

The Living Wage

must be an increase in the total real income of the nation, while a larger proportion of it must go to mass-consumption, and a smaller proportion to rent, profit, interest and accumulation.*

*On the general argument of this chapter, Mr. J. A. Hobson's books should be consulted, especially *The Evolution of Modern Capitalism* (Walter Scott, 7/6) and *The Economics of Unemployment* (Allen & Unwin, 4/6).

CHAPTER III.

Credit and Banking.

THE successful working out of such a policy as we are discussing, presupposes the adoption by bankers and the Treasury of an enlightened credit policy. Its aim must be to abolish the Trade Cycle, or at least to limit it to harmless and barely perceptible oscillations. This involves the deliberate control of credit for the purpose of keeping the general price level stable. Much scientific work has still to be done, before it can be claimed that all the implications of the Quantity Theory of Money are fully understood, and the practical technique by which it should be applied is still in the experimental stage. But we assume that both theory and practice are so far established, that the outlines of a rational policy of stabilisation can be discerned. It will involve a close study by the national bank of all the available statistics which show changes in the level of prices and employment, and in the output and movement of goods. At the first distant signs of a slump, it must be the duty of the bank slightly to expand the volume of credit, and to lower its price: at the first distant signs of a boom, it will gently apply restrictive measures. Our assumption is that in this way the price level can be kept steady, and the general level of employment constant. But it follows from the Quantity Theory, that as production expands, whether as the consequence of new inventions, better organisation or the normal growth of capital, credit and currency must expand to an equal extent. There is so far some

The Living Wage

measure of agreement in interpreting the theory.* We have given our reasons for adding the important qualification that a due proportion of any new purchasing power so created must go to mass consumption.

Unfortunately, the benefits of a policy of stabilisation will not be fully enjoyed, if it is adopted for the first time at the wrong point in the Trade Cycle. If one stabilises while prices are still falling, or in the dead period which lies between slump and boom, the normal volume of credit will be fixed at a level which fails to give full employment to the existing and available labour and capital of a country. This was clearly noted in the Memorandum of the International Conference of Experts called by the International Labour Office of the League of Nations in 1924.†

Crises of unemployment are a direct consequence of the instability of prices. Further, in each country the influence of the home market on industrial activity would seem to be more important than that of foreign markets, whence it follows that the restoration of the purchasing power of the mass of consumers is the most important condition for the recovery of trade. Moreover, it would seem that the regular growth of this purchasing power, in proportion to the growth of production itself, would be capable of preventing sudden changes in production, or at least of markedly attenuating them, without resulting in business stagnation or a setback to economic progress. . . .

When the stabilisation of prices has followed a period of falling prices, the reduction of unemployment has been slow.

* In addition to the well-known books by Mr. Keynes and Mr. Hawtrey, we would refer the reader to *Stabilisation*, by E. M. H. Lloyd (Allen & Unwin, 5/-), which discusses the question of raw materials as well as currency, and to *Unemployment in its National and International Aspects*, the report of a conference organised by the League of Nations Union in March, 1924 (I.L.O. Studies and Reports, Series C. No. 9, 1/-).

† *Enquiry Into Unemployment*, Geneva, 1924.

Credit and Banking

When the stabilisation of prices has followed a moderate rise, the rapid improvement in the labour market which had accompanied the rise has continued, or the high level of activity reached has been maintained.

Stabilisation, in the sense which we have given to the word, has not yet been adopted as the policy of the Bank of England and the Treasury. Indeed, some of the recommendations of the Cunliffe Memorandum, which is still the accepted official guide to currency policy, go dead against it. None the less, the general level of prices has remained remarkably steady over a long period, and we seem to be suffering from the consequences of a *de facto* stabilisation carried out at a period of extensive unemployment.

Is it legitimate to correct this error? Are we bound, in adopting a policy of stabilisation, to stabilise at the accidental level of the moment? We would contend that when as now, we are in the throes of a depression, some expansion of credit is an essential condition of recovery. It is doubtless true, that every such expansion of credit in advance of production must lead to some rise in the price level. But in our view, when as now, there is extensive unemployment both of labour and capital, the rise in the price level may be negligible, and will only be temporary—a slight evil in comparison with the increase in production and employment which will be brought about.

While we foresee the necessity for some expansion of credit at the starting point of a policy of the Living Wage, *if it should happen to be adopted when trade is passing through a period of depression*, we dissent from any proposals which rely on the habitual or periodic expansion of credit in advance of production. An expedient which may be used while neither labour nor capital is fully employed, would be merely inflationary, if it were

The Living Wage

pursued, after unemployment (in any serious measure) had come to an end. The habitual use of this expedient would keep prices and employment in a continual oscillation.

It is important to have some idea of the magnitude of the increase in production which one would expect to follow from an immediate expansion of credit. In other words, to what extent are capital and labour unemployed at present? It is easier to measure this unemployment in terms of labour. Assume that about ten per cent. of the workers are wholly unemployed—the position before the General Strike and the mining “Lock-Out.” Some of these are inefficient and one must allow for the small residuum of unemployment unavoidable at the best of times. On the other hand, there are men on short time. Balancing these, it is probably the case that the increase in production which we might expect, if our existing capital and labour were fully employed *at the present level of efficiency* (i.e., without any measure of re-organisation), would add, say, £350 millions to the national income. We take this income to be to-day about £3,500 millions, defining it as the remuneration for all goods and services, including profit, rent and interest, but excluding interest on the national debt, which otherwise would be reckoned twice over. This figure gives us some measure of the additional sum available for distribution as wages, though it is important to note that fresh savings and profits have also to come out of it. It will be seen from the analysis of the national income which we quote in a later section (page 31), that if the proportions now obtaining between wages and other forms of income remained unchanged,

Credit and Banking

the addition to wages which would follow from this initial expansion of credit would be about £150 millions.*

While a policy which aims at higher production and a higher standard of life would be more easily carried into effect if this country had never returned to the Gold Standard, or had stabilised the currency at a lower level, we believe that even with the Gold Standard in force, the adoption of a more enlightened policy by the Bank of England (preferably as the result of an international understanding) would suffice for the ends we have in view. It should be sufficient to lower the Bank Rate, and when necessary, export gold freely and purchase securities. But even without these latter steps, the position may be eased by a further expansion of credit and rise of prices in America.

We may expect then, when this more rational banking policy is adopted in Gold Standard countries, that a slight expansion of credit would cause even the unsheltered trades to be employed at their full capacity. The only doubt is whether the result would follow, to the same extent, in the heavy industries, which depend to a greater extent than others on the investment of real savings.

From this point and for the future, if we assume that the credit policy of the Bank keeps prices and employment stable, the whole question of credit and currency becomes almost irrelevant to the further consideration of the problem of the Living Wage.

The raising of the standard of life for the workers when the credit problem is thus settled, will depend :—

(a) Upon the greater efficiency of existing capital and labour, i.e., upon the re-organisation of industry.

* The net addition to the purchasing power of the masses would be less, say £100 millions, since the "dole" and poor relief which they now receive, must be deducted.

The Living Wage

- (b) Upon a better distribution of the product of industry i.e., a due proportion of the purchasing power of the community must be available for mass consumption: no undue proportion must go to savings; and an effective demand, which is stable and predictable, must keep employment constant in the trades which meet working-class needs.

FOR the purposes of this rational credit policy it would suffice, theoretically, that the Treasury and the Bank of England should be in full agreement. But the Treasury has no powers which would enable it to dictate to the Bank. The Bank commonly reflects the opinion of the City, and it would be naïve to assume that the City would look with favour on the policy of a Labour Government which was taking large steps towards a more equal distribution of the national income. It is indefensible that the tremendous powers over industry and the daily lives of the workers, which the Bank exerts through its control of credit, should be left in the hands of a private corporation. Since it adopted its policy of deflation in the winter of 1920, it has seemed to serve the interests rather of the *rentier* class than of active industry. We assume, therefore, that one of the first steps for the realisation of this policy must be the nationalisation of the Bank of England. We do not propose to discuss this measure in detail, beyond observing that the arrangements for the administration of the national Bank should ensure continuity of policy, and should combine expert direction with some guarantees that the Bank will act as trustee for the interests of the whole population. Some guidance may possibly be found in the constitution of the Federal Reserve Board of the United States. It would be advisable to state in the charter of the nationalised Bank that its duty is to ensure a stable price level.

Credit and Banking

For the purposes of credit control and price stabilisation it would suffice to nationalise the Bank of England. But it is important that considerations of national policy and social utility should govern the direction of the flow of credit as well as its volume. For this purpose the Joint Stock Banks are the established instruments. When Parliament adopts such a policy of national planning and re-organisation as we are advocating, the co-operation of these banks will be indispensable. It will be necessary, for example, to foster the staple industries and to assist the luxury trades to adapt themselves to the change in demand which must result from a change in the distribution of the national income. It would be helpful that the banks should conform to the spirit of this policy by granting credit readily for certain purposes (subject to the usual safeguards) and less readily for other purposes. The profits of banking are, moreover, so obviously a reflection of the enterprise and industry of the rest of the community, that the case for diverting them to the National Exchequer is a peculiarly strong one. It may not be essential that these banks should be nationalised as early as the Bank of England, and it may be administratively difficult, and might be politically unwise to force the pace. Some intermediate solution might be considered, which would assimilate them to public utility corporations, and give to the Government some representation on their governing bodies.

CHAPTER IV.

Family Allowances.

THE general case for Family Allowances follows so clearly from the Socialist maxim "To each according to his need": that we do not propose to enlarge upon the principle. It may suffice to point out that the anomaly of fixing the worker's income without regard to the number of his children, must result, unless that income can be raised to an improbably high figure, in privation, both for the children and the parents, as the family increases. At present, as Mr. Rowntree's investigations have shown, the average worker starts life as a child below the poverty line, rises above it in early manhood, sinks below it again as his own children begin to arrive, emerges above it as his children cease to be dependent upon him, and falls below it once more in old age.

The reasons which lead up to the proposal of Children's Allowances were very clearly demonstrated in the enquiry which an Australian Federal Commission conducted in 1920, under the chairmanship of Mr. A. A. Pidington. It began by estimating in minute detail what weekly sum the average typical family of five persons required in order to satisfy a reasonable standard of comfort. At the high prices then prevailing, it fixed the Living Wage at £5 16s. But in reply to an enquiry from the Commission, the Federal Statistician answered that the entire proceeds of industry in Australia, even if all profit were eliminated, would fail to provide such a wage for every worker. The Commission then analysed its family budget, and found that £4 would cover the expenditure of a man and his

Family Allowances

wife, while each of the three "typical" children required 12s. A study of the population statistics revealed that this "typical" family was a myth. Whereas the Commission had begun by assuming that a Living Wage must cover the needs of five persons, it now realised that the average wage-earner is in fact responsible for less than one dependent child.* It accordingly revised its proposals, and suggested:—

1. That a basic wage of not less than £4 should be paid to every wage-earner to meet the needs of himself and his wife.
2. That a supplement of 12s. should be paid for each dependent child of a wage-earner, out of a pool managed by the State, to which each employer should contribute 10s. 9d. for each adult worker whom he employed.

Though this Australian plan has never been enforced in Australia, it teaches a valuable lesson. At the present level of the national income, statistics show that of male wage-earners over twenty years of age in England, 27 per cent. are bachelors or widowers and 24.7 per cent. married couples without children or without children under fourteen—in all 51.7 per cent.

Then come 16.6 with one dependent child, and 13 per cent. with two. Only 8.8 per cent. represent that "typical" family with three children. A slightly larger group, 9.9 per cent., have more than three dependent children.

Average justice is rough justice. If the "living wage" were really enough for a family of five, then more than half the workers should have a surplus. But nearly ten per cent. would go short. That, however, is to under-

* The corresponding British figures will be found in Miss Eleanor Rathbone's valuable study of this question, *The Disinherited Family*.

The Living Wage

state the case, for in this last group of the big families, there are 40 per cent. of the nation's children. Six children then in every ten, by average justice, may possibly have enough, but four are doomed to certain privation.

No living wage which would satisfy a civilised standard of life is attainable, if we base it on the false assumption that every wage-earner must provide for the needs of a "typical" family of five persons.

We propose, therefore, to base the Living Wage on the needs of a man and his wife, adding to it a weekly provision for each child. The justification for making no distinction between the wage of a married man and that of a bachelor or widower is, that the latter must pay in some way for the services of a housekeeper and that a young man should be saving to furnish his home.

The children's allowance should be paid direct to the mother, thus recognising the dignity of the service she renders.

We leave for further consideration the question whether an equal flat rate allowance should be paid for children of all ages, or whether the allowance should be graded according to the age of the child.

A flat rate allowance would raise fewer administrative difficulties. But the objection has to be faced, that the payment of these allowances might encourage undesirable multiplication of families. This objection is not in our opinion formidable. For it is well-established that in proportion as families rise in the social scale above the poverty line, the birth-rate tends to fall. Reckless breeding is in fact a phenomenon of abject poverty. Every increase in comfort and self-respect makes for prudence and self-restraint. But we would recommend that to guard against any possible abuse of this system in this way, one of the two following expedients should be adopted :—

Family Allowances

- (a) Either the allowances, while providing for all children born before the appointed date, should thereafter cease after the fourth or fifth child, or else,
- (b) The allowance should diminish with each additional child.

THREE types of schemes have been proposed by advocates of family allowances.

1. A scheme based on the model of contributory insurance. It would be a heavy burden on the lower paid workers, many of whom would draw no benefit. It would tend, moreover, to increase prices (when it is possible to raise them) and the cost of living. We therefore reject this plan without hesitation.
2. A scheme which throws on the employer the burden of paying a flat rate contribution for every employee into a State pool. This scheme is also open to the latter objection. If the contribution were an addition to present wages, it would tend to raise prices, and if universal to raise their general level. If on the other hand it meant a lowering of wages, it would be difficult to impose it on the older men and the unmarried men.

We recommend for general adoption a State scheme to be financed entirely by direct taxation. This plan puts no direct burden on industry. It has become a habit in political controversy to speak loosely of direct taxes, municipal rates and insurance charges as though they were all in the same sense "burdens on industry." This phrase is correctly applied to rates and insurance charges, which are a part of an employer's expenses which he must meet, exactly as he meets the rent of his premises,

The Living Wage

before he balances his books, and assigns the surplus as profit or dividend. But his income tax is a personal charge which falls upon the surplus. A tax levied for this purpose on personal incomes would have no tendency to lower wages. It would re-distribute the existing national income and therefore avoid the danger of inflation.

We support it precisely because it tends to the equalisation of incomes. It takes from the superfluities of the rich and uses them to give a better chance of mental and physical development to the children of the poor.

We propose that the children's allowance be paid weekly, by the Post Office to the mother. It should run from birth to the end of the period of compulsory schooling, i.e., at present to the fifteenth birthday.

It should be paid for the children of all insured persons,* whether employed or unemployed, and would continue during strikes.

While a weekly figure of 7/- or at least 6/- is desirable, we have to remember the other claims on the first labour budget, e.g., for an increase of old age pensions and for a non-contributory scheme of widows' pensions. We propose therefore at the start a flat rate allowance of 5/-.

The annual cost of this scheme, following the careful statistics in Mr. J. L. Cohen's booklet (*Family Income Insurance*, P. S. King & Sons, 1/-), would be £125 millions.

Such a sum could only be found by a determined Chancellor at the head of a party which was firmly resolved to take the first big step in equalising incomes.

It is not, however, an impossible sum to provide. An

* There are some classes of workers excluded from the benefits of the Health Insurance Act, who ought to be included in this scheme. The aim should be to bring in all workers whose income does not exceed the limit fixed in the Act for clerical workers, £250 per annum.

Family Allowances

addition of 1/- to the income tax would yield over £60 millions, for Mr. Churchill reckoned that he lost £32 millions by reducing the standard rate by 6d. One could therefore derive practically the whole sum by going back to the war-time figure of 6/-. But it would only be fair to treat earned incomes less severely, to apply a lower rate to the lower levels of income, to raise the level of exemption and increase the allowance for children. One requires only £100 millions from this source.

The super tax could easily yield the remaining £25 millions. By restoring last year's rates to the figures before Mr. Churchill reduced them, one would get £10 millions.

By stiffening the graduation, and by bringing down to lower limit of liability from £2,000 to £1,500 a year, it would not be difficult to get another £15 millions.

But there are some balancing savings to be reckoned. Orphans, already provided for, would come into the scheme. So, to the extent of 2/-, would children of men receiving unemployment benefit. This would bring down the total of new money to be found well below £125 millions. It is evident that this money can be found by fresh taxation, if necessary, but we hope that eventually debt reduction and reduction of armaments will also contribute towards it. It should also be noted that if our other proposals are adopted, there will be a rapid increase of the national income. In proportion as this takes place, the rate of taxation may be lowered.

Some Socialists urge that the payment of family allowances in money would be unnecessary, if social services which meet the needs of children, were fully developed. We do not wish to undervalue these things. Indeed, the extension of every form of social service, whether for the benefit of children or adults, should be regarded as an important and essential part of the policy of the Living

The Living Wage

Income. But there are manifest limits to these services. Even if free dinners for school children were to become general, does anyone propose that a child should get all its meals at school? Again it would not be easy to equalise rents, irrespective of the number of rooms which a family requires. The suggestion of free uniforms for children is unattractive. Whatever is done in these ways, children have varying tastes and needs, and some money allowance is necessary to enable the parent to satisfy these. The two methods are not mutually exclusive.

It is important to note that family allowances provide the only hopeful method of realising the ideal of "equal pay for equal work" as between women and men. There would, for example, be no reasonable objection to equal salaries for men and women teachers, if the children of married teachers were provided for in this way.

We assume, where a man and his wife are both wage-earners, that each is entitled to a living wage. The effect of increasing the family income by paying children's allowances, would, however, usually be to draw the women away from industry.

It is worth while to point out that our scheme in its totality—the raising of wages, the practical abolition of unemployment, and the children's allowances—would have a favourable effect on municipal finance. It ought to reduce expenditure under the Poor Law almost to vanishing point. Some of the gain might be used to lower rates, or better still to relieve industry from rates. But there would still remain the possibility of expanding local social services, including new developments in education, as a result of this saving.

CHAPTER V.

The Minimum Wage Standard.

THE root idea governing any Socialist policy of distribution is, we take it, that Labour has a claim upon the total pool of the national income. This pool we regard as the result of the co-operative effort of all the connected activities of the community. It is not possible to isolate the contribution of any industry, firm or individual worker. The cotton cloth which a weaving shed produces, is not the product of the workers in that shed alone; coal miners, engineers, transport workers and many others contributed towards it, and behind them lay the contribution of the whole civilisation around them, through its science, its education, and its social and legal organisation.

It follows from this familiar view, which regards the production of wealth as an indivisible activity of the whole community, that we reject the qualification commonly attached to the accepted doctrine of the Living Wage. "A living wage by all means," is the usual reply to the demands of Labour, "but you cannot take from the industry more than it is producing. The money to meet your demand is not in the industry."

Assuredly, there must be a reference to some divisible total. But the haphazard arrangements of the market give no assurance that the income drawn by an industry, or by the workers in an industry, from the national pool, shall be a fair measure of their share. Some groups are in a fortunate, others in an unfavourable position, and the varying "pulls" which scarcity and strategic accidents

The Living Wage

enable the several groups to exert upon national income, have no necessary or even usual relation to effort, skill or risk, and even less to need. One group can combine to create a slight artificial scarcity in the product which it brings to the market: another group is exposed to world-wide competition. Miners, for example, must accept a price for coal fixed by competition within an unorganised industry, which is overproducing for a diminishing market. But the wages based on this low competitive price must be exchanged for goods of which the prices, in many cases, have been fixed by rings, monopolies and combinations, and these goods will range from the bed on which the miner sleeps, to the milk which his children drink.

The struggle for a living wage is an effort, then, to compel this anarchical market to honour a higher law than scarcity. Our task is not merely to increase production; we must also discover methods which will enable the less fortunate industries to make good their claim upon the national pool for a higher share of the divisible income. While technical inefficiency, or the exactions of middlemen will sometimes supply explanation enough of the misfortunes of an industry, in other cases it may turn out that the only cure is in the control of prices. For prices are the instrument through which each industry makes its claim upon the pool. The appropriate solution may be, as in the case of the coal industry, a Selling Agency which will undertake the regulation of output and consequently of prices. It is obvious that the community ought to be adequately represented on such bodies, which, in effect, are assessing, whenever they fix prices, the relative share which an industry shall draw from the pool. A price ring which has been enabled, by its sheltered position, to fix its own claim relatively high, ought not to be immune from this

The Minimum Wage Standard

control by the community. In some cases (notably coal) the fixing of prices will involve international agreement. We will not attempt to discuss here the detailed steps which the community might have to take, if it were to make a full use of the instrument of price to equalise the claims of various industries. But plainly the first step is to insist that prices must not fall below a level which will enable an efficient industry to pay a living wage. If for any reason the community should think the cheapness of some essential service or class of goods so vital to its industrial life, that it is unwilling to pay a price compatible with a Living Wage, it cannot morally escape its obligations to the workers in this industry. It must in some other way enable them to draw their due share from the pool, and that other way must be the payment in some form of a bounty or subsidy. Objectionable and clumsy as subsidies are, we cannot fairly avoid them, *if we reject the regulation of prices.* A living wage implies what one may call a "living price."

If it should be necessary, in any trade, to resort for a time to the expedient of a subsidy, a fair method could be found for financing it, by reviving the Excess Profits Duty. The proceeds of this Duty should constitute a pool, out of which subsidies might be paid as required. In this way the burden would fall only on the most prosperous industries, which are commonly the industries which have used their favourable position, as sheltered and organised trades, in order to draw, through high prices, an undue share from the national income. The subsidy, so conceived, would not fall as a burden on the community as a whole. It would equalise the share which industries competing under unequal conditions, draw from the total national income. But whenever any form of subsidy is paid, the industry must accept a measure of control which will ensure its efficiency.

The Living Wage

LITTLE progress can be made in raising the level of the depressed workers, or in securing some nearer approach to equal justice between trade and trade, until we are prepared to define what we mean by a Living Wage. We would urge that even now, while Labour lacks the power to take political action, the whole Movement acting through the Trade Union Congress and the Labour Party, might take the first step, by setting up a Labour Commission to formulate in precise terms and figures the vague claim which is in all our minds. If this Enquiry, which should be public, resulted in the suggestion of some minimum figure, the task of the General Council would then be to direct and co-ordinate the whole of the industrial struggle, with the purpose of rendering effective support to bodies of workers who sought to raise their wages to this figure. We believe that a struggle conducted for a purpose so manifestly just would give a new sense of unity and direction to the whole Labour Movement. The argument over this claim would soon dominate public life, and focus political and economic discussion. The Living Wage, with all its far-reaching implications, would become the central question before the nation, and might hasten a general election in which it would be the leading issue. A Labour Government, when it took office, would, we assume, conduct an enquiry of its own, by the most expeditious methods, in order to supplement the work of the Labour Commission, by a full use of official data, for the purpose of ratifying or adjusting the figure at which it had estimated the Living Wage.

Any enquiry into the Living Wage, whether official or unofficial, must necessarily follow two distinct lines of investigation.

1. It should endeavour to ascertain from medical men and women, from experts in housing and educa-

The Minimum Wage Standard

tion, and from practical housewives, what scale of expenditure is necessary in order to satisfy the requirements, first of health and efficiency, and then of the cultural life. It would no doubt make use of previous investigations (the Rowntree enquiry and the Australian Commission's work), but no attempt on these lines to define a reasonable standard could be final, until the second survey was completed.

We suggest that the Living Wage, approached from this angle, should include at least, a fortnight's holiday at full pay, and should be based on the guaranteed week.

2. The second survey would involve a careful statistical study of the national income, to ascertain:
(a) What is the present share of the wage-earning class, and (b) what margin exists to which it may advance a claim.

We have had before us the following analysis of the National Income:—

Total Net National Income	£3,500 millions, i.e., omitting £300 millions War Loan Interest.
Total Rent, Profit, Interest and Salaries	£2,000 millions.
Total Wage-Earners' Share	£1,500 millions.

Of the Wage Bill of £1,500 millions, it is roughly estimated that 2 to 2½ million wage-earners receive an average of £200 per annum = £400 millions to £500 millions.

The rest of the wage-earners (10 million) receive an average of £100 per annum = £1,000 millions.

The Living Wage

It will be seen that if the higher of these two categories of wage-earners (those receiving £200 per annum) may be said to receive a Living Wage,* the problem is roughly to double the real wages of the remaining ten million.

This result might, theoretically, be attained by halving rents, profits and interest and salaries. That, however, is manifestly impossible: (a) because from the income of the middle and upper class a high proportion of the national revenue is already drawn by taxation, (b) because the necessary savings for the replacement and expansion of capital come mainly from this source, and (c) because a change so drastic would dislocate the present economic system and result in a catastrophic upheaval.

A rough calculation of this kind supplies some measure of the problem before us. The instrument of taxation can and should be used to effect some transfer of the income from class to class, but there are manifest limits to this operation. We propose recourse to it for the purpose of family allowances, and from time to time Labour policy will use it to extend the social services, to increase old age pensions and widows' allowances. There ought also to be a further limitation of inherited wealth, through the Death Duties. But to this source we cannot look for the funds that are to provide the Living Wage. These must be drawn from higher production, that is to say, from an expansion of the total national income.

In fixing the standard of a Living Wage, both of these lines of enquiry must be taken into account—the estimate of the needs of a civilised life, and the estimate of what the national income will yield. We have to

* We would guard against the inference that we are ourselves venturing to suggest this (or any figure) as the Living Wage.

The Minimum Wage Standard

measure both what is attainable in a political sense, or in plain words, what our present level of power will enable us to secure, and also what the capacity of industry to produce authorises us to claim. We should, in fixing it, base our claim not on the product of each industry regarded as an isolated unit, but on the total product of our national industry. We would urge that the figure should be estimated deliberately somewhat higher than our present level of industrial efficiency would warrant. It will be, therefore, a demand, based on human need and addressed to industry, with the avowed purpose of stimulating a better organisation of the total co-operative output. It follows that it will not be possible to impose it instantly upon every trade. It can be attained only by instalments as re-organisation proceeds. Its purpose is to serve as an imperious demand for efficiency and intelligence, alike in the production, and in the distribution of wealth.

We assume for the reasons already given, that the provision for children will be made through a State scheme of allowances. The Living Wage or the basic Minimum Wage which industry should pay, will be adjusted to the needs, not of the whole family, but of a man and his wife.

OUR purpose, then, is not to enforce by legislation a universal statutory minimum. We propose to start with the authoritative declaration of a minimum—a figure which the whole community formally accepts, and intends, within a measurable period, to attain by the re-organisation of industry. When the official enquiry has resulted in the fixing of a figure, the next step might be the passing of a resolution by the House of Commons, declaring that it is the nation's purpose to base its economic life on this figure.

The Living Wage

The passing of such a resolution would have some readily predictable consequences. It would pledge the Government, on the appointed day, either in a lump or by instalments, to raise the wages of all adult workers in its employment to the accepted figure; firms working under the Fair Wages Clause would be under the same obligation, nor could Municipalities well avoid it. While it is true that the wages of all these categories of workers are at present relatively high, there would be some levelling up in the lower grades, which over the whole country would cause an appreciable increase in the purchasing power of the working class. Simultaneously, or soon afterwards, the adoption of Family Allowances in the Budget, would bring a much larger increase. And again, we have provided (if trade has remained at the present level of depression), through an expansion of credit, for a further increase of ten per cent. Thus to the present purchasing power of the working class (£1,500 millions) there would be added from Family Allowances £125 millions, from the expansion of credit, perhaps £100 millions, with a further sum which it is impossible to estimate, from the higher wages of the worst paid public employees.

The effect of this new stream of purchasing power, playing on the industries which cater for mass consumption, would be instantaneous, lasting and very considerable. It would absorb the unemployed, and transform the conditions under which every organised body of workers bargains for wages. It would arm them with two new arguments, one moral and one economic. In the first place, they would point to the resolution of the House as a proof that their actual wages were below the requirements of civilisation, and to this they would add the still more effective plea that the new prosperity of industry justified an increase. In one degree or another,

The Minimum Wage Standard

either by a single effort or by instalments, it is reasonable to assume that in all the better organised and more prosperous trades a moderate degree of pressure under these conditions would result in a general advance towards the Living Wage. The effect, moreover, would be cumulative; the gains won by each trade would help the rest. Nor would the increase in the general wealth be merely nominal. The stimulus of increased demand would result in a higher volume of production. Whether production would actually keep pace with demand, would then depend, partly on a rational credit policy, and partly on the rapidity with which the technical re-organisation and re-equipment of industry could be effected.

AT every stage of this process, the Trade Unions would retain their freedom to bargain and their traditional functions. The Living Wage would not be imposed by the State, but the State would make the conditions in which Unions could demand it with every prospect of success.

Some critics fear that the naming of a definite figure would have a depressing effect on the wages of the few fortunate crafts which may be earning a wage somewhat above any standard which could be enforced all round. The minimum, it is said, would become the maximum. Mean employers would point to the standard, and tell the craftsman that he was getting too much. But the craftsman under the new conditions would have lost none of his former bargaining power. On the contrary, the general increase in the purchasing power of the mass of wage-earners would mean less unemployment among craftsmen, and a brisker demand for their skill. There are admittedly risks in fixing any figure at all. But how else will you break down the intolerable inequalities

The Living Wage

between different trades? In some way we must break in, with a new moral and social standard, to abolish the anomalies that result from competitive bargaining in the labour market.

It may be said that the fixing of a definite figure for the Living Wage would stereotype our material civilisation at that level. But this figure is not necessarily fixed for all time. It might be revised at intervals of five or ten years. A nation bent upon progress should deliberately set itself tasks. Having raised itself from the £2 level, in the first period of effort, to a £3 or £4 level, it might thereafter, as production permitted, carry its ambition further, until it reached a point at which an increase of leisure, and a deepening of its cultural life seemed more important than the effort to increase material prosperity.

CHAPTER VI.

The Re-Organisation of Industry.

WHATEVER measure of success might follow from the use of the ordinary methods of bargaining in the more thriving trades, there would remain a number of industries which could not respond adequately or promptly to the demand for the Living Wage—agriculture, engineering, textiles, and many smaller industries. The next problem is to devise measures for their assistance.

It would be folly to suggest nationalisation as the appropriate method for re-organising these weaker trades. Nationalisation must, of course, play a part in any Labour policy, but we should confine it at this stage to "key" industries and services. By a key industry we understand an industry which the community should control, because in some sense it governs the pace and direction of the nation's industrial growth. Credit and the supply of permanent capital have this function. The cheapness and availability of mechanical power are in the same sense vital conditions. Transport may be no less important, as the controversies which turn on the service rendered by the railways to agriculture and coal mining show. The charges for transport and mechanical power enter largely into the costs of every industry, and have a considerable influence upon prices. They also govern the movement of population and underlie all schemes for the development of rural areas. It is essential, then, that banking, coal mining, electrical supply, and the railways should be nationalised.* In propor-

* We need say nothing further about the nationalisation of the mines, railways and electricity because the Labour Party has already outlined its plan in *Coal and Commonsense*, 2d.

The Living Wage

tion as they are so developed as to yield cheaper and more efficient service, industry will be in a somewhat better position to pay higher wages, and to do it without raising prices.

Less drastic methods must be sought to enable the weaker industries to satisfy the new demand for higher wages. We would point out that in requiring that an industry which fails to pay a living wage should re-organise itself, we are introducing no new principle. This principle is implicit even in Mr. Baldwin's dealing with the coal industry. He first subjected it to a searching enquiry, and then promised to carry out, when necessary by legislation, measures which would eventually enable it to pay higher wages. One may say that the recommendations of the Samuel Commission were timid, and that Mr. Baldwin then eliminated its relatively bolder proposals and whittled down the rest; but the principle remains. We have a Tory precedent for the compulsory re-organisation of a defaulting industry. What Mr. Baldwin promised to do in one instance, we propose that a Labour Government should do rapidly and energetically in several instances.

The procedure might be to set up an Industrial Commission armed with large powers of re-organisation, which would take under its survey and control every industry which sought its assistance, on the application either of the masters or the men, on the ground that it was unable to pay the minimum wage defined in the resolution of the House of Commons. The Bill conferring powers upon it should be general, so as to avoid the need for special legislation for each industry, though any orders which it issued might be laid on the table of the House. The Industrial Commission should have power to appoint Sub-Commissions working under it, to deal with each trade or with distinct sections of a trade.

The Re-Organisation of Industry

What powers (other than general powers for enquiry and the examination of figures) must the Industrial Commission possess? The precedent of Mr. Baldwin's treatment of the coal problem may be invoked. The Commission recommended a process of amalgamation, which (after three years) should be speeded up by compulsion, and this even a Tory Government has in principle accepted. Its electrical scheme involves a somewhat similar interference with private industry. If defined in a broad way, the power to suggest, to promote and ultimately to enforce the amalgamation of businesses would be the chief power, perhaps the only power which the Commission would require for the re-organisation of industry on its productive side. Armed with this power, the first step of the Commission would doubtless be to invite the industry to set up a central council with which it could negotiate. It would, presumably, endeavour, on the model of the most successful wartime controls, to work through this Council, enlisting on its side whatever progressive leadership the industry possessed. The type of unification at which it would aim would vary from industry to industry: the necessary sanction would be the power of the Commission to amalgamate concerns which failed to adapt themselves voluntarily to the plan of unification and reform, with concerns which were willing to do so. The aim of this process of unification would be to promote specialisation in manufacture and the standardisation of the industry's products, and generally to realise the economies of mass production.

An important help in re-organising these industries can be given from the collection and analysis of trade statistics relating to output, costings and the movement of demand. Still more important is it to make secret processes and other technical improvements generally available. Under the war controls (e.g. in the manu-

The Living Wage

facture of margarine) a substitute for competition was found in the periodical analysis of samples and in the comparison of costings from different factories.* Lastly the Industrial Commission should have power to organise scientific research on the most generous scale.

The other power which the Industrial Commission must certainly possess, is the power to create Selling Agencies (for which, again, the Samuel Report furnished a precedent). In cases where commercial disorganisation and excessive competition help to explain an industry's misfortunes, this step is essential to ensure a level of prices on which a living wage can be based. We assume that the consumer, as well as the employer and the worker, would be represented on the governing councils of these agencies.

Throughout the process of re-organisation the Industrial Commission would work closely with the Trade Unions associated with the trade with which it was dealing. There can be no true re-organisation which fails to enlist the activity of the workers, and to confer on them a genuine measure of control. The Commission would from time to time report on the progress of its work, and as each step in re-organisation was completed, the men would make their demand (through their Trade Union, or through the Trade Board or Wages Board, where such exist) for an increase of wages which would by instalments realise the figure of the declared Living Wage.

In certain industries, notably textiles (a subject to which we return on p. 43) the control of the raw material would be an invaluable and even indispensable reinforcement in the process of re-organisation. With agriculture, where progress would inevitably be slow, we do not pro-

* See *Experiments in State Control*, by E. M. H. Lloyd.

The Re-Organisation of Industry

pose to deal specially, because the main lines of reform have been laid down in two statements of Labour policy.*

It should be noted that parallel with this re-organisation, the demand for the product of each staple industry is being stimulated by the rise of wages in other industries and the payment of children's allowances. Imagine, for example, the effect on dairy farming of an addition of 5/- a week for each child to the income of every working-class family. The better distribution of the national income is, in short, a means of ensuring higher output.†

* The recent Labour Party Report, *A Labour Policy on Agriculture*, 2d. The I.L.P.'s earlier document, *A Socialist Policy for Agriculture*, 2d.

† Inevitably, there will remain a large body of workers in the unorganised and unorganisable trades and services for whom the Industrial Commission could do little or nothing directly, notably domestic servants, and some categories of clerks, typists and shop assistants. These, however, would gain at once from the children's allowances, while the general rise in the level of wages would enable them to raise their demands.

CHAPTER VII.

Prices and Raw Materials.

ANY scheme of this kind must be prepared to cope with the obvious difficulty that employers will try to counter the demand for higher wages, by raising prices.

We propose, first of all, to diminish this difficulty by obtaining a considerable part of the increased working-class income from Family Allowances drawn from direct taxation. There is no tendency here to price inflation.

As regards the wages bill itself, it can be increased only in two ways: (1) By an actual increase in the production of wealth. This we provide for by the programme of re-organisation. (2) By a better distribution of the product of industry, i.e., by the assignment of a larger share to labour and a smaller share to rent, profits and interest.

The better distribution will be partially obtained in the nationalised industries, and by the nationalisation of the land. Rent and private profits will to this extent be lessened.

The cutting out of dealers' and middlemen's profits in the handling of imported food proposed in Labour's Agricultural Policy is a further item. So also is the cutting out of retailers' profits by the municipal retailing of coal, milk, and bread.

But perhaps the chief instrument in our policy for maintaining the real value of the Living Wage, would lie in the opportunities for stabilisation and standardisation which the national importation of foods and raw materials would afford.

This policy, in so far as the chief imported foodstuffs are concerned, is explained in the reports on agricultural policy of the Labour Party and the I.L.P. The procedure in the case of such raw materials as cotton, wool and hides would be similar. A Buying Agency, appointed

Price and Raw Materials

by the State, but closely linked with the particular trade concerned, would enjoy a monopoly of these imports. By long term contracts with organised producers overseas, and by building up reserve stocks, it would stabilise prices. The system was worked with notable success during the war in the case of wool, edible oils and other important raw materials. In Switzerland the importation of wheat on this plan, has been continued on permanent lines since the war.

With the importation of cotton, wool and hides placed under National Boards, it becomes possible to carry much further the schemes of standard clothes and boots which were successfully tried on a small scale during the war. The Board might have woven for it many standard patterns of cloth, and also contract for the manufacture of clothing, boots and underwear. There would be some economy from the elimination of the middleman, and most of all, perhaps, from the standardisation and from the regularity of the demand.*

In all these proposals for steadying and supplying the demand for the necessaries of life, the co-operative movement has a great part to play, and we would emphasise the need for working through it, wherever practicable.

In these ways the prices of all the worker's necessaries would be controlled effectively, and the element of private profit in all the things that he must consume, reduced to a minimum. Such profiteering as went on, would be confined to luxuries.

We need not emphasise, again, the part of our banking policy in this strategy of stabilisation. Its duty would be, when once labour and capital were fully employed, to use the instrument of credit to keep the general level of prices stable.

* Further details will be found in *Socialism For To-day* (p. 105) by H. N. Brailsford. I.L.P. Publication Dept., 1/-.

CHAPTER VIII.

The Provision of Capital.

NEW capital will be required on a considerable scale as this scheme develops. The backward industries which are being re-organised will require the most modern machinery. Again the re-distribution of the national income, partial though it will be, will involve some shifting of demand from luxury trades to the staple trades. The former will in some cases be able, if new capital is available, to adapt their plant to cater for mass requirements. One must not forget that higher taxation will prevent, and is intended to prevent, any undue expansion in the investments of the propertied class. Yet fresh savings will be necessary, not merely to finance the expansion of industry in this country, but also to meet the needs of the Dominions, which will be called upon for an increased supply of food and raw material.

With a higher wage standard, the small investor's savings should go far to meet this need. At the same time a policy of stabilisation and centralised marketing will make investment in the industries, and in the branches of agriculture, which supply or manufacture the controlled foods and raw materials, less risky and better suited to the small investor. Further, stabilisation and standardisation will greatly economise the quantity of capital required. Amalgamated plants and businesses demand a relatively smaller capital than a multitude of small concerns. The standardisation of stocks greatly diminishes the need both for industrial and commercial capital. And again the ironing out of the trade cycle further diminishes this need, since it eliminates the waste caused during a slump

The Provision of Capital

by the land going out of cultivation, by the reduction of flocks and herds, and by the general waste caused by the unemployment and under-employment of plant and labour throughout the industrial system.

These novel considerations suggest that there is less need for anxiety over the provision of fresh capital than might have been expected. The necessary capital for re-organisation, drawn, as it will be, largely from the savings of small investors, is more likely to be cheap and adequate in amount, if steps are taken to divert new savings into channels which will promote the success of the scheme. Is it possible to guide the flow of investment into socially useful channels, to divert it, for example, from the luxury trades and from some forms of foreign investment, to the staple industries, and to the production of raw materials and foodstuffs? To some extent this may occur spontaneously, since the additional and more stable demand from the wage-earners for the produce of these industries will make them an attractive and safe investment.

But we suggest the consideration of the following methods:—

1. Should the Post Office Savings Bank be authorised to invest more freely, instead of being confined to Consols? It might in this way pay higher interest and attract a much bigger volume of savings.
2. Municipal banks should be encouraged as another possible channel for savings.
3. The Insurance Companies should be nationalised. Their business follows a safe routine. They overlap w.r.tefully, and none the less earn great profits. Their funds are largely invested in industrial securities.
4. To control the investment of funds derived from all these sources, or received directly from private in-

The Living Wage

vestors, we propose that the State should set up an institution to act as a National Industrial Bank, or Investment Trust. The stock should rank as a trustee security. It would invest these funds, as German banks do, on a large scale in industry, paying to the depositors or depositing institutions, at their choice, either fixed interest at a relatively low rate, or variable interest based on the average yield of widely-spread investments.

This institution would employ the most expert technical advisers and would intervene actively, as German banks do, in the higher politics of industry, promoting amalgamations and using the power of massed capital to foster efficiency for the general good.* Wherever it invested largely, it would claim, through its nominees, representation on the Boards of Directors of all the Companies or Trusts which it assisted. It should be linked up with the Industrial Commission, and would become one of the most powerful means by which the penetration and control of industry can be promoted. Its prestige as a State Institution and its big sources of supply would soon make it the dominant power in the world of finance.

It would, indeed, in association with the Industrial Commission and the Councils of the nationalised services, tend to become the planning and directive centre of the nation's industrial life. Its opinion would be the chief factor in deciding, on grounds of public utility, what private financiers decide to-day on grounds of gain—whether

* We conceive this Industrial Bank as a single institution, partly in order to spread the risks, and partly to ensure the observance of a broadly-conceived plan of national development. But it ought to be departmentalised and decentralised, with strong centres located in the provinces, maintaining the closest contact with each important industry. Its department in Manchester, for example, would be in effect a Cotton Bank.

The Provision of Capital

this industry or the other shall expand, whether the needs of home agriculture shall have precedence over some foreign or colonial call for capital, whether a source of raw material should be expanded, or a new invention rapidly utilised.

This institution would make and retain permanent investments. It would supersede the present unsatisfactory arrangement under the Trade Facilities Act. Short term credit would continue to be the usual sphere of the ordinary banks. To link up the banks with the Investment Trust, there should be a co-ordinating council.

While this organisation would, in growing measure, direct the flow of investment and credit, there should be built up to co-operate with it a department of the General Council of the Trade Union Congress which, in association with the Ministry of Labour and the Labour Exchange, should facilitate the transfer of labour from over-manned to expanding trades, and direct the recruiting of labour.

CHAPTER IX.

The Export Trades.

THE feasibility of this policy will hardly be disputed where the so-called sheltered trades are concerned. But what of the export trades, and those exposed to foreign competition?

We would give, first of all, the general answer that higher wages will increase the efficiency of labour, and that they compel the management to save itself by better organisation. This is now a commonplace in the American business world.

Few export trades, if any, cater solely for foreign markets. All of them would gain by the expansion of the home market due to the higher purchasing power of the masses. A large turnover, especially if there is more standardisation, means a reduction of overhead charges. The export trades would also gain by the cheapening of power and transport, by the stabilisation of the price of their raw material, and from a rational credit policy. It might still be possible, therefore, to manufacture for the foreign market, at the former prices, or even at lower prices, in spite of the rise of the wages bill.

These theoretical considerations may in general terms command assent. But how far, quantitatively, may we trust them? That they have a force, hardly suspected in this country, is proved by American figures. Mr. Hoover, in the annual Report of his Department for 1925, has published an official analysis of American prices and wages. Taking 100 as the index of the year 1913, he shows that wholesale prices had risen in 1924 to 150, while wages had risen to 228. Clearly then it is possible, on a very great scale, with better organisation,

The Export Trades

to achieve a large increase of wages, without an equivalent rise in prices. The history of American exports in the same period is even more instructive. The following gross figures (to which we have added the corresponding percentages) will be found in the *Report on Finance, Industry and Commerce of the United States of America*. (*Department of Overseas Trade, 1926*) :—

Value of American Exports in millions of Dollars.	1910-14 (average)	1924	Percentage. Increase.
Crude materials, foodstuffs and food animals ...	832	1,178	+107
Manufactured foodstuffs ...	295	574	+95
Semi-manufactures ...	342	611	+79
Finished manufactures ...	654	1,588	+143
Miscellaneous	8	7	-12
Total	2,131	4,498	115

This remarkable expansion of American exports may be due in part to a shrewd policy of foreign investment. But its most significant feature is that the expansion is greatest precisely in those classes of goods in which high wages might be supposed to be an impediment. American manufactured goods are clearly winning their way in neutral markets in competition with the products of low-wage countries. Here, then, is an experiment in the policy of high wages which should give us confidence to apply our theory even to the export trades.

We would, however, urge by every means, the pursuit of a policy of international agreement. The future of the coal industry, and perhaps of the heavy industries, generally, will depend, above all, on the delimitation by international negotiation, of the export market. Movements on these lines are now in progress in the heavy industries of the Continent, and it is probable that they

The Living Wage

will have regulated the export markets of coal, iron, steel, and certain steel products in the near future. British industries must ultimately share in these arrangements.

We will not attempt to discuss the international regulation of labour through the League of Nations, the International Labour Office and such agreements as the Washington Convention. Only as these develop can the menace from the competition of sweated labour in other countries be wholly removed. One safeguard is contained in the Labour Party's proposal for an 'international official boycott, after due warning, of goods produced under conditions which violate the Eight Hours' Convention.

It is not less true that the policy of monetary stabilisation on which we rely, can be carried out with complete success, only when banking is organised on some such lines of international co-operation as were recommended by the experts at the Genoa Conference (1922). The League of Nations may one day play a great part in organising the distribution of the world's raw materials, with steady prices as its aim.

But even where no formal action for the international raising of standards is possible, the spectacle of the success in one country of the Living Wage policy would stimulate Socialist parties and Trade Unions on the Continent to work on parallel lines.

Again, we may point out that a Labour Government, following a friendly and pacific policy towards Russia and China would remove one of the handicaps from which our export trade suffers, and might do much to open new and recover old markets.

Finally, the doctrine of under-consumption on which this policy is based, operates beyond our own island. It operates, for example, in India and in Kenya. When the Labour Party can make its influence felt in these regions,

The Export Trades

it will presumably aim at raising the purchasing power of their peasants, factory workers and plantation labourers. In proportion as it does this, it will expand the market for British exports.

But we do not base our policy on the prospect of an expanding foreign market. On the contrary it is possible that in several regions it may contract. The world's demand for coal is slowly dwindling. The East is gradually preparing to supply itself with textiles. The Dominions are developing their own industries. A great part of Europe, fettered by reparations and inter-allied debts, is obliged to limit imports and expand exports. It would be only prudent on our part, therefore, to lessen, wherever it can be done on economic lines, our own dependence on foreign trade.* The development of arable dairy farming and the cultivation of sugar-beet is one obvious resource. The distillation of fuel oil from coal may prove to be another. But only by expanding the home market by a sound wages and credit policy, will it be possible to transfer labour easily from the depressed to the more promising trades.

* It is doubtful, however, whether any net decrease of imports can be brought about. For while there would be some decrease in the importation of the luxuries consumed by the propertied class, there would also be an increase in the working-class consumption of wool, cotton, tea, and the like.

CHAPTER X.

Conclusion.

THE reader has doubtless perceived that in sketching out the measures which will ensure a Living Income to every worker, and make an end of gross poverty and mass-unemployment, we have been carried far beyond these immediate aims. We do not claim to have found a complete solution. Some inevitable inequalities would remain. Nor is there any certainty that every worker in the less easily-organised trades would attain the declared figure of the Living Wage. It would be a mistake to under-estimate the difficulties which will be encountered when the more backward industries are tackled. It would be fatal to promise more than can be performed, or to give the impression that a genuine living wage can be won all round without a long and difficult period of re-organisation. But in the process of raising the general standard of life we should attain much more than we set out to win. The measures necessary to attain our object would go far to transform society itself. Wealth would be more equally distributed. The community would have under its control the regulative services which govern its development. It would at last be ordering its own life : it would have escaped from the anarchy and waste of *laissez faire*. It would govern the flow of credit and permanent investment. It would own and direct the mechanical power which turns the wheels of industry. It would dispose of the raw materials on which the manufacturer depends.

Conclusion.

By all these conquests the transition to the further socialisation of industry would be immensely eased. Stabilisation would diminish the risks of enterprise : there would be less need for the private *entrepreneur* who will "take a risk." And again the co-operative provision of new capital through the National Investment Trust would make it easier to dispense with the financier. The road, in short, is open to Socialist construction.

We have dealt rather with the economic plan than with the politics of this transition. But it is evident that this policy has the merit of making a simple and concrete appeal to the average worker and his wife. Family Allowances and a Living Wage touch them in their daily experience of life. Once their attention is concentrated on these things, the rest of the scheme will enlist their defensive instincts. They can be led to understand that their Living Income would soon be dissipated, unless means were taken to deal with the predatory legions which lie in wait to lower the purchasing power of wages and raise the prices of food and clothing.

It is for the Party in the House to decide on questions of Parliamentary opportunity, and prescribe the order of advance. We realise that we have packed into a single programme a formidable list of measures which even singly, and still more in their totality, must arouse strong opposition. Yet they form a single complex, a logical whole. We have argued (page 3) that it would be perilous to begin the nationalisation of certain industries without attending to the question of wages. It is manifestly useless to raise wages, unless we can, by the control of credit and of staple foods and raw materials, check a dangerous rise in the prices of necessary commodities. Again, can one hope to raise wages, unless one lowers other costs of production, notably power and transport,

The Living Wage

and assists industry towards a higher technical organisation? Thus, by a simple chain of reasoning, our first purpose of remedying the inadequacy and gross inequality of wages leads to the socialisation of banking, coal mining, electricity, railways, and the import of raw materials. Politicians may be able in some cases to suggest easier interim solutions, but we are convinced that the problem must be envisaged as a whole, and solved by rapid and intensive work within a brief period.

While we do not conceal from ourselves that the effort to achieve so much that is fundamental must involve a severe struggle in the political, and also perhaps, in the industrial field, we advance our policy as the alternative and antithesis to a catastrophic strategy. It aims at creating general prosperity, and only in this atmosphere of well-being would a party which embraced it attempt large constructive changes. Taking care before it joined the main battle over the hotly-contested issues of nationalisation, to stimulate the nation's trade, it would then approach its more contentious work with the public in a mood of optimism and good temper. If it proposed to re-distribute wealth, it would do this, not only because humanity and justice demand it, but also because sober economic doctrine insists that the health of industry requires it. Prepared for struggle against obstructive and predatory forces, it would appeal to all that is sane and constructive in society to accept its proposals as a contribution towards the wealth of nations.

Conclusion.

We have several friends to thank for valuable assistance in our work. Mrs. Barbara Wootton helped us in dealing with the problem of banking and credit. Mr. Hugh Dalton, M.P., contributed some most useful suggestions to the section on Family Allowances. To the writer who uses the pseudonym "Realist" in the *New Leader* we owe a heavy debt. To Mrs. Beatrice Webb (though she dissents from some of our proposals) we are grateful for many valuable criticisms.

H. N. BRAILSFORD.
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G. D. H. COLE



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CONTENTS

CHAPTER	PAGE
I INTRODUCTORY - - - - -	9
II EXISTING POWERS - - - - -	15
III BASIC PRINCIPLES - - - - -	19
IV WORK AND LEISURE - - - - -	26
V CONSUMPTION AND INVESTMENT - - - - -	28
VI THE DISTRIBUTION OF INCOMES - - - - -	38
VII SOCIALIZATION - - - - -	43
VIII CONTROL OF NON-SOCIALIZED ENTER- PRISES - - - - -	50
IX PRICE CONTROL - - - - -	52
X MONETARY ORGANIZATION - - - - -	54
XI CABINET ORGANIZATION OF PLANNING - - - - -	59
XII RELATIONS BETWEEN ECONOMIC AND SOCIAL PLANNING - - - - -	68
XIII THE CIVIL SERVICE - - - - -	73
XIV CONCLUSION - - - - -	76

NOTE

THIS book was written by G. D. H. Cole for consideration by the Planning Section of the New Fabian Research Bureau. The draft was discussed at several meetings of the Section, and re-written by its author in the light of these discussions. It remains, however, a draft submitted to the Planning Section, and not a report made *by* the Section to the Bureau as a whole. It does not commit the Bureau in any way, and its author is solely responsible for the views expressed, as representing, not the opinions of the committee, nor even his personal opinions, but rather his opinion as modified and influenced by the criticisms of the other members.

The offices of the New Fabian Research Bureau are at 37 Great James Street, W.C.1.

CHAPTER I

INTRODUCTORY

WHEN the next Socialist Government comes to power, it will be expected not only to pass legislation which will meet at once the most pressing grievances of the people, but also to lay secure foundations for a socialist economic system. It will not, if the situation remains at all nearly what it is to-day, be expected to establish Socialism, in any complete sense; for a socialist system could not come at once, even as a result of revolution, as the experience of Russia has plainly shown. Much less can Socialism be established suddenly by a parliamentary Government which is seeking to introduce changes by constitutional and peaceful means, without offering its opponents any legitimate provocation to violence. But, although the next Socialist Government, if it comes to power in an orderly, constitutional way, will not be expected to establish Socialism, it *will* be called upon to make a real advance towards a socialist system, and not merely to carry through a series of unco-ordinated social reforms.

No real advance of this sort is possible without a plan, or without the establishment of some sort of organization for planning. It is possible, up to a point, to 'plan' without Socialism, but it is quite impossible to advance towards a socialist economic system without a plan. For Socialism, in one of its most important aspects, is the planning of the

economic activities of society with a definite end in view. That end is, quite simply, the welfare and happiness of the people—not of a mystical collective entity somehow endowed with a collective soul, as the ideologists of Fascism would have us believe, but of so many individuals, with bellies to be well filled, and aspirations to be fairly satisfied, as far as the resources at the disposal of society will allow. Other 'plans' may have other purposes: the Four Year Plans of Nazi Germany, for example, are evidently drawn up with quite different ends in view. But Socialism is, in its economic aspect, simply planning for welfare, both nationally and as between one people and another: it involves the belief that men will live together better and more happily when the control of production rests, both within each country and internationally, not with a limited class of profit-makers who twist the State and the economic system to serve their class-interests, but with the whole people and with all the peoples. For, though in its final form every plan must be nationally co-ordinated and controlled, in any truly socialist system each national plan will emerge as the result of a process of democratic consultation and deliberation, in which as many as possible of those who must actually do the work will be called upon to play their parts: so that the plan as a whole will be based on a host of lesser plans, for each separate industry and for each plant within it, and for each separate locality or group, and all these lesser plans will be brought together under the unifying control of a central planning authority responsive to the people's will.

Any complete socialist economic system would thus be completely planned in all its essential parts; for it is impossible to envisage the economic structure of a socialist society without at the same time envisaging an attempt at the distribution of all the available economic resources, or at least all resources of major economic importance, in accordance with a general economic plan. It is, however, no less clear that, where Socialism is introduced by stages and in a constitutional way, the economic system is bound to pass through a transition during which it is partly planned while it is still partly left to the unco-ordinated activities of private capitalist enterprise. There must, indeed, be many such stages, through which the planned sector of the economy will be progressively enlarged until it comes to cover all the key positions of the economic system as a whole.

This book does not purport to deal at all with the organization of a completely planned economic system. I am considering, not the task of reorganizing British economic life on a thoroughgoing socialist foundation, but what ought to be done by an incoming parliamentary Government determined to introduce, at the very outset, the largest practicable amount of planning and of social ownership and control. Accordingly, the following suggestions are to be interpreted as relevant mainly to the situation which would face an incoming Government of this type: and consideration is given to the more fundamental forms of economic reorganization which would have to come later on only to the extent to which it is indispensable that the

initial steps shall be taken in such a way as to facilitate the development of Socialism.

It seems best to begin by stating clearly the assumptions upon which this book is based. It assumes, in the first place, a Government returned to office with a majority in the House of Commons and with a mandate authorizing it to extend considerably the sphere of economic planning and public control, but not so as to dislocate the existing system in those spheres of activity which are not immediately reorganized or controlled. It assumes that this incoming Government will need to avoid any action likely to cause widespread unemployment by upsetting the existing economic arrangements before it is in a position to make alternative arrangements of its own. This, of course, means that the Government must be prepared, if necessity arises, to take measures to counteract any form of capitalist sabotage.

Secondly, it is assumed that in their broad essentials the structure of Parliament, the Cabinet system, and the organization of the Civil Service remain unchanged. It may indeed be desirable, at a fairly early stage, to undertake a fairly large measure of Cabinet reorganization, involving corresponding changes in the structure and working of the Civil Service. It will, however, be difficult for an incoming Government to attempt any comprehensive reorganization in these fields at the very beginning; and accordingly it will be necessary to bring some sort of planning machinery into existence with at the most only secondary initial changes in Cabinet structure, or in the distribution of functions between existing government departments and agencies.

It is, however, indispensable for the incoming Government, among its very earliest measures, to create some sort of preliminary machinery for the co-ordination of economic planning. Whatever it may be doing simultaneously towards the reorganization of particular industries or services, it would be disastrous if its measures in these various fields were handled in isolation one from another, as such measures usually have been in the past, or out of relationship to the general problem of economic development, full employment, and the raising of the standard of life. Moreover, it will be much easier to work out a system of priorities for the tackling of urgent economic issues if there exists some co-ordinating body responsible for studying both the interrelated working of the various parts of the economic system as it is, and the reactions which changes introduced into one part of it are likely to have on the others.

It is sometimes argued that this is the wrong way of beginning, and that the Government should content itself at the outset with tackling particular problems, and should not attempt to set up any central machinery for economic planning until considerably later. There are, however, cogent reasons for rejecting this contention. If new organs of control are established piecemeal, without any co-ordinating principle or authority, it may prove exceedingly difficult to make them fit in later with any general scheme of planning, or to ensure that each separate service makes its appropriate contribution to the general plan. It is not suggested that the various agencies set up for particular purposes should be uniformly organized. But the more diverse they

are, the greater is the need for some central body influential enough to co-ordinate their work.

Nor is this all. Any general economic plan involves, especially in its early stages, an authority wide enough in scope to bring under review the working not merely of such special agencies as may be created for the planned control of this or that particular service, but also of industry and business as a whole. One of the most valuable functions of the central planning organization will be to keep a careful eye on the operation of those industries and services which it is *not* proposed immediately to take over or to reorganize under some form of public control.

On these grounds, it is indispensable that the Government should promptly set up some form of central machinery for economic planning, in addition to special bodies for the administration or supervision of particular industries or services. But clearly such machinery as can be established at this preliminary stage can be no more than provisional, and can be endowed with but a fraction of the powers and functions which it will be necessary for a developed planning organization to acquire. It is, however, none the less important to ensure that the initial machinery shall be organized in such a way that it will be easy to add to it further functions from time to time, and to work it in with later changes in the general structure both of the Cabinet and of the parliamentary and administrative machines.

CHAPTER II

EXISTING POWERS

IT is, of course, a highly relevant fact that the Government, through the various civil service departments and through a number of *ad hoc* agencies, is already exercising a very wide range of economic powers. As matters stand, these numerous powers and functions are being exercised by the various agencies responsible for them with very little co-ordination beyond the financial control possessed by the Treasury over the day-to-day activities of most government departments, and of some but not all of the *ad hoc* agencies acting under public auspices. Evidently it will be of the greatest importance for the Government to consider at the outset how far certain of these existing powers should be transferred or brought into closer relation to the work of the contemplated planning organization. It will, however, in view of the manifest need for getting rapid results, be wise to reduce transfers of this sort to a minimum in the earliest stages, and to work as far as possible through existing agencies, even where they are certain to need reorganization later on. Changes in departmental organization are bound to take time; and the incoming Government will have none to spare for what is less than indispensable. In the main, then, it will have to take the administrative system as it finds it.

These existing powers of the Government and its agencies are of very varying character. They include

the direct operation by the State of certain large-scale services such as the Post Office and the productive activities of the Office of Works, the Stationery Office, and the three Service departments, over which a co-ordinating Minister already possesses some degree of control. They include further the authority exercised by the Government over such public or semi-public corporations as the London Passenger Transport Board, the British Broadcasting Corporation, the Central Electricity Board, the Port of London Authority, the Forestry Commission and certain lesser bodies administering actual productive services. They include again numerous supervisory activities over industries and services which remain in private ownership. The control exerted by the State over the railways through the Railway Rates Tribunal, the powers of the Electricity Commissioners and the Railway and Canal Commission, and the influence of the Import Duties Advisory Committee over the steel and other industries may be cited as examples of State control at present exercised by bodies which are at any rate in theory independent of the Government of the day. There is also in a different field the key influence exerted by the Treasury over the Bank of England—an influence which has been greatly strengthened by the institution of the Exchange Equalisation Fund under the direct control of the Government.

In a somewhat different sphere there is the wide authority over local government affairs exercised chiefly through the Ministry of Health and the Board of Education. Economically, this control is of special importance in relation to housing and other forms

of building, including the building of schools and other public institutions; and accordingly it occupies a key position in relation to any policy of public works designed to combat depression. Then there is the widespread supervisory activity of the Ministry of Transport in relation to roads and road transport agencies—an activity which has assumed still wider importance as a result of the institution of a national road system. The Ministry of Agriculture has its growing responsibility in relation to the structure and working of the various marketing schemes; the Department of Overseas Trade is responsible, jointly with the Foreign Office, for the consular services, and has many important economic functions in connection with export credits and commercial openings abroad; and the Board of Trade, through its numerous sub-departments, is concerned with the control of shipping and other industries as well as with the negotiation of trade treaties and agreements, which exercise a considerable influence on the distribution of British productive activity through their effects on British international trade.

Finally, there are the extensive social service and welfare activities carried on under the Acts relating to Social Insurance, Factories and Workshops, Mines, Trade Boards, Agricultural Wages, Food Adulteration and many other matters.

It would clearly be undesirable, even if it were possible, to attempt to co-ordinate most of these numerous activities under the auspices of any sort of planning machinery which could be set up at the initial stage of the new policy. But however small the direct functions of the new planning organization

may be at the outset, it is of the first importance that it should be in a position to receive full and prompt information concerning all governmental or semi-governmental activities affecting the economic life of the community; for without this information it cannot even make a beginning with its task of coordinated planning. This indicates two necessities—first that the new planning organization ought to be equipped with a thoroughly adequate research and information department, in close contact with the work of all the government departments concerned with economic affairs, and secondly that the new organization must possess from the very beginning a status so unquestionably high that its right to be kept fully informed and to tender expert advice about current activities and pending developments cannot be challenged.

CHAPTER III

BASIC PRINCIPLES

IF this book deals only with planning upon a national scale, that is not because its author is unmindful that Socialism is essentially international, but simply because it is futile to discuss all things at once.¹ However international our conception of Socialism may be, our primary task is to plan its introduction into our own country, and to work out our particular part of the coming world order of Socialism. Doubtless, the planning of Socialism on a national scale itself involves the planning of the relations between one country and another; and therefore national economic planning for Socialism involves the planning of international trade and exchange. But I am here dealing exclusively with the planning of the economic activities of society upon a national scale. This necessarily includes the planning of foreign trade in certain of its aspects; but even this is considered only by the way. The object of this study is to discuss the planning of home production and the satisfaction of the home consumers' wants, or rather, the actual organization requisite for these purposes. It deals, moreover—let there be no mistake—not with planning in Utopia,

¹ Separate studies are in preparation by the Planning Section of N.F.R.B., dealing with the planning of foreign trade and of retail distribution. This is why these two vital matters are not discussed in this book, though they are obviously closely related to the questions which are dealt with, and the conclusions reached upon them may affect some of the proposals herein advanced.

or for a completely socialist society, but only with so much planning as can reasonably be expected to be introduced by a Socialist Government, acting along parliamentary lines, within a few years of taking office.

But, before I come to my main task, I must make certain broad generalizations in order to clear the ground. Socialism, as an economic system, involves the planned distribution of the available resources of production in such ways as will best serve the welfare and happiness of the people. This in turn involves that certain fundamental decisions must be collectively and democratically made. Under Socialism the people will have to settle collectively the relative worth to be assigned to greater production and to greater leisure. They will have to decide, by democratic means, how long and, broadly, how hard they are prepared to work, by setting general limits to the length of the working day and to the intensity and character of the labour that is to be looked for within its limits. The first of these decisions is, of course, a very much simpler matter than the second; for a maximum working day and week can be laid down by law either generally, or for particular occupations or industries, in accordance with their specific conditions, whereas the intensity of labour depends partly on the conditions of organization and discipline in each particular group, partly on the individual workers, and partly, and to a growing extent, on the technical character of machine production.

In the second place—and this is what most people think of instinctively as the primary characteristic

of a planned economy—there will have to be a collective decision, or series of decisions, about what is to be produced, or in other words about the uses to which the productive resources of the community are to be applied. This involves two distinct problems. It has to be settled how much of the available productive power is to be devoted to the supplying of goods and services for current consumption, and how much to the production of capital goods with a view to the better supplying of future needs; and further, within these two categories it has to be settled what things are to be produced in preference to others—for there are many different kinds both of consumers' goods and services, and of capital goods. The decisions which lead to the production of capital goods as distinct from consumers' goods may be termed decisions as to investment; and under Socialism either the Government or some agency acting under its authority will have actually to take these decisions and to become itself in effect the responsible 'owner' of the capital goods which it orders to be produced.

On the other hand, consumers' goods, unlike capital goods, are destined to pass into the possession of the individual citizens, and by them to be used up. Accordingly the planning authority cannot decide what consumers' goods can best be produced except in relation to the consumers' wishes. The State may, indeed, decide to encourage some forms of consumption among the citizens, and to discourage, or even prohibit, others. It may decide to supply some types of goods and services free of charge either in limited quantities or without limit. But as far as the

vast majority of goods and services are concerned, the State's aim will presumably be, not to stimulate consumption of one thing as against another, but to give the various consumers what they most want. In other words, the output of the various types of consumers' goods will be planned mainly in response to the consumers' actual or expected demands.

The consumers' demands, however, depend upon the prices charged for the various goods and services, and also upon the way in which incomes are distributed. A community in which every individual or every family possessed an equal income would have a very different schedule of demands from one in which there exist large inequalities of purchasing power between different classes. And every shift in relative prices of different goods involves, given the distribution of incomes, a different schedule of demands for the various types of goods and services.

Accordingly, the planning of what is to be produced is intimately connected with two other aspects of planning—with the distribution of incomes in the community and with the method of pricing different types of goods. A further essential aspect of planning is accordingly the planning of incomes—the determination of the general principles which are to govern the distribution of incomes, whether they are paid out as rewards for work done or in any other way. And yet another essential aspect of planning is the adjustment and control of prices—the determination of the general principles on which prices are to be fixed or regulated for the various kinds of goods and services. This last question is, further, bound up with the question whether, in fixing the

prices of socially controlled products, account is to be taken of the amounts of capital used up in producing the various goods and services, and of the time over which this capital is locked up in the various productive processes. In other words, are things to be priced in accordance with their respective costs of production, so as to include capital costs, and, if so, are capital costs to be regarded as including a rate of interest on the capital used in production ?

This book makes no attempt to provide any complete answers to these fundamental questions, which are for the most part answerable only experimentally—by actually trying out alternative solutions, and seeing which works best. They are set down here simply in order to indicate the types of problem with which the machinery of a planned socialist society will have to deal, and because it is necessary to bear them in mind in devising the appropriate machinery even at the very beginning. They may be summed up broadly as follows:

1. Where is the line to be drawn between work and leisure and between reasonable and unreasonable intensity of work ?
2. What proportion of the available productive resources is to be devoted to satisfying the current needs and demands of the consumers, and what proportion to investment with a view to future needs and demands ?
3. Within these two groups, how much is to be produced of one kind of thing in preference to another, i.e. what forms and amounts of capital

investment are to be authorized with a view to future production, and what kinds and amounts of goods and services are to be supplied for immediate consumption ?

4. What principles are to govern the distribution of incomes, including both incomes paid out as a return for work, and incomes of other sorts ?
5. What principles are to govern the pricing of the various types of goods and services, and what prices (i.e. rates of interest), if any, are to be set upon the use of capital ?

To these five questions I may now proceed to add another, which I have set out apart because it relates, not to the real resources of production, but to the tokens in terms of which incomes are paid out and goods and services bought and sold.

6. What is to be the monetary system of the community, and on what principles is the supply of money for various uses to be determined ?

The planning machinery of a completely socialist society would have to include agencies for the definitive answering of all these questions. In effect, the answer to each question would be bound up with the answers given to the rest; and in most cases the finding of the right answers would involve, not arbitrary decision by a central planning authority, but constant adjustment of decisions in the light of actual experience and changing conditions, and constant collaboration between the central planning agencies and the sectional bodies—local as

well as national—directly concerned with the actual execution of the various parts of the plan.

An incoming Socialist Government, however, would obviously not need to face at the outset more than a small part of this comprehensive task. It would not be taking over the whole economic system, but only certain key positions of control. It would have no power to determine, in any complete sense, how much should be invested or consumed, or exactly what should be produced, or how incomes should be distributed, or what prices should be charged for all the various goods and services. It would only be setting about the task of establishing a form of economic organization which could, later on, be so developed as to deal with all these matters in a more comprehensive way. I shall, therefore, in relation to the six problems which I have set down, ask only how far it would be requisite for an incoming Socialist Government to create special agencies for dealing with them at an early stage in its career—say within the life of a single Parliament, or at most within six or seven years of its first assumption of office.

CHAPTER IV

WORK AND LEISURE

THE permitted hours of labour, and the minimum assured provision of leisure, are already dealt with by legislation covering a large number of occupations, as well as by collective agreements in most organized trades. But a Socialist Government would at an early stage need to pass further legislation laying down a maximum working week of substantially shorter duration than the Factory Acts at present provide for. The Government might adopt the forty-hour week, or some reasonable modification of it. It would also be likely to pass legislation dealing with paid holidays, and with the hours of labour in occupations which are at present outside the scope of legal regulation.

The question of the intensity of labour could hardly be dealt with in this simple way. But the question is of the first importance in view of the tendency to greater and greater speeding up which modern forms of mechanization involve. The Government might well, therefore, develop the Industrial Fatigue Research Board and give it a continuous mandate to inquire into and report upon working conditions in the various occupations from the standpoint of their effects on health and happiness, and of the nervous strain involved in them; and the Board might be given power to recommend to the Government either changes in working conditions or special reductions in hours of labour

wherever unsatisfactory signs of fatigue or overstrain were found to exist.

The Government would also presumably raise the school leaving age at once effectively to 15, and after notice to 16, thus reducing the supply of juvenile labour. It would also be pledged to introduce a system of retiring pensions for elderly workers on an adequate living scale, and thus take a further body of workers off the labour market. These reforms are mentioned here as affecting the total supply of productive resources and therefore as basic to the formulation of any sort of economic plan. It does not, however, seem necessary to discuss them further, as they raise no problems concerned with the types of planning machinery that will need to be set up.

CHAPTER V

CONSUMPTION AND INVESTMENT

THE total of new investment is determined at present (*a*) by the decisions of business firms to apply part of their profits to the increase of their capital resources or to raise money from members of the public who have resources available for lending or investment; (*b*) by the use made of the funds at their disposal by banks, insurance companies, and other specialist financial agencies; and (*c*) by the decisions of public bodies to finance capital works out of either current revenue or borrowing.

From the gross total of new investments there must be deducted, in order to arrive at the net total, any deterioration of the existing capital not covered by replacements charged against the costs of production, or otherwise provided for before net incomes are ascertained.

It is pertinent at this point to observe that the growth of huge reserves accumulated out of profits in the hands of great business concerns, the vast sums available for investment in the hands of insurance companies and other financial agencies, and the part played by banks and issuing houses in directing the course of investment, have resulted in a remarkable centralization of the process of capital accumulation. The small saver plays nowadays only a very small part in determining the uses to which his money is to be put—and in view of his financial inexperience, often not a wise one. As far as investment

is privately controlled, its direction is settled very largely by a quite small number of persons and agencies, who are able to manipulate the money of the smaller investors to suit their own interests—interests which by no means necessarily coincide with the public good.

In a completely socialist community, all investment would be a collective concern, and incomes for current spending would presumably be distributed to individuals only after the determined appropriations for investment had been made. But in the transitional stage which is now in question, this would not be the case. Privately owned businesses would still be building up and investing reserves, and individuals would still be saving and investing some part of their incomes. Insurance companies and financial agencies would still be in command of large masses of capital. Banks would still be making advances for working and sometimes also for fixed capital; and public authorities would still be financing capital works out of taxes or loans.

Clearly it would be indispensable to create at once some sort of authority able to influence to some extent the form and direction of these types of investment. The proposal commonly made is that the Government should set up a National Investment Board with powers which, even if they were small at the outset, could be rapidly increased as it became practicable to exert a larger measure of control over the capital market.

It is not easy to lay down either the precise powers with which a National Investment Board should be armed at the outset, or what should be its

relationship to the various existing bodies, public and private, which are already concerned in one way or another with questions of investment policy. It would be possible to construct an elaborate schedule of powers and duties which the National Investment Board might be called upon to assume, or to co-ordinate where they were to be actually exercised by other agencies. But any such list would tend to suggest either too little, or too much. It would suggest too much, if it enumerated all the duties which a National Investment Board *might* be called upon to assume, even at a comparatively early stage; and it would suggest too little if it mentioned only those duties which would certainly be entrusted to the Board.

It seems best, therefore, instead of an enumeration, to deal only with the main problems relating to investment with which a Socialist Government would have to concern itself, without attempting to lay down dogmatically which of them should fall under the care of the National Investment Board and which should be left or placed in other hands.

A distinction can usefully be drawn between what may be called negative powers of control on the one hand, and positive powers of administration on the other. Negative powers relate mainly to the control of the investment market, as it now exists, and positive powers to the actual raising of money needed for public purposes or in connection with the Government's economic plans.

Negatively, the following questions appear to be of special importance:

- (a) the control of foreign lending;

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- (b) the control of new public issues of capital by joint stock companies, and of 'offers for sale' of shares or bonds;
 - (c) the control of new issues made by municipalities, or by public corporations such as the Central Electricity Board;
 - (d) the supervision of the policy of joint stock banks in making advances for industrial development or purposes connected therewith;
 - (e) the supervision of insurance companies, in respect of the investment of their funds;
 - (f) the supervision of joint stock companies, from the standpoint of ensuring adequate disclosure of their affairs in accordance with the Companies Acts;
 - (g) the prevention of share-pushing.

Of these duties, any of which might appropriately at some point be entrusted to the National Investment Board, (a) is at present in the hands of the Treasury, acting on the advice of a Foreign Investments Committee representing the Bank of England, the Stock Exchange, and other financial agencies. The easiest course would be to leave the power of regulation temporarily where it is, merely altering the composition of the committee so as to make it more representative of the public interest, and to include on it representatives of the National Investment Board; and perhaps also to extend its competence to include short-term as well as long-term lending abroad.

(b) and (c) at present fall to a considerable extent under the *de facto* control of the Bank of England; and there is no essential reason why they should not

remain where they are, on the assumption that the Bank is nationalized at an early stage. It might, however, be preferable to transfer the control of municipal and other public issues (or rather the power to advise as to their terms and dates of issue) from the Bank directly to the National Investment Board, while leaving the Bank to advise as to private issues, which its *de facto* authority over the private issuing houses gives it a special ability to control. The Bank should, however, act in close consultation with the National Investment Board, which would thus immediately acquire the function of an advisory body dealing with the whole field of public joint stock issues.

(d), the power to influence the lending policy of the joint stock banks, would also be exercised most appropriately through the nationalized Bank of England, acting here again in close consultation with the N.I.B.

(e), the supervision of insurance companies' investment policy, should, I think, be taken over at once by the N.I.B., pending the nationalization of the insurance business, on which the N.I.B. might well be asked to prepare an immediate report as a basis for government action.

(f) and (g), relating to the control of joint stock company abuses, would be better left for the time being in the hands of the Board of Trade, armed with larger powers under an amended Companies Act.

Thus, in this field of negative control, the National Investment Board could start with the power to advise upon municipal and other public corporation

issues of capital, and with the function of consulting with the Bank of England and the Treasury on a number of other matters, without assuming any definite responsibility for them.

In the field of positive control, the matters of special importance include the following:

- (h) the making of public issues of capital, in order to provide a fund available for investment in enterprises necessary for the development of the Government's economic plan;
- (i) the guaranteeing of interest (and/or principal) on new issues made by public bodies, or by public utility concerns, for approved purposes connected with the economic plan;
- (j) the subscribing of capital, out of the funds raised under (h), for any approved purpose connected with the economic plan;
- (k) the establishment and financing of agencies for particular purposes, such as the development of new industries in the depressed areas, the reorganization of depressed or disorganized industries, or the financing of import boards or marketing schemes;
- (l) the holding of reserves of capital accumulated by the Government in prosperous years, in order to form a Development Fund to be used in times of bad trade for public works designed to counteract fluctuations in the volume of employment.

It is upon this group of positive powers that the usefulness of a National Investment Board must chiefly depend. The power (h) to raise capital from the public, on the basis of the Government's credit,

and to apply these sums to investment in enterprises essential to the Government's economic plans, is indeed the central function which the N.I.B. should assume. This power might in fact be used sparingly at first; but it is plainly capable of immense development as the Board gains experience and the Government's plans mature.

The power (*i*) to guarantee new issues made by certain public or semi-public bodies resides at present in the Treasury, and might well remain there, subject to consultation with the N.I.B., which should have power to recommend its exercise in any particular case.

The powers (*j*), (*k*) and (*l*) are logical developments of the power to raise money from the public for reinvestment in approved forms of enterprise. They, too, would probably be used at the outset only to a limited extent; but their use could be extended later to any degree that might seem desirable.

This list of duties is intended to give the National Investment Board, from the outset, the chance gradually to acquire a key position in the control and operation of capitalist finance, and also a considerable power to influence the course of investment in new enterprises. It is, of course, clear that these powers would need to be used only experimentally in the early stages. Their use could, in effect, be developed gradually; and many of them might be relegated in detail to subsidiary agencies. But it is important that the National Investment Board should possess an influence (often in a merely advisory capacity) over a wide field, even if, in fact, a considerable proportion of the duties relating to

the control of investment would in practice continue to be administered by other bodies, such as the Treasury and the Bank of England.

Clearly the National Investment Board, operating within these limits, would not be in a position to determine what proportion of the available productive resources should be devoted to investment, as against current spending. It would have no power to enforce any sort of 'saving' upon the community—only a limited power to influence the direction of investment, both by favouring some forms as against others, and by itself entering the capital market as a borrower, and thereafter relending the borrowed money in accordance with the Government's plan of economic development, which would become with time and experience more extensive in its scope.

Under the conditions envisaged, for some time, the major part of current investment would continue to be made, as at present, either by businesses out of reserved profits, or by private purchases of new securities offered for sale, or by the action of public bodies such as local authorities, or public boards or corporations. The difference would be that most of these forms of investment would come under co-ordinated review, and in some cases under the requirement of prior authorization by some official agency—though it might of course be decided to give general authorization to certain kinds of investment—for example, local loans for housing or other public purposes. Only by stages would the Board itself become a large borrower and investor on its own account.

It remains to consider how the National Investment Board should be constituted, and what should be its relations to the Government. It seems clear that it would have to be a small and expert, and not a representative, body, and that it would have to consist of suitably qualified persons who would give the whole of their time to its work. It would of course be indispensable to insist that its members should have no private interests which might conflict with their duty of public judgment. Accordingly the appropriate method of appointment would be that the members of the Board should be chosen by the Government, without any limitation on the range of choice, beyond the requirement that any person chosen would have to renounce any previous connection with the conduct of private business.

It would, of course, be possible to constitute, side by side with this board of experts, some sort of advisory council representing the various interests and groups most closely connected with the work of the Board. But it would be very difficult to find a satisfactory basis of representation for such a body; and it seems better to leave the Board full freedom to consult with the representatives of any interest or group affected by its projects or decisions, without creating any official body for this purpose.

The Minister chiefly responsible for the co-ordination of economic policy—who he should be is discussed later on in this book—should, I think, be *ex officio* President of the National Investment Board, with power to attend its meetings on important occasions, and with responsibility in Parliament for its proceedings. But normally the

Minister would obviously have no time to attend the Board, which would be presided over by a chairman, acting as his deputy. One possibility would be to lay down, in order to safeguard parliamentary control, that this chairman should be a Member of Parliament, with the rank of a Parliamentary Secretary to the Minister; but, in view of the highly technical functions of the Board, it might be better to have an expert chairman unconnected with Parliament, while making provision for someone, with the rank of a junior Minister, who would answer questions in Parliament relative to the work of the Board. The Minister should have power at any time to issue instructions to the Board upon matters of policy, and to disallow any of its decisions. The Board should be, in form, an advisory body, and its functions in effect should be not to determine general policy, but rather to apply in detail the policy approved and authorized by the Government in power. This is indispensable, if the Board is to serve as one of the instruments of a coherent policy of economic planning.

I shall discuss somewhat more fully at a later stage the relations between the National Investment Board and the Government, when I come to consider the machinery of planning as a whole.

CHAPTER VI

THE DISTRIBUTION OF INCOMES

JUST as an incoming Socialist Government cannot immediately acquire power to control the relative levels of consumption and investment, so it cannot at once assume any general control over the distribution of incomes. It will inherit a system of distribution which its members will regard as unjust, and will desire to modify as speedily as possible in the direction of greater equality. It will aim at doing this in a variety of ways—by raising wages and improving and extending social services, by remodelling the systems of taxation and local rates so as to make them less regressive, by preventing excessive profits, and by keeping rates of interest at the lowest practicable level.

Obviously, this book is not the appropriate place for a discussion of the steps to be taken in these various fields. I am concerned here with the distribution of incomes only in so far as it is directly relevant to a consideration of the machinery of economic planning. In other words, it is necessary to consider whether it would be expedient to establish any general body to review, and within limits influence, the distribution of incomes on lines analogous to the control over investments to be gradually taken over by the National Investment Board.

In the first place, there is the question of wages. At present, the Ministry of Labour is responsible for

the collection of data concerning wages and earnings over a wide range of occupations; but it would be desirable to have fuller and more frequent information about actual earnings over the widest possible field, in order to be able to measure more accurately both fluctuations in the total purchasing power in the hands of the workers, and its distribution, and to see more clearly where serious cases of underpayment and under-employment exist. The collection of the required data should clearly be entrusted to the Ministry of Labour, which possesses the necessary experience and expert supervisory staff. But it would be desirable to have some authority which, on the basis of the data thus collected, could report regularly on the wage situation as a whole, so as to draw attention to the 'black spots,' and propose legislative changes, or the extended use of existing powers, or the institution of public inquiries into particular industries with a view to action. This additional function could suitably be handed over to a strengthened Industrial Court, which would, of course, also retain its function as a voluntary court of arbitration open to any disputants who might choose to submit their affairs to its judgment.

But something more will be needed than information, and the fuller use of existing powers. While many of the more sweated trades are now covered by trade boards, there remain both a large number of miscellaneous occupations which are outside the scope of wage regulation, or of effective collective bargaining; and there are also, in trades which are on the whole better paid, patches of underpaid, and even sweated, labour. This gap in wage regulation,

and the unco-ordinated character of the trade board system, seem to make it desirable to constitute, under the Ministry of Labour, some more general authority for dealing with cases of low wages. This could be done by setting up a Minimum Wage Commission, with power (*a*) in trades outside the scope of trade board regulation, but suffering from sweated conditions, to fix minimum wages after hearing representatives of the parties, with the same compulsory powers as are at present exercised by trade boards, and (*b*) to recommend to the Ministry of Labour the creation of additional trade boards.

The powers of both the proposed Minimum Wage Commission and the Industrial Court, and also of boards under the Trade Boards Acts, could be made to extend to the regulation of hours of labour as well as to wages; and it should be one of the duties of the Commission or of the Industrial Court to hear applications for the modification or relaxation in particular trades of any general regulation fixed by law—such as the general enactment of the forty-hour week.

In addition, there seems to be special need, under present conditions of increasing mechanization, for the existence of a body instructed to report regularly upon the effects on health and welfare of the conditions of work in the various occupations, and to conduct special investigations into all occupations in which there are allegations of overwork or overstrain, or unsatisfactory working conditions. An authority of this kind could be created, as we have seen, by an extension of the personnel and functions of the Industrial Fatigue Research Board, or perhaps

at a later stage by bringing this body, together with the Factories and Mines Inspection Services, under a common co-ordinating authority. Alternatively, there could be created, as soon as the circumstances seemed ripe for it, a General Industrial Welfare Board, to which all the bodies dealing with the regulation of wages and conditions could be attached. This Board would then become a department of the Ministry of Labour, with the Minister of Labour as *ex officio* President and a Parliamentary Chairman on the lines already considered in the case of the National Investment Board.

At a subsequent stage of socialist planning, this body, assisted by an advisory council representing the trade unions, the Co-operative Movement, and the socialized industries and services, might well develop into the responsible authority for the final determination of wages and conditions of work throughout the economic system.

The regulation of wages, however, is only one aspect of the distribution of incomes. It would, I believe, be a great advantage if there existed a body with the duty of reporting regularly upon the size, character and distribution of the national income, the nature and effects of the tax system, the influence of the social services on redistribution of incomes, and the current levels of consumption. The duties of such a body—at any rate at the beginning—would be purely those of statistical investigation and report—the co-ordination and supplementation, when necessary, of data which would continue to be collected by a number of different agencies, ranging from the Commissioners of Inland Revenue,

and Customs and Excise, to the Registrar-General, and the Office of the Census of Production. The suggestion would involve making the Census of Production a continuous, instead of an occasional, affair, and also widening its scope to include economic services, such as Transport and Distribution, as well as Mining and Manufacture. It would involve making all departmental information fully available to the reporting authority, which could then produce an annual report upon the condition of the people, analogous in certain respects to the 'Progress of India' reports issued by the Indian Government.

Clearly, this would involve the development of an adequately staffed central statistical office, with which existing statistical agencies would have to be brought into close relationship. The development of such an office, under the direction of a reporting body of the type here proposed, would be one of the most important preliminary steps towards the preparation for any sort of effective economic plan. The work could probably best be placed in the hands of a single responsible officer, aided by expert subordinates, and also by an advisory council of experts engaged in various fields of economic activity or research. The responsible officer should be a civil servant of high standing (though he might of course be chosen from outside the Service), and should be directly attached, with his office, to the Minister chiefly responsible for the consideration of economic policy. This office could in process of time become the statistical branch of a fully developed department for economic planning.

CHAPTER VII

SOCIALIZATION

IT does not fall within the scope of this study to consider the socialization of particular industries or services, but only the general conditions under which socialized enterprises should be co-ordinated in accordance with the requirements of an economic plan. Obviously, the placing of each socialized service under an entirely independent administration is inconsistent with any sort of planning. Unless socialized enterprises are to reproduce many of the defects of planless capitalism, there must be some sort of co-ordinating authority to which the bodies controlling the various services can be made responsible in matters of general policy, however much independence they may be given in matters of day-to-day administration.

Where industries or services have been socialized under capitalist Governments, every effort has been made to defeat the possibility of planned control by making the bodies set up for their conduct independent of any co-ordinating authority. The Minister of Transport has only a very limited control over the Central Electricity Board. The Government has more control, at any rate in theory, over the Electricity Commissioners, who are in effect almost a department of the Board of Trade; but their duties are supervisory and judicial rather than administrative. In the case of the London Passenger Transport Board, the Minister has hardly any control

at all, and even the members of the Board are appointed in such a way as to exclude all possibility of effective government supervision.

Clearly this will not serve, from the standpoint of any government which aims at introducing a planned system, and advancing towards socialist planning at the quickest possible rate. The methods of appointing and controlling the boards of existing socialized services will have to be entirely recast, so as to fit in with the requirements of a planned system, and new boards will have to be set up and controlled in quite different ways from those which have been established by capitalist Governments.

One question which immediately arises is whether there should be separate boards for each socialized industry or service, all these boards being directly linked together under some general planning authority, or whether industries or services should be grouped, so that each group would have a supervising authority in addition to the administrative boards set up for the actual management of each separate service.

At any rate in certain instances, the second method is to be preferred. Each service will, of course, need a separate board of management; but it seems to be clearly desirable that, for the whole of the services dealing with coal and power supply, there should be a common controlling authority, capable of exercising a co-ordinating supervision over the policies of the separate managing boards covering coal, electricity, gas, oil (including oil from coal), and other related services. Similarly there should be a common authority for transport, supervising the

work and directing the policy of the boards or other authorities responsible for railways, road transport for both passengers and goods, air transport, inland waterways and coastwise shipping, docks and harbours, and road construction and maintenance services. It is a matter for further consideration whether ocean-going shipping should also be brought within the scope of this same co-ordinating body, or left under the auspices of the Board of Trade, which has been responsible for it since the abolition of the separate Ministry of Shipping created during the war.

This function of co-ordinating the various boards entrusted with the conduct of particular services could be remitted, at the outset, to the government departments which are already in some degree responsible for the services concerned. Thus, the Ministry of Transport would be the natural authority to take over the co-ordinating control of the whole range of transport services; and the co-ordination of coal and power could be entrusted to the same Ministry (which has already certain important powers in connection with electricity). If this were done, the department of the Secretary for Mines would presumably be transferred (as the control of electricity has been already) from the Board of Trade to the Ministry of Transport, which would be developed into a Ministry of Transport and Power.

The Minister, if he thought fit, could at any stage delegate his functions—subject always to his own final control and responsibility—to special bodies. Thus, it might be decided to set up—but not necessarily at once—a Transport Commission and a Coal

and Power Commission with the duty of co-ordinating these two main sections of the Ministry's work. In any case, it would almost certainly be necessary for the Minister of Transport to have under him two Parliamentary Under-Secretaries—one, who would replace the Secretary for Mines, specializing on questions of Coal and Power, and the other on questions of Transport. If it were decided to set up co-ordinating Commissions for these two groups of services, the two Under-Secretaries would take charge, under the Minister, of the work of these bodies.

Other industries, as they were either socialized or brought under some measure of public control, would presumably be made subject to the co-ordinating authority of the President of the Board of Trade, who would appoint the members of the boards entrusted with the work of management or control. In this case also, it might be found desirable, though not necessarily at once, to group certain industries (e.g. the metal or the textile trades) under co-ordinating Commissions directly responsible to the Minister.

Similarly, the Minister of Agriculture would acquire the co-ordinating responsibility for all forms of agricultural planning, including the supervision of the various schemes of agricultural marketing; and here again the Minister might decide to set up, sooner or later, some sort of special Commission for the detailed exercise of his powers of co-ordination over the various bodies engaged in day-to-day administration of agricultural planning.

The functions of these co-ordinating Commissions,

if they were set up, would be supervisory and not administrative. It could be one of their most important tasks to prepare schemes for the socialization or reorganization of industries or services falling within their respective spheres. They could, moreover, be responsible, not only for the co-ordination of socialized services, but also for the detailed exercise of such state control as might be instituted over industries or services which still remained in private hands. Thus, detailed co-ordinating control over the various agricultural marketing schemes, subject to the final authority of the Minister of Agriculture, would pass into the hands of the Agricultural Commission.

I am assuming that the boards of management for particular services would, as a rule, consist of full-time public servants chosen on grounds of suitability and competence, and not in a representative capacity. This would not, of course, exclude the choice of trade unionists; but on appointment the persons chosen, whatever their previous positions, would become public servants, and would cease to represent any particular group or interest. It would be desirable that all appointments should rest with the Government, acting through the appropriate Minister; but, if supervisory Commissions of the kind suggested were set up, the Minister might well act as a rule on the advice of the Commission covering the service in question.

The methods to be used in appointing the members of supervisory Commissions have next to be considered. I hold that any such commission had better have as its *ex officio* President a Minister—usually

the head of an existing government department—and as its Chairman a Member of Parliament with the rank of an Assistant Minister or Parliamentary Under-Secretary. This Chairman would in fact normally preside over the Commission, and act as its spokesman in Parliament. It might be necessary in each case to provide for a limited number of full-time commissioners who would be or become civil servants in the same way as the members of the boards of particular industries. But I am inclined to think that the majority of each Commission should consist not of full-time civil servants, but of part-time members, including Members of Parliament, leading trade unionists and co-operators, and other persons chosen on special grounds of personal competence for the work. The proposal to include Members of Parliament I regard as of special importance, because it provides a means of linking the back-bench members with the constructive work of socialist administration, and will facilitate intelligent parliamentary control over economic affairs. All appointments of commissioners would need to be made by the Government—that is, by the appropriate Minister in each particular case.

The existence of a number of Commissions of this type, capable of covering among them, as socialization and social control were extended, the greater part of the economic system, would greatly facilitate the task of building up the new planned economy both by bringing new industries under public ownership and by widening the range of control over non-socialized industries and services. It is not suggested that, at any rate to begin with, the several

Commissions should be linked up one with another, except through the Minister generally responsible for the co-ordination of the Government's economic plan. The need for further co-ordination might emerge at a later stage, but in the phase here considered it seems best to leave the work of co-ordinating the policy of the various groups of industries and services in the hands of the Government itself. How this power should be actually exercised will be considered in a later section.

It is not contemplated that the proposed Commissions should necessarily be set up at once, or that they, any more than the separate boards administering particular services, should have power to make policy save within the general directions of an economic plan laid down by the Government itself. The responsibility for general economic policy must rest with the Government and with Parliament, and not with any *ad hoc* body. Accordingly, the Government, acting through the appropriate Minister, will need to reserve complete power to direct the policy of the Commissions, and to disallow any decisions which run counter to its general economic policy. This is plainly essential to the working of any general economic plan and to the effectiveness of democratic control.

CHAPTER VIII

CONTROL OF NON-SOCIALIZED ENTERPRISES

IT has been suggested that the powers of the Ministers at the head of the various economic departments, and of the proposed co-ordinating economic Commissions, should extend, not only to the supervision of socialized services, but also to the control of non-socialized forms of enterprise. Such control could be exercised either directly by the Minister or by the appropriate Commission, or where any elaborate control was involved, through a special board of control related to the Minister or to the Commission in much the same way as the boards of particular socialized services—but with the difference, that boards of control over non-socialized industries would not necessarily consist exclusively of full-time public servants. For example, if it were decided, without social ownership for the time being, to set up a board of control for the coastwise shipping industry, this body could be made responsible to the Minister of Transport either directly or through the Transport Commission. Similarly, if a Cotton Control Board were set up, it might be made responsible either directly to the Board of Trade, or to a Commission for the Textile Industries, which would itself be subject to the Board of Trade. Control boards of this subordinate type could be set up for different industries with widely varying powers and functions, but it should be a governing principle that each body of this type,

whether its functions were large or small, should in due course be made responsible, wherever possible, to a co-ordinating Commission acting directly as the agent of government policy for the group of industries concerned. Where for any reason this was not done, the board of control would be directly responsible to the appropriate Minister, and the Minister would have to answer for it in Parliament.

Only by thus linking up all industries, whether they were already socialized or still in private hands, under a limited number of co-ordinating ministries or commissions acting under Ministers directly responsible to the Government, can it be possible to advance towards an orderly general economic plan. The alternative of bringing all industries directly under a single co-ordinating authority would prove unworkable; for no one body could possess either the competence or the time required for effective supervision over so wide a field. On the other hand, the independent control of each industry or service by a separate body, without any co-ordinating control, would be a denial of the very basis of a planned economic system.

CHAPTER IX

PRICE CONTROL

ANY developed system of economic planning involves, as we have seen, the control of prices. For demand depends on prices, as well as on the distribution of incomes, and planning of production requires at the same time a planning of the prices at which the various goods and services are to be sold. It is, however, clear that, just as no complete control over the distribution of incomes will be possible at the stage of planning dealt with in this book, so the conditions will exclude any general control over prices. It will be possible to control, to the fullest extent to which it may seem desirable, the price policies of socialized industries and services; but prices in non-socialized industries will at most be brought only under partial control in the earlier stages of the development of the new system.

Where boards of control are established for non-socialized industries and services, their functions should always include the duty of investigation and reporting upon price spreads in these industries at the various stages of production and marketing, and, where necessary, the institution of actual price controls. In the earlier stages, the Government will probably rest content in most cases with detailed studies of capitalist price policies and publication of the results, and actual controls will be imposed only where serious abuses are found to exist. But it is also possible that the Government will decide at

an early stage to offer inducements to producers to supply certain standard types of necessary goods at controlled prices, based on ascertained manufacturing costs, in much the same way as was done during the Great War in the case of 'standard boots,' 'standard suits,' and a few other classes of goods. Where this was done, the boards of control would naturally come to be the bodies responsible for the administration of such schemes, of which the existing 'Milk in Schools' scheme may be regarded as a forerunner.

It is not suggested that there would be, in general, any divergence of state price-fixing policy from the principle of marginal costs. It is clearly desirable that, under Socialism as under any other economic system, the prices of goods and services should usually correspond as nearly as possible to the real cost of producing them, and that departures from this policy should be confined to cases in which, on social grounds, it is desired to encourage or discourage particular types of consumption. Accordingly, the main purpose of price control, as applied to non-socialized services, would be the prevention of monopolistic practices and the penalization of remediable waste and inefficiency. This, however, would not exclude the supply of particular products either generally or to particular classes of consumers at special prices, on grounds of social expediency (e.g. on the lines of the 'Milk in Schools' scheme).

CHAPTER X

MONETARY ORGANIZATION

EVIDENTLY, a planned economy involves a planned monetary system, and a planned control over the supply of means of payment. Socialism involves socialized banking, and the co-ordination of the policy of the socialized banks with other aspects of economic policy. But we cannot assume at the stage we are here considering that banking will be completely socialized. It can be taken for granted that a Socialist Government will speedily convert the Bank of England into a publicly owned corporation, acting under the direct instructions of the Government as the instrument of its general economic policy; and it is of primary importance that the persons responsible for managing the Central Bank shall be full-time public servants responsible to the Government, rather than representatives of particular interests or groups.

If the joint stock banks remain at the outset in private ownership, it will be necessary to ensure their responsiveness to the demands of the Government's economic plan. One way of doing this would be to rely on the authority of the socialized Bank of England to secure the co-operation of the other banks, without introducing any special measures of control. The Bank of England, by virtue of its position as the bankers' bank and its ability to influence credit conditions through bank rate and open market operations, has already considerable power

over the joint stock banks, in respect of the total quantity of credit at their command. It has, however, very little control over the uses which the banks make of this supply of credit. It has no power—though it could, if it chose, exert an influence—in deciding the directions in which credit shall be allowed to expand or be restricted. But some degree of control over the distribution of the available credit is clearly necessary for the successful working of an economic plan.

In my view, the right policy is immediate socialisation of the joint stock banks. If, however, this is deferred for a time, the Bank of England, when it is socialized, should be given legal powers of control over them, at any rate to the extent of regular inspection of their proceedings and the tendering of advice concerning their credit policy. It is not, of course, practicable, as long as the banks remain as private profit-making institutions, to order them to grant or withhold credits in the case of particular businesses. But, short of this, it would be fully possible to entrust the Bank of England with supervisory powers which would give it, in effect, a large influence over their policy.

The danger evidently is that the joint stock banks, disliking the Government and its policy, might be disposed to contract credit, even in face of an expansionist central banking policy, or to withhold it from borrowers whose operations were essential to the Government's economic plans. In the first of these respects, it might be difficult for the joint stock banks to hold out in the long run against pressure from the Bank of England; but they might

do serious damage by restricting credit even for a short time. It would therefore be desirable, even if it were decided not to take power immediately to transfer them to public ownership, to arm the socialized Bank of England or the Treasury with sufficient power to penalize severely any tendency on their part illegitimately to restrict the supply of credit.

But in addition it would be wise to give the socialized Bank of England wide enough powers to enable it, in face of any reluctance to lend, or undesirable discrimination in lending, on the part of the joint stock banks, to establish alternative credit agencies of its own to undertake any sort of banking business—e.g. for medium-term loans, or for financing the reconstruction or expansion of any particular industry. Alternatively, the Treasury could itself establish such agencies, on the lines already followed in the setting up of the Export Credits Department, which has been a highly successful venture in the financing of types of foreign trade, where the joint stock banks were reluctant to supply adequate accommodation.

Measures of this sort, operated in conjunction through the Treasury and the Bank of England, would probably suffice to deal with any immediate tendency on the part of the banks to provoke a financial crisis as soon as a Socialist Government began to put its general policy into effect. It would, however, probably be desirable before long to set up, under the auspices of the Treasury and the socialized Bank of England, some sort of co-ordinating Finance Commission, analogous to the Commissions

proposed for various groups of industries and services, and to give this Commission powers of control over all banks and financial institutions, whether privately or publicly owned. The regulation of the currency and of the conditions relating to the total supply of money and to the management of foreign exchange would doubtless remain in the hands of the Chancellor of the Exchequer with a reorganized Treasury under him; and the functions of the Finance Commission would thus be concerned, not with the total monetary supply or the rates of exchange, but with the policy of the other banks and financial institutions in granting or refusing credit to particular types of applicants, that is, the distribution of credit between different uses in accordance with the requirements of the plan.

It would clearly be essential that the credit policy of the banking system should fit in with the economic policy of the Government, as expressed through the National Investment Board and the ministries, commissions and boards responsible for the various groups of socialized or controlled industries and services. It would be the function of the Finance Commission, acting under government instructions, to secure this correspondence; and, when the existing banks were unable, or failed, to supply the requisite credits, the Commission would either have to ask the Bank of England to establish new agencies, or itself, in consultation with the Bank and the Treasury, to take over existing agencies and remodel them in accordance with the needs of the general economic plan.

The Finance Commission, if it were found

necessary to set it up, would require, like the other Commissions already discussed, a nucleus of full-time members working as public servants. It would have to act, in matters of policy, under the instructions of the Government; and the appropriate Minister, who would preside over it, would have full power to override it. Like the other Commissions, it should have a Chairman, as deputy for the Minister. Presumably the Chancellor of the Exchequer would preside over it, and its Chairman would be a second Financial Secretary to the Treasury, co-equal with the existing Financial Secretary, but specializing upon matters of currency and banking as distinct from budgetary questions. The Finance Commission would probably have, in addition to its full-time members, a majority of part-time members, including both experts in financial matters and back-bench members of Parliament. Its functions would have to include the supervision of financial agencies, such as foreign and colonial banks operating in London, as far as such agencies are concerned with industrial or commercial credit. In respect of the financial activities of the City, it is a matter for further consideration how the functions of supervision should be allocated as between the Finance Commission, when it is brought into being, the National Investment Board, the socialized Bank of England, and the Treasury.

CHAPTER XI

CABINET ORGANIZATION OF PLANNING

REPEATED references have been made during earlier sections of this book to 'the appropriate Minister' or 'the Minister in charge of economic policy.' This vague phrasing was used deliberately in these earlier sections, as it seemed best to leave the discussion of the changes needed to adapt the existing Cabinet system to the conditions of a partly planned economy until an idea had been given of the scope of the planning machinery which the Government would be called upon to co-ordinate and supervise.

I have rejected the notion that it is desirable to place this task of co-ordination in the hands of a single executive Planning Commission, apart from the Government itself. Such a solution would be in practice inconsistent with Cabinet control, or with effective responsibility to Parliament in matters of economic policy. The Government itself must take the clear responsibility for its economic plan as a whole, and must be ready to answer for it at any time in Parliament. This, however, leaves open a number of alternative possibilities. A suggestion that has often been made is that there should be constituted an Economic Committee of the Cabinet, to consist of the Ministers in charge of the principal departments dealing with economic affairs, and that this body should be put in control of the plan, subject

only to final decisions on matters of principle by the Cabinet as a whole, and also subject of course to the over-riding authority of Parliament. A second suggestion is that a Department of Economic Planning should be created, under the direct authority of the Prime Minister, who would leave most of the actual work in connection with it to a specially created Minister of Economic Planning. This Minister, it is suggested, would hold a status comparable in relation to the Prime Minister with that of the Financial Secretary to the Treasury in relation to the Chancellor of the Exchequer, or perhaps higher, to the extent to which a higher standing could be reconciled with his position of responsibility to the Prime Minister for the work of the department. It is, for example, often proposed that the Minister of Planning, even if he were under the Prime Minister, should be a member of the Cabinet. A third suggestion is that the central machinery of planning should be developed inside the Treasury, under the control of the Chancellor of the Exchequer; and yet a fourth is that planning activities should be grouped as far as possible under the Board of Trade. Finally, there is the suggestion that an entirely new Department of Economic Planning should be created, under an independent Cabinet Minister of its own, and not specially under the Prime Minister's direction.

All these proposals present considerable difficulties; and it is not easy to decide what is best. In view of the fact that the activities of economic planning are bound to impinge upon the existing functions of every State department dealing with economic

affairs, there are obviously very great difficulties in the way of setting up a new department of the ordinary sort. It would be impossible and undesirable to transfer all the economic work of the Government to a single department; and in any case the result would be a deplorable topheaviness and congestion of functions. On the other hand, if the new department were not to take over, but merely to be given the task of co-ordinating, the planning activities of a variety of existing departments, there would be obvious dangers of clashing of duties and responsibilities between the new and older departments, as well as of conflicts of policy and jurisdiction between the Minister of Planning and the Ministers at the head of other departments concerned with economic affairs.

We can, on these grounds, reasonably exclude the solution of setting up an independent co-ordinating Ministry of Economic Planning, with a Cabinet Minister other than the Prime Minister at its head. This solution simply could not be made to work without continual friction.

The same difficulties would arise if it were attempted to place the co-ordinating control of all economic planning activities in the hands of the President of the Board of Trade. He could not, for example, over-ride the Minister of Agriculture in relation to the agricultural part of the plan, or the Minister of Labour in relation to wages and conditions, or the Minister of Health in relation to public works executed by local authorities, or finally the Chancellor of the Exchequer and the Treasury in dealing with matters of finance.

On the face of the matter, there is a stronger case for placing the control of planning in the hands of the Chancellor of the Exchequer, with the Treasury as his instrument. Planning will obviously turn very greatly on finance, and the Treasury will in any case have to be consulted in connection with every major development. This, however, appears on further consideration to be a strong reason against making the Treasury the department responsible for planning. The function of the Treasury is to find the money required for the Government's policies, and this enforces upon it a severely critical attitude towards the projects advanced by the various spending departments. It would be a fatal mistake to place upon the Treasury duties which would convert it into a great spending department, responsible for a wide range of constructive services. It cannot at the same time be a great spending department and satisfactorily fulfil its functions of holding the balance between spending departments, as the watchdog of budgetary security and financial stability.

Moreover, the concentration of planning activities in the hands of the Treasury would place upon the Chancellor of the Exchequer a quite intolerable double burden. He has fully enough to do in providing for the raising of tax revenue, keeping a critical eye on the claims of the spending departments, and managing and safeguarding the currency and the exchanges in conjunction with the Bank of England, and through the Exchange Equalisation Fund. If, in addition, he acquires special responsibilities in relation to the joint stock banks and the

financing of industry, his hands will be quite full enough to make it impossible to thrust further duties upon his department. The solution of making the Chancellor of the Exchequer responsible for the co-ordination of economic planning, attractive as it is at first sight, must be ruled out as unworkable.

The proposal to constitute an Economic Committee of the Cabinet and to make this committee the responsible authority for economic planning has also many attractions. It will almost certainly be desirable and necessary to create such a committee, or alternatively to assign certain sessions of the Cabinet entirely to economic business. But a committee of Ministers, however necessary it may be, is by no means all that is required. The co-ordination of planning activities demands, not merely a number of persons of sufficient standing to be able to take decisions upon matters of high policy, but an administrative machine to help them—a body of civil servants thoroughly served with information, and in close daily touch with all the sectional bodies concerned with the day-to-day execution of different parts of the plan. A committee of Ministers, each of whom would have in addition his own department to control, could not possibly take effective charge of a co-ordinating department as well. There must be a Minister of some sort at the head of such a department, and this Minister must not at the same time be burdened with responsibility for the running of another department.

This brings us to the proposal that the central machinery of planning should be developed directly

under the authority of the Prime Minister, in a Prime Minister's Department analogous to that which grew up round the War Cabinet Secretariat between 1914 and 1918. But clearly the Prime Minister would not be able to give, over and above his other functions, more than the most general supervision to such a department. The advantage of placing the Department of Planning directly under the Prime Minister is that he alone could have sufficient authority to settle departmental confusions and conflicts of jurisdiction, and to secure that other departments should work in effectively with the new department.

But clearly this proposal involves the creation, in close relation to the Prime Minister, of a Minister of Planning, subordinate to the Prime Minister, but otherwise ranking on an equality with other departmental Ministers. It would be indispensable, in view of the nature of his duties, that the Minister of Planning, despite his subordination to the Prime Minister, should be a member of the Cabinet—and, of course, of the Cabinet Economic Committee, if such a body were set up. His position would thus be in many respects analogous, though not wholly so, to that of the recently created Minister for the Co-ordination of Defence Services, and he would be related to the Economic Committee of the Cabinet in some degree as the Defence Co-ordination Minister is presumably related to the Committee for Imperial Defence.

The duties of the Department of Planning should, however, be made and kept, as far as possible, supervisory and co-ordinative rather than directly

administrative. The new department should neither take over the administrative economic functions of existing departments, nor usually assume directly administrative functions in relation to the new economic activities of Government agencies developed as instruments of the plan. There is, accordingly, nothing inconsistent between the proposal to create a Department of Planning and the proposal to group as many as possible (but not, of course, all) of the new planning boards and Commissions under the Board of Trade, which would thus become, for example, the department administratively responsible for all forms of industrial and commercial planning, except the regulation of agriculture, transport and power, and labour conditions, and the supervision of the planning work of the local authorities. The President of the Board of Trade would thus become the *ex officio* President of any Commissions proposed for the supervision of groups and industries and services, except the Agricultural and Transport and Power Commissions, which would be presided over by the President of the Board of Agriculture and the Minister of Transport. Moreover, the chairmen of such Commissions would rank as Parliamentary Secretaries of the departments to which their respective bodies were assigned.

This allocation of duties would leave the Minister of Planning free to concern himself with looking ahead, rather than with current administration. To his department would fall the control of the proposed new co-ordinating statistical office, to be developed out of the Economic Advisory Council, and of any machinery established for the purpose of preparing

regular reports upon the working of the economic system and on the economic outlook—with a view, for example, to the advance planning of public works policy and of large projects of economic development. Out of this machinery should naturally grow in due course the organization requisite for the formulation of general economic plans of a more developed and inclusive type than the Government could hope to introduce at the relatively early stage which alone is under consideration in this book.

While, however, this solution—the setting up of a Department of Economic Planning under the direct authority of the Prime Minister, with the assistance of a Minister of Planning with a seat in the Cabinet—seems to me on the whole to be open to less objection than the various alternatives which have been considered in this section, I am very conscious that it does present difficulties, and that many persons will be disposed to prefer one of the other possible courses. Indeed, when the preliminary draft of this book was discussed by a committee of the New Fabian Research Bureau, there appeared to be almost as many different preferences as there were members—not that each member held firmly to a dogmatic view, but rather that each of them saw the difficulties, and did not find it easy to decide which course to prefer. I am, of course, solely responsible for the opinions expressed in this final draft, which in no way commits the N.F.R.B.; but I confess that I have hovered long between the various alternatives before settling which to put forward, and that I do not exclude, even now, the possibility of being induced to change

my mind. I think the proposal here advanced is the best; but if the Government in fact decided to adopt another, that would not upset the rest of the recommendations which this book makes, and would but slightly affect their form.

CHAPTER XII

RELATIONS BETWEEN ECONOMIC AND SOCIAL PLANNING

IN view of the width of the issues involved, I am not attempting in this book to consider the machinery of planning except in its distinctively economic aspects. I have not, therefore, attempted to study how the activities of the predominantly 'social' Ministries—Health and Education—would fit in with the work of economic planning as I have outlined it. The question is, however, obviously of the first importance, in view of the key position occupied by public works in periods of general economic depression, and of the close connection of the 'social' Ministries with the work of the constructional industries in particular. Clearly the Minister of Health will have to be a member of the Economic Committee of the Cabinet, when such a body is set up, and there will have to be almost as close a connection between the Department of Planning and the Ministry of Health as between the former and the predominantly economic Ministries.

Moreover, as the planned distribution of incomes must form an integral part of any coherent economic plan, the 'social' Ministries are directly involved in a second respect. The planning of wage incomes cannot possibly be divorced from the planning of the social services dealing with unemployment, pensions and health. If any system of family allowances were introduced, there would be inevitable repercussions upon the wage system, requiring careful co-ordination

between wage policy in industry and the policies of the departments concerned with the social services. Education, again, is obviously very relevant to economic planning, not only in respect of school building and in its technical aspects, but also as affecting the supply and quality of juvenile labour. I have spoken in the previous section of a Ministry and a Minister of Economic Planning, because economic planning alone is the subject of the present study. But it seems clear that, in practice, the competence of the proposed Ministry would have to extend to social as well as to economic planning.

A further limitation upon the scope of the present book is that it deals entirely with central planning, and does not cover at all the question of regional machinery or of regional devolution. It is, however, evident that these matters are of the first importance. To take only the most obvious example, it is plain that the problem of the depressed areas will have to be handled largely on regional lines. The position of these areas will, of course, be greatly affected by measures adopted nationally for the socialization or reorganization of the basic industries upon which they principally depend. But it is clear that their restoration to economic prosperity depends also upon the development of new industries to replace those which have undergone contraction, and are unlikely ever again to employ the same numbers of workers as they did.

Up to the present, what has been done for the economic restoration of the depressed areas has been placed partly in the hands of the Commissioner for the Special Areas (and of the separate Commissioner

for Scotland), and partly under the auspices of *ad hoc* agencies created for the purpose, such as the Special Areas Reconstruction Finance Company. It is common knowledge that the powers of the Commissioner are still much too restricted for him to be able even to attempt more than a very little towards setting the depressed areas back on their feet, and that the Finance Company has also done very little in relation to the extent of the need. It will obviously be necessary for an incoming Socialist Government to take action on an altogether different scale.

To some extent, the handling of this problem will be a matter for the National Investment Board, to which some control over the localization of the new industries financed by current investment should be assigned. But there will remain the need for regional authorities possessing wide enough powers to enable them to undertake, or to facilitate, on a much larger scale than is possible to-day, the establishment of new industries and enterprises in the depressed areas.

In this connection, one possibility would be that the new Ministry of Planning should take over the parliamentary responsibility for the functions assigned to the Commissioner for the Special Areas, and that the Commissioner should be given, under the direction of the Minister of Planning, greatly enlarged powers and a greater degree of freedom from detailed Treasury control. It seems clear that, in addition, official regional development authorities should be set up in the depressed areas (including Lancashire), and that these regional authorities should also come under the direct supervision of the

Minister of Planning. This would give the local bodies in the depressed areas a far stronger pull with the Government, and a far greater authority in dealing with the various departments than the existing Commissioners can possibly possess as long as they have no Minister or department to represent their claims. At the same time, the authority of the Commissioners and of the Ministry should be widened to cover depressed industries and smaller centres throughout the country, even if they are found in comparatively prosperous regions.

In addition, it seems desirable that in every area, depressed or not, the Ministry of Planning should proceed before long to establish a regional office, which would be concerned at the outset chiefly with the work of survey and inspection, including the regular preparation of regional surveys designed to keep the central planning authorities informed about the requirements and opportunities for economic development within each region. These regional offices could, with advantage, be conducted in close conjunction with regional planning advisory councils, constituted on a representative basis for each area. At the outset, this regional machinery would probably have no executive authority; but it seems clear that, as the economic plan developed, in order to avoid congestion at the centre an increasing amount of regional devolution would be needed, both in particular industries and services, and in the general working of the plan. It seems both unnecessary and undesirable to attempt to work out at this stage the precise forms which this regional devolution might take. It is, however, clearly the

right policy to create at an early stage a nucleus of a regional planning organization to which additional functions could be from time to time assigned in the light of growing experience and the developing needs of the plan.

CHAPTER XIII

THE CIVIL SERVICE

THE development of a general economic plan, even if it is introduced by stages, will make demands on administrative and technical personnel which the existing Civil Service, however high its standards of efficiency, manifestly cannot be in a position to supply. Moreover, the work of actual management and control of industries over a growing field will necessarily call for qualities and expert knowledge somewhat different from those which most civil servants have in the past been called upon to display. Obviously any rapid growth of socialization or State economic control involves a considerable amount of recruitment from outside the ranks of the Civil Service, and by methods different from those by which the Civil Service is ordinarily entered. This new personnel will have, to a great extent, to be taken over from capitalist industries, and will therefore consist of persons who have been accustomed to the conditions of profit-making enterprise.

It is of the first importance that these new entrants should acquire the professional outlook and the disinterestedness which are the chief merits of the Civil Service, without becoming 'bureaucratic' in any evil sense. It is vital that they should, on becoming employees of any socialized service or public agency of control, receive the privileged status and responsibility of civil servants, including pension rights and rights of collective representation through

the civil service negotiating machinery. The existing arrangement, under which employees of public corporations are not treated as members of the public service, is open to grave objection both in principle and because it presents an obstacle to easy transference from one branch of public administration to another. Such transference will be of special importance in the early stages of the growth of a planned economic system; for it will be indispensable to be able to move able men freely from one key position to another.

For these reasons, the entire recruitment for the public service, in the widest sense, should be brought as soon as possible under the auspices of the Civil Service Commission. This, however, will involve a drastic remodelling of this body, which is obviously in its existing form unsuitable for the wider task. It will, of course, be impossible to recruit by the customary system of competitive examination all the new entrants to public employment who are to take charge of the new socialized services and organs of public control. This does not mean that there must be no standard for entry, but only that the standards must be made appropriate to the new needs.

It will be necessary, in remodelling the Civil Service, to provide not only for easier transference from one government agency or department to another, but also for easier promotion from lower to higher grades, in order that the fullest use may be made of able men and women who are at present unduly cooped up in the lower ranks of the service. At the same time, it may be necessary for the

incoming Socialist Government to be somewhat ruthless in pensioning senior civil servants who are unable to adapt themselves to the new needs of a planned economic order. This does not mean that they should be replaced by 'outsiders.' As far as the existing departments are concerned, there are plenty of younger civil servants who are fully capable of responding to the new needs, provided only that there is adequate mobility both between departments and between grade and grade, and that considerations of snobbishness or social prestige are not allowed to stand in the way of the selection of the most competent administrators.

CHAPTER XIV

CONCLUSION

IT is sometimes suggested that Socialists, and especially those who favour the speedy introduction of a planned economy, are altogether too ready to suggest the establishment of new administrative bodies, and that their projects would involve an immense increase in the size and complexity of the 'bureaucratic machine.' It is of course evident that the bringing of the economic organization of society under any sort of co-ordinated public control, instead of leaving it to the unfettered authority of private business men, must involve an increase in the number of persons working as public servants, and in the number of public, as distinct from private, economic bodies. It is also evident that the problem of staffing these new public bodies will, at the outset, involve certain difficulties; for it is nearly always easier to find competent administrators to take on a job the duties and requirements of which are already well defined than to find men capable of initiating new ventures and shaping their development aright. But it is by no means true that economic planning involves an increase in the total number of persons occupying important directive positions, or in the total amount of machinery needed. Indeed, the very opposite is the case. It will take fewer administrators and less machinery to run a series of co-ordinated and publicly controlled services than are needed for running the planless machine of 'private

enterprise.' The truth is, not that there will be more administrators and more machinery, but that there will be more public servants and fewer employers and directors of capitalistic businesses—more public bodies and fewer separate profit-making concerns—more public corporations and fewer capitalist combines organized for the exploitation of the consumers.

Nevertheless, it is essential for a Socialist Government, especially at the beginning of its work, to be careful to conserve for really vital duties the skilled and imaginative man-power at its disposal, and therefore to avoid creating new agencies wherever existing bodies can be so adapted as to serve its purpose. Throughout this study the importance of the conservation of directive energy has been kept continually in mind.

Let us see, then, to what extent it has seemed indispensable to propose the establishment of new pieces of administrative machinery in order that the new system may be got effectively to work.

To begin at the top, I have proposed the appointment of one additional Cabinet Minister—the Minister of National Planning. The remaining additions to the ranks of the Ministry are all Under-Secretaries—on the analogy of the Secretary for Mines and the subordinate Minister at the head of the Department of Overseas Trade. Such additions to the ranks of the junior ministers are obviously requisite as the sphere of public enterprise expands, if the reality of parliamentary control over the affairs of government is to be maintained. Nor does it present any difficulty. The House of Commons is

fully able to supply men and women as well able to undertake the new duties as those who have held office as junior ministers in previous Governments.

To this new Ministry of Economic Planning I have proposed the attachment of a Central Statistical Office, designed not to replace but to co-ordinate and supplement the statistical work done by other departments. In the Ministry and its statistical department I have suggested the merging of the present staff and machinery of the Economic Advisory Council.

The proposal to constitute an Economic Committee of the Cabinet involves no additional personnel. It is a method of saving the Cabinet's time, while maintaining the essential principle of Cabinet control over matters of high policy, and establishing close contact between the Ministers at the head of the various departments mainly concerned with economic affairs.

The only other new bodies proposed, apart from the controlling and supervising boards and Commissions for socialized or socially controlled industries and services, are the National Investment Board and the Minimum Wage Commission. A Finance Commission is, indeed, also suggested, but with the proviso that its establishment might not be necessary until a later stage.

Apart from these pieces of public machinery, the proposals made involve not the creation of new bodies but the development of bodies which already exist. Thus, many new functions are proposed for the Bank of England on its socialization; and a large transformation is contemplated in the powers and

organization of the Board of Trade. In addition, the proposals envisage a considerable enlargement of the duties and personnel of the Industrial Court, the Industrial Fatigue Research Board, the office of the Census of Production, and various other well-established public agencies.

It is ridiculous to suggest that proposals of this order involve either an impossible demand on the available supply of directive ability or an uncalled-for extension of 'bureaucracy.' They are designed both to economize man-power, and to fit in with the minimum of disturbance to the existing system of public administration. Of course, they will not appeal to those who regard a civil servant as *ex hypothesi* a 'public enemy,' or to those who are opposed to all forms of planning as unbearable interferences with the liberty of 'private enterprise.' But I am not writing for persons who hold either of these views, but for those who, favouring economic planning with a socialist objective, desire to see in advance, as clearly as they can, the implications of a socialist policy in terms of the changes in the machinery of government which it would involve.

The real difficulties lie, not in the necessity for multiplying administrative functions further than competent persons can be found to take charge of them, but in deciding between alternative possibilities of organization. In making this choice—the difficulties of which I freely admit—I have been guided throughout by two main considerations, or rather by the necessity of reconciling two possibly divergent aims. It is indispensable at the same time to make the new machinery fit on easily to that which

already exists—for this must be done if quick results are to be secured, and dislocation avoided—and to establish it in such forms as will serve as foundations for subsequent, and more far-reaching, measures of socialist construction. How far these two aims have been successfully reconciled I must leave my readers to judge for themselves. I do not pretend to believe that I have arrived at the best solution in every case; but I hope at any rate that this book may serve to clarify, rather than becloud, further discussion.

May, 1938

Self-Subsistence for the Unemployed

Self-Subsistence
for the Unemployed

Studies in a New Technique

by

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To
M. G. S.
Harbour *and* Anchor *and* Light

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Preface

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In these pages the present chaos in our national life is regarded as the result of our departure from certain simple economic principles which will not brook to be neglected. The book is an attempt to state these principles. It is offered in the conviction that anyone who thinks he has caught any truth in the great darkness now prevailing in all such subjects has a duty to express it, however little he may be able to test his conclusions and however little he may know what reception they are likely to meet from those accustomed to tread the beaten highways in economic science.

The thesis presented is that subsistence on the land is possible for the unemployed either in families or in larger groups. It is first shown how an organizer with skill and resources working along Homecroft lines could gather them into self-maintaining groups. On the question of individual families returning to the land the finding is that no express programme having this for its object should need to be undertaken. It is a process which should be taking place of itself. The land is the natural absorbent for people without

Preface

resources. And if there is not a pressure in its direction as a result of long trade depression, there must be a reason. The reason is found in certain deep-lying abuses which would be easy to remove.

The abuses are connected with money—a subject which no writer on social reform can any longer escape. The necessary remedial steps are easy compared with those advocated in most of the current literature of monetary reform. There is indeed no saving of the gold standard. Gold is useless from the point of view of stability, and lack of stability is the main evil which has ruined our agriculture. But in order to pass from gold to something properly stable it is only necessary to make one move, the concluding one in the historical evolution of British money. We advocate no mere *ad hoc* monetary change, for the sake of absorbing the unemployed. It merely so happens that, upon going into the whole matter, we find the completion of its development in this way to be the exact means which would enable our present system adequately to fulfil the requirements of a civilized currency.

Criticism of other proposals for improving the money system is therefore for the most part abstained from; my present impression being that while much in them is dangerous, most of what is sound can be achieved in this simple and, as I venture to believe, natural way.

And the sum of the matter is this. If the steps here advocated really do make a self-subsisting life on the

Preface

land possible for the people whom industry is discarding, it means salvation for more than those people. It saves industry too. It constitutes the only means by which industry can hope to secure a continuous market for its products. Perhaps it should be added in conclusion, for the sake of those who attach importance to labels, that I do not think that I am advocating socialism. If I am I cannot help it. I admit the resemblance of much that is here urged to the proposals of Robert Owen. But these were at any rate nothing in the least like a state communism. If the present teaching is socialism at all it is the socialism of small groups, a socialism which begins at home, which builds from the bottom upwards and not from the top down.

All the matter is being printed now for the first time with the exception of Chapter 2 and part of Chapter 3. For permission to republish these I am indebted to the *London Times*.

Contents

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<i>chapter</i>	<i>page</i>
1. Self-Provision by Families and by Groups	15
2. Turning Wageless Men into Buyers	22
3. The Monetary Key	28
4. Practical Details	36
5. The Logic of the Homecroft Economy	47
6. Self-Subsistent Homecrofting Groups can save Industry	56
7. Where Unemployment has come from	65
8. Why the Unemployed do not seek the Land	74
9. The Secret of a Steady Pound	87
10. On losing our Work to the Foreigner	99
11. The Great Betrayal	113
12. The Nations' Need of Disentanglement	123
13. One Currency for the British Empire?	137
14. Parasitic Occupations	147
15. Summary	157
16. Can different Theories meet?	173
Appendix on how to start a Homecrofting Group	181
Index	219

Chapter 1

Self-Provision by Families and by Groups

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The Homecroft plan for employment, so named from the small social experiment in which it has been tried out, is no sky-striking or epic affair. It rests its claim to attention chiefly upon two features: immediate applicability to the problem and a basis in common sense.

A worker under our economic régime has usually to rely on wages for the things he needs to support himself and his family. The flow of wages is uncertain. Hence he suffers from poverty. It is plain that the problem would be solved if by some miracle he and his household became self-providing immediately the supply of wages failed.

But why call this a miracle? Why should we settle down so soon to the conclusion that unemployed people could never 'turn round and make their own things'?

It is clear enough that subsistence or self-provision has become a complex task for us. We need many things which our simpler forefathers could do without. But it is also obvious that our powers are greater.

Self-Provision

Our equipment is magnificent; we probably need nothing more than a *point d'appui*. As a rule no obstacle can resist when our scientific artillery is once fairly trained upon it. Why should we be beaten by a task which we know is not beyond the wit of man? For the miracle has been successfully performed, from time immemorial, by all the peasant families of the world.

The intention of these chapters is to investigate how far and in what way science and invention can make self-subsistence possible for men who are unemployed; also whether a campaign for their rescue could be begun at once without waiting for action by the State; and what kind of State action must eventually come in, to complete the work.

No good can come of under-estimating the difficulties imposed upon self-subsistence by the artificiality of our civilization. People are rightly doubtful of solving any modern problem by putting family groups on separate pieces of land to knead their own flour, drink their goats' milk and ply the various crafts of domestic self-support as in some Arcadia. This, although reminiscent of the Homecroft plan for men in wages, is not the Homecroft plan for the unemployed. It is not even faithful to the aims of the original Homecroft experiment for men in wages, of which we are now to speak.

This enterprise was initiated by the aid of the

by Families and by Groups

Spectator newspaper in 1925-6. At that time, it was still possible to look upon unemployment as an abnormal phenomenon, which would presumably pass away. One could envisage the worker as a person normally in work, but liable occasionally to fall out. The experiment sought the means to increase such a person's resources, and stabilize them. It tried giving him a little family food factory next his own home—to use a favourite phrase of Mr. George H. Maxwell, the American originator of the idea. It was a scheme for housing the town worker in healthy surroundings, in the country, away from his work, upon a little croft of barely half an acre, equipped fully for enabling the family to produce a balanced daily diet by its own labour during its spare hours. The worker being thus entrenched beside his food supply, would be better able to stand a spell of unemployment. Incidentally, the saving effected in the cost of living would enable him to pay for a better home.

The ideal was very far from being completely carried out. But some approximation was made. By a public appeal in the *Spectator* land was bought near Cheltenham, further capital was raised locally and ten Homecrofts were built and equipped; the whole being later improved in memory of a great reformer, the late Dr. George Vivian Poore, to whose ideals those of the Homecroft movement had a deep affinity. Poore (1843-1904) was Professor of Clinical Medicine at University College, London. He had

Self-Provision

long ago arrived on hygienic grounds at the same result as the other movement reached on economic grounds; namely that every working family required a certain minimum unit of land, a certain minimum unit of air and a certain maximum unit of water, in order to maintain the balance of nature. This was necessary for the family's health on the one side, and for its economic stability on the other. Thus the Dr. Poore Memorial Homecroft Settlement came into being; and is still to be found—its ten family homecrofters more or less living up to the guiding motto with which the late Mr. St. Loe Strachey launched them, 'Produce for sustenance and not for sale'—on the south side of the Cheltenham-Tewkesbury Road near Uckington. But the present-day visitor to the place will find a method of self-subsistence being tried there now (1934) alongside the original one, which may be still more worth his consideration, provided he can see the relation between this phase of the Homecroft experiment, new since 1932, and the earlier one.

Here we take leave of the family side of the story. In its new form the experiment has dropped its housing activities. It seeks to meet the case not of the intermittently employed but of the permanently down and out; and with them housing is secondary. They already have some sort of a shelter and their pressing need is subsistence—food. The plan for them is to gather them into a bigger group

by Families and by Groups

than a family and get them to produce jointly, first what they require most and afterwards, gradually, other things in the order of their importance. It happens that the basic requirement, food, is also the most feasible to produce. The men can grow it for themselves if you put tools in their hands and let them loose upon their joint croft to begin. And very roughly speaking, the other things are proving accessible in proportion to their urgency.

This larger group, it should be observed, is precisely an eleventh family, in addition to the ten which were on the estate already. It is a group of about ten; making, with their dependants, perhaps forty or fifty souls—a large number for a family, and yet not nearly large enough to bring out the potentialities of group homecrofting. The system really demands 100 times that number. All we can do on this little ten-acre 'experimental farm' which the National Homecroft Association owns is to investigate the beginnings of the system, working as it were on a laboratory scale.

Equally, however, whether one considers the group or the family, the governing principle abides—namely, 'produce for your own consumption and not for the market'. The only difference is that the wholly unemployed, having to produce everything, must form themselves into larger 'families' to do it.

And the whole proposal rests on the faith that a group, after producing what it needs, will have something over to buy with. For men with something over after supporting themselves, are the buyers

Self-Provision

whom industry wants. And buyers are the real concern of industry to-day. The whole mood of the typical industrial employer has changed since a generation ago. Then, he wanted to see a labour-supply. Now, for the most part, he is sick of the sight of men hanging around the works gate with nothing to do. He may still for a fraction of a second think such a spectacle comforting, as symbolizing a low bill for wages. But he hardly dwells on that aspect of the matter any more. What he is really concerned about is a sale for his output. If only the sales problem would resolve itself, he would gladly see nine-tenths of those men go away home and find something to do. Here lies the wine of the homecrofting proposal. *What if by the very act of sending the men home one could, by making self-providing groups of them, give them a surplus to buy with?*

The Homecroft proposal is literally that those men should get away from the works gates; and, when gone, fall into a new formation in which they can more than provide for themselves what they most need; and finally, with this surplus, buy. If sufficient of the unemployed became thus self-employing, their overflow would enable the employers to employ the remainder.

This is the economic readjustment which we believe can be made to happen. It only involves the doing by a larger group, of what is done less well by the homecrofting family. Strangely enough, the late

by Families and by Groups

Cecil Balfour Phipson, whose insight into the money system has alone given us the technique by which a larger group than a family can be got together and made to engage in the sort of self-provision which a homecrofting family practises, never himself urged the adoption of such technique by either family or self-subsisting group. His studies in money only concerned the currency of a nation and the problems of international finance. But the whole method of achieving the kind of self-subsistence which would at once redeem the unemployed and save industry is so bound up with his work, that I can hardly hope to make the Homecroft proposal clear without giving a chapter to him and his story.

Chapter 2

Turning Wageless Men into Buyers

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It is always a pleasant task reviving the claims of a forgotten man of genius. The pleasure is all the greater if one happens to be in a position to speak of him with confidence, having subjected some of his principles to the test of practice. This pleasure is mine at the present moment; except for the circumstance that the great economist of whom I am to speak is not so much a forgotten man, as one who was never known. He entered the world and left it, having hardly caused a ripple on the surface of affairs.

It is true that the *Belfast News Letter* for 13th February 1904 records the death of Major Cecil B. Phipson, J.P., a citizen of Moy, Tyrone, and 'late of the Mid-Ulster Artillery'. It makes mention of his Christian piety, of his interest in local charities, of his occasional contributions upon land and economic questions to the *News Letter's* own columns. And it indicates that 'he had for many years devoted himself to a laborious study of the great problems that lie at the root of British dominance and prosperity'.

Turning Wageless Men into Buyers

It is even stated that during the fiscal controversy, then at its height, his work had attracted attention and led to discussion. But certainly a passing flicker of interest was all that the public ever took in his case; and even the flicker was sadly wanting amongst the expert economists whom he, an amateur, addressed. Lord Passfield, then Mr. Sidney Webb, was induced to give a few lectures on his system about the time of his death; but thereafter he and his writings would most likely have gone entirely into oblivion but for the few people who gathered about his one faithful follower, Mark B. F. Major, whose *Britain's Destiny*,¹ a modest compilation of extracts from the Phipsonian *Corpus*, and whose *Co-ordinator*,² a little struggling monthly also now dead, induced a few amongst them to make a genuine study of the works in question.

This public indifference was not altogether to be wondered at. Phipson's writings have all the look of crank literature. For one thing, the argument is far too highly charged with the spirit of the Hebrew Bible to be likely to impress an ordinary economist as scientific. But the Pauline injunction to 'try the spirits' has its application even amongst economists. Let any expert prepare to persevere with Phipson and I cannot but think he will find a new path broken in economic theory and one which goes far towards

¹ Published by Cassell & Co., London, 1905.

² Published by the Agricultural and Industrial Union, 7, Queen Street Place, London, E.C.4.

Turning Wageless Men

explaining some features of industrial civilization which are acutely before the present consciousness of the world.

The two features in the present industrial picture which are most obvious to the eye are the dearth of markets, and the alarming numbers of unemployed men. Phipson has an interpretation of the presence of these men. We all see more or less where they come from; namely the machines of a progressive age, which are rapidly displacing their labour. Now Phipson holds that the machines are natural enough; but the idle men are not their natural consequence. Under conditions of freedom industrial progress does not merely displace men. It also indirectly opens other places for them. Chronic unemployment, therefore, for him as for orthodox economy, signifies a miscarriage of the natural economic order.

But Phipson is not content merely to say that the labour-saving process provides for the men it displaces. He has a definite theory as to how it chiefly does so. He specifies the place where the men who are no longer wanted in industry naturally and normally go, if economic freedom prevails. In a genuinely free country, he says, they float back into self-support. They float back, that is to say, to the one place where they can practise self-support. They gravitate to the land. If, by unjustifiable invasions of the rights of free men, their natural road to the land has become blocked up, as in our own case,

into Buyers

then the stream of men is dammed back into the great pools of helpless, dangerous, stagnant labour which we see.

Dearth of markets, then, and pools of wageless men are the phenomena. But industry, fainting for want of markets, fails yet to perceive *that the great pools of idle men are themselves the lost market*. Phipson, to put his position very briefly, contemplates tapping this market. He speaks of turning those starving people into buyers.

But he would do this by getting them to the land. He has no shadow of sympathy with any cheap-jack ways of doing it. The only way to turn poor people into buyers is to let them work and give themselves resources. More specifically, you must allow them the opportunity first to satisfy their major needs with the labour of their own hands, and then, with any surplus or overflow, buy. In any case, we must work on the general principle of making those who have been thrust out of industry buyers from it; then alone do we give industry the market it needs, and let it flow on its way like an unimpeded stream.

I cannot at this point¹ give in proper detail a description of the forces which have accidentally closed the path by which the ousted workers would have gravitated to self-support on the land, instead of piling up and festering in multitudes in the towns, as Dickens for example found them. I hasten to point

¹ See pp. 149 ff.

Turning Wageless Men

out that the Homcroft experiment in its first, or family phase, served to throw some light on how far the ousted wage earner's family could, like a primitive peasant household, meet its main needs with its own hands; and thereafter have a little overflow with which to buy from industry the extras which it could not itself provide. Several points emerged.

The ousted family obviously could not face nature with its bare hands. It must have tools. Moreover, it became clear that what the peasants of the world have habitually done in all ages, with the crude implements of the past, modern families can, only with difficulty do, with the highest mechanical aids which science can furnish to them. No one, of course, at this time of day will set rash limits to what science can do in any direction—even in the direction of helping an ousted family to attack nature single-handed—if its attention can be concentrated upon the subject. But the plain truth is, it cannot be so concentrated. Science is too busy producing more ousted families! It is preoccupied with the problems of great industry; which consist in short-circuiting processes, economizing, rationalizing; in a word, dispensing with labour in every manner of way. It would be perfectly hopeless to seek at this day to raise funds for reducing family homecrafting to an art with ascertained principles teachable, say, in the schools; although such an innovation would take a long stride towards solving an economic and an educational problem at once. Still, it is certain that

into Buyers

the scientists could so equip a family as to raise its efficiency for self-support a hundredfold above anything previously known in the world if they cared. If we seek limits to their powers, these must be found in another direction. What would most nearly beat them are the changing standards of life. There are no peasant families any longer. Our homecrofting families at Cheltenham provide as large a part of their own necessaries as is reasonably possible in the time at their disposal. They are wage earners, as we said. But could the family ever jointly produce the major proportion of its members' first necessities, even if they had a smallholding and were working on it their whole time? I hesitate to answer in the negative. I do not believe the answer is in the negative. We shall be brought back to the point later.¹ What is important for the present is that a *larger company* almost certainly could. We may allow a doubt although I do not believe it a justifiable one, as to whether the ousted workers could be turned out family by family upon the land, and survive; each building up its resources around itself and ultimately having a little overflow with which to become a patron of industry instead of a charge upon it. But a group of larger dimensions is in a different case. Such a group became the subject of the second phase of the Homecroft experiment, to which we alluded in last chapter, and of which a more particular account must now be given.

¹ See pp. 65 ff.

Chapter 3

The Monetary Key to the Homecrofting Group

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We have hazarded the suggestion that a great class of the buyers whom industry needs could consist of groups—either family groups or larger—who are able, having produced their first necessities with their own hands, to have an overflow with which to buy.

We may allow a doubt, probably not justified, as to whether a working unit so small as a family could meet its major needs from its own smallholding, and have some such surplus over with which to patronize industry. But the indications are that the Homecrofting Group alluded to in last chapter is in a very different position.

As already hinted, the idea of this group has been stumbled upon in the second phase, begun in 1932, of the Homecroft experiment in self-subsistence. In this departure we set out to operate Phipson's principles. It is true that Phipson himself never suggested any such plan for the workless as turning them

The Monetary Key

into artificial groups armed for a direct encounter with nature. He always contemplates them facing nature family by family. His thought continually circles round the idea of the semi-self-supporting smallholder, crofter, peasant. But even if we determine to institute the larger group, it is still Phipson alone among economists, as far as I am aware, who by his theory of money gives the key to their formation.

One attractive feature of his theory of money is that he makes a brief and simple story of what is supposed to be a very complicated subject.

He is interested, as we said, in international finance. His main teaching is that separate countries should have separate currencies. He sees the great mischief of the automatic gold standard in the fact that it achieves a uniform money for all the world. It is the ideal itself that he finds to be the evil; not the mere fact that it cannot be reached. The latter is so far, indeed, a mitigation. I do not know whether he was the first to point this out. In any case, he had, by the year 1892, spent the most of 1,000 pages systematically refuting even the desirability, to say nothing of the practicability, of a single world-system of money. And his reason is at bottom Mr. Keynes's except that he puts it more simply. When a nation goes abroad to buy, the money which it puts in its purse should never be anything but a number of credit notes on itself.

It was solely on the strength of this hint that I was

The Monetary Key

enabled to develop a technique of exchange for the National Homecroft Association's experiment, and so carry its search for the conditions in which unemployed men could be lifted out of their misery, and even to some extent be turned once more into buyers, to something like a promise of positive result. It will be useful to attempt a brief outline, here, of the facts of this development.

Pressed for lack of capital resources, I began with a book of coupons—a set of simple, tear-off paper chits. Thereafter, I succeeded in obtaining two forms of external assistance for the Association's enterprise, (a) some gifts by interested friends which enabled us honourably to meet certain charges arising from the earlier part of our experiment, and so freed our hands to launch out along the new line; and (b) some offers of voluntary labour by my own College students and the ten unemployed men whom we collected on the scene to form the first nucleus of a Homecrofting Group. The net result was a certain accumulation of capital goods; a certain plant. It included a little wooden 'market hall' for mutual exchange of the men's future products, a set of cobbler's tools, a system of collecting gifts of cast-off clothing from people willing to help in that way, a knitting machine for making socks, a small loom and a vegetable garden about an acre and a half in extent, fully planted.

I invited the little group of unemployed to spread themselves over the plant and work it—teaching

to the Homecrofting Group

them as best I could. It was designed to help them to produce their own goods. They worked it, to the best of their ability. The articles they could produce, except the vegetables, were not high class. But such as they were, the men agreed to bring them all, regularly, to the common pool and receive in their place, my chits; the system of reward being one which ensured that every man received these claims upon the common pool, in exact accordance with the amount of work he did. When the men went 'abroad' to buy with these chits, they would be buying with credit notes on themselves. That was, if one might put it so, the Phipson touch.

What we organized, and now have, is the nucleus of a literal Phipsonian buying group; only, a larger group than a family. They have a common cupboard, and a currency of their own consisting of paper tokens which are claims on their own store. Here, as I believe, is a genuinely new mode of attack upon unemployment, a breach of the wall, something which should enable us to face the problem with altogether new hope.

I am continually told, of course, that what I have taken from Phipson is nothing new; that the tokens being used are just money—'paper halfpence' as it is sometimes unkindly put—because they bear on their face the legend, 'This entitles the bearer to half a pound of potatoes.' But the final proof that they are not money is simply that if they were they could do

The Monetary Key

nothing for the unemployed. The economic unbreakableness of the group depends on their not being money.

If necessary the truth of this contention could be subjected to a simple test. Suppose that these pieces of paper became actual halfpence, either by the Government declaring them legal tender or by my counterfeiting halfpence so well that people thought them legal tender, what would happen? Every Saturday afternoon when my clérk distributed the pay, the members would of course take their halfpence away and spend them in the Cheltenham shops. They would never spend them buying their own poor things. Those would be left for me to sell—which, of course, I could not do. They are not up to competitive standard. And the market is hopelessly glutted, even with goods which are. But if I pay my men with claims on their own store, I do not need to worry about the competition. They can take those tokens to the town and spend them on its specious goods if they like. Any one who accepts them must come and buy my unemployed men's goods with them. The chits must come back to the store. Which was exactly Phipson's argument in favour of separate national currencies. They were to be constituted of intrinsically valueless tokens. And when Britain, for example, used them abroad, they would be tendered to those who accepted them as nothing but claims on the British shop. Every time one of my men passes a Homecroft unit across a shop counter

to the Homecrofting Group

(and to a certain small extent they do this) he is selling some of the work which lies in the common pool at home. Equip a producing group with a currency of its own, and you emancipate it from the competition. You set it free to use its powers 'making its own things'. It can live, whether its products are up to competitive standard or not. The vicious circle is broken and men are set free.

I do not say the solution of unemployment lies here, for the whole of the detail of the plan awaits experimental working out. But something very like the principle of all constructive tackling of the problem seems to have emerged. There is no call to be dismayed by the minute physical size of the National Homecroft Association's experiment. It is true, for example, that our men cannot negotiate their units and buy from industry in that way to a large extent. But we have only ten people. It is legitimate to think of their being multiplied by a hundred; and then their tokens, being claims on the work of a thousand men, would make them quite substantial customers of industry; although, before their organization, they were too poor to buy anything.

The importance of Phipson's teaching is this: that these seem the only circumstances in which industry is free to progress, without running into a cul de sac.¹ Progress means discharging men. Unless the discharged can fall back into self-support as they fall

¹ See pp. 56-64.

The Monetary Key

out of industry the progress is self-defeating. By putting out labour with nowhere to go, industry is sawing off the branch on which it is sitting. It is annihilating its own market. It is filling the world with wageless men; and wageless men cannot buy. This is the vicious circle which needs to be broken. The Homecrofting Group seems the only instrument that breaks it.

What is the bearing of all this upon a campaign of rescue? Can it be begun, and is it of any use?

We used to be told in highbrow fashion that no mere Christianity, no mere crusade to succour the victims, was of any use in unemployment. One must remove the causes; by which was usually meant stopping a peculiar, pendulum-like thing called the trade cycle. In truth there are no two alternative modes of approach for those who would fight this great evil. Men and women are perishing of neglect and hunger. Go down and succour them. Only do it by putting at their disposal land, plant and a currency of their own. You then stop the trade cycle. You rob it of its sting, which is the same as stopping it. We only need go rightly about the rescue of the victims, and the causes are removed.

In truth, our age is finding itself in the presence of a simple economic phenomenon of too many sellers. Those of them who are down and out must be turned into buyers; not by giving them largesse; still less by distributing any kind of futile, faked 'purchasing-

to the Homecrofting Group

power' among them, but by giving them the opportunity to become self-providing. Then their steady overflow will buy steadily from the industrial system and act as a balance-wheel to it, precisely as national currencies would keep the balance in the foreign trade of the world.¹

That a huge untapped market is latent in all our derelict areas and ready to awaken at a touch the moment it is treated in this way, would doubtless be too bold a claim to make; at any rate, before some such experiment as we have begun can be re-begun in many places and in all of them carried through to a finish. But if it ever is so carried through, 'salvation by groups' cannot be very far away. Certainly no more interesting adventure presents itself to a capitalist of genius to-day than to round-up the unemployed into circles producing their own wealth. It is as we have insisted, a stroke of double salvation; it saves the victims and it saves industry. If the government have to do it, the question where the money is to come from will arise—an easy question enough if governments could think in terms of first principles. But in truth it is not necessarily a Government matter. There is a living in it. There is even an honourable profit. It is for individuals.

¹ See pp. 99-122.

Chapter 4

Practical Details

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We have suggested a certain double stroke which might be dealt for the recovery of industry, whereby a new market might be opened to it, and its superfluous workers taken off its hands at the same time.

The recovery would not be a quick one but slow—and permanent; the only immediate part of the affair being a crusade to rescue the unemployed.

We shall have to dwell on the nature of this permanent recovered state. The indications point to a type of social order combining perhaps a greater number of desirable features than either capitalism or any of the improvements of it or substitutes for it that are now commonly dangled before the world. This order must in the nature of things be the theme of greatest interest. If social work is to have any inspiration the question of the end, the finished order which we may believe ourselves to be helping forward, is after all the one subject about which there must not be doubt. There can be little power behind

Practical Details

the doing of a thing unless one is sure of what one is doing. Yet though the end is the main matter, there is also a duty to those who only wish to set immediately about the work. To some amongst us, mercifully, any campaign which has a reasonable chance of bringing relief to the suffering is already worth while. They only want to know practical details, what 'gathering the unemployed together into self-subsisting groups' exactly means, how to go about it, how many men are wanted, how much capital would be required to start in a given place, and the like. And lest I seem to be speaking of unrealities, it will be well if I pause here, and try to give these questions as concrete an answer as is possible at the comparatively early stage which our experimental efforts have reached.¹

To go down among the unemployed and round them up into great groups for their own support was, I said, a task for individuals. The steps which the nation must take afterwards are another matter. They are meant to influence the mass of the unemployed as a whole, and as it were from below, to give to the whole ground beneath their feet a natural tilt, so that they shall gravitate of themselves towards the place where there is independence for them, namely the land. But first it is for individuals to exhibit what independence means; this by taking the unemployed, not family by family (under an

¹ Compare the Appendix.

Practical Details

amended rent and money system they will gravitate landwards of themselves family by family ¹) but group by group; and organizing each group of them to 'make its own things' the while that it also cultivates its own piece of ground.

The details of such an enterprise are all in the future as yet; waiting to be hammered out, in a highly coloured story of mingled success and failure, amongst many different pioneer groups which may try different things. The spice of adventure will be in every individual enterprise. It is as much exploration work as a search for the North-West Passage. Only, unlike those who sought the Passage, we have genuine indications that there is a way through. We have got far enough for that.

The first practical step in any particular place will be to find the men and the land near to each other; or near enough to allow the people to reach the scene of their labours by walking there—or cycling—from their present homes. Not knowing yet the optimum size of group, we should begin with a nucleus. And it should be a good one—allotment men if possible. Also we should select the land. If none is to be found of good quality, begin somewhere else where good land can be got. There is no objection in principle to making selection, and giving ourselves the maximum chance of success with a first venture. If we begin with the best, in men and in land, we may hope gradually to over-

¹ See pp. 74-86.

Practical Details

take the less promising in both kinds as the system grows more familiar. To develop the system itself is the first point. At Cheltenham we have attempted to build it all up out of ten or twelve men and two acres. Perhaps it will be easiest if I simply tell the story.

The aim of the Homecroft Association, when it gave its experiment this turn, was not to create a group that could literally support itself—every one knew that that was an ideal—but to strike upon a method whereby such an ideal might be approximated. Men must be found who would display sufficient of the family spirit to join hands and have a common cupboard, and proceed to fill it by their labour and draw upon it for their sustenance. That, as already indicated, is the basic principle. Precisely as the small homecrofting family habitually placed their produce in the cupboard to be eaten (and not on the market to be sold) so this wider family would endeavour to fill a richer cupboard with things to be consumed by the makers of them, and not to be forced upon a glutted market to be sold for less than cost. They want to be emancipated from the competition, and from that iron law which insists on the goods being up to competitive standard, and taking their chance of being accepted or rejected even then. They want to be free to make the best they can for themselves; the fierce demands of the world-competition being replaced by the natural demands of

Practical Details

the family itself for a reasonably good article. To place the group in the position to make a beginning upon a subsistence enterprise was the real aim. We found that it was only necessary to devise a currency for them. And it did not prove difficult.

I began operations, as stated, with a book of tickets. This was six years after the family home-crofts had been built. Myself an academic teacher, vague reminiscences of Ruskin and his Oxford students and their road making floating before my mind, I conceived the idea of making a start and breaking in some of the undeveloped land on the Cheltenham estate with students' help. The idea of what a friend has called constructive holidays was already well in the air; and I succeeded in getting a party of six to dig the first tenth of an acre during the Christmas vacation of 1932. My plan was to get the tokens ready and the land ready before seeking for the men at all. Doubtless it would be better in most places to inspire the men to make their own beginnings. I did what seemed easiest to do. In the ensuing April a much larger party returned to the attack, and the result was a hut and various tools and a planted acre, but still no unemployed men. One man only—an agricultural labourer—appeared sufficiently interested to work with us. And we offered to teach him a trade. A young student, himself a practical shoemaker, taught him to mend boots. But I had the book of Homecroft units, containing two thousand 'ones' and four thousand 'fives'. A

Practical Details

'one' entitled the bearer to half a pound of potatoes; a 'five' to 2½ lb. It proved possible to persuade our one man to look after the potato crop which the students had planted, for so many of these units per week, just enough being given him to entitle him to two-thirds of the crop at the season's end if it happened to be a normal one. At the season's end he had his pocketful of paper units, and they were all honoured in potatoes—a very idle game so long as only one man was concerned, but not so idle when there came to be more, and some division of labour could be introduced.

After the harvest, in September 1933, there came along to us other nine men. The foundations of our system had been laid. I could offer each one of these a tenth of an acre; the shed was there, the tools were there, the land was there, the seeds and manures could be got, and there was no rent to pay. Financially speaking, of course, all this was artificial scaffolding. Some such scaffolding must be supplied at the first. A man of business talent—an academic calling does not foster it!—who can make such a group run on its own wheels, is the man we await. My cue was to give myself the minimum of difficulty in the demands I must make on my uncomprehending recruits. I could show a dour-looking hard-headed fellow my book of tickets and say to him, 'Forty of these every week, if you will put that strip into a crop of potatoes,' knowing well that if an average crop matured he would have had just

Practical Details

enough tokens by the end of the season to entitle him to two-thirds of it. With the remaining third I hoped to cover the cost in money of the things for which I had not asked him to pay, the rent, manures, seeds, and interest on the capital sunk in the capital goods, the shed, tools, &c. Or, to speak more accurately, I knew that if the year were an average one, the members' tokens at the end of the year would fall *within* two-thirds of the crop. And in that event, I promised in every case to make up the difference.¹

This meant that each man was paid by results. If his crop were good he would have a big dividend to come, if poor a small one. All the potatoes in the field were automatically in the pool. One-third, it was understood, were to be sold for expenses. Two-thirds were to be stored, and handed out to the men, for units, as they wanted them, during the winter and until the next crop (1935) would be ready.

When the 1934 crop was drawing near to the harvest, I took stock of the number of units that were 'out'. This was quite easy to do. They were all numbered serially, like pound notes. I saw how many I had left of my original number. That gave me the number of half-pounds which two-thirds of the coming crop must be able to meet. But not all I had given out needed to be met, as the reader will perceive if he thinks carefully at this point. A great many were already in the till, returned. This was because friends gave us clothing. We reckoned a

¹ Full detail is given in the Appendix.

Practical Details

unit as being worth a halfpenny, and put all the clothing in the pool, labelling each garment a certain number of units. The men, receiving their weekly units, would use some of them to draw a coat out of the pool, or a hat, or a pair of boots or socks. They would also bring their boots and have them mended for units (provided they brought money in addition to pay for the leather).

It is true that this clothing and these repairs occasioned some outlay of units on my part. Whatever a garment was worth in units, five per cent had to be given to the member who fetched it. Whatever units were paid for a shoe repair, a percentage (much higher in this case) was paid by me to the group shoe repairer for his services. Similarly, when still another of our members commenced knitting socks for the group, he had to have extra units for this. Anyone could have a pair of new socks for units, if he brought money to cover the price of the wool. Some of these, as they went into the till, were only replacing the twenty-five regularly given to the knitter for every pound of wool knitted. But always there was a margin, so to speak, on the right side. It was largest in the case of the out-and-out gifts—e.g. clothing. The men, earning their weekly units—really drafts on their future crop—would come into the shed and draw those other things out of the pool. And though a certain number of the units they relinquished as they took away the garment or the repaired boots was only replacing extra units given out to the carriers of

Practical Details

the clothing or the repairer of the boots, a margin always remained of potato units which would never be presented against potatoes. It is really what Sir Leo Chiozza Money has called in his latest book, a 'product' currency. Once the piece of paper has made its claim on a piece of goods, and has gone into the till, it is dead. It does not come alive any more, unless (for the sake of saving printing) it is issued again, to the worker, in reward for 'approved' product—which, in point of fact, it always is.

The working principle of the group currency system is thus the simple one: Remember the total number of units, subtract the number cancelled plus all those still unissued. The difference is the number 'out'. They represent the total liability at any moment. Periodically survey the stocks to see that the units are well covered. And they are always covered if the number outstanding against the pool can be redeemed by two-thirds of the stock therein contained. The remaining third is the margin for sale. In a fully running scheme, that third would be made up of a certain excess (from the group's point of view) of the most saleable articles, potatoes, flour, cloth, boots, or perhaps some 'line' or other—but lines are always dangerous¹—kept running for the purpose.

The net economic result is that these men are only having to push upon the glutted market a fraction of the labour which they must normally spend on those

¹ See the last paragraph of this chapter.

Practical Details

items of their sustenance which they are now electing to obtain by homecroft methods. Hitherto the entire pressure by which the men were obtaining these articles for their households was a selling pressure. By the new method of obtaining them, only one-third of that effort is effort to sell, or get into the clogged market. Even if, at the outset of these activities, one can only hope to touch a portion of the total pressure-to-live—the exertion which produces a man's sustenance as a whole—and change it, as to two-thirds of its volume, from a wage-earning pressure to a self-supporting one, from a pressure exerted on fellow men to one exerted directly on nature, it is worth doing. To relieve twenty men of the need to obtain from wages, or by competition, even two-thirds of a certain limited range of articles necessary for their existence, is not only a relief to them but is, up to that point, a definite relief to the unbalanced economic situation as a whole. What the general situation needs is precisely to have the selling pressure reduced—the pressure of the unemployed to sell their labour—by two-thirds, through their becoming two-thirds independent, i.e. able to consume two-thirds of their labour directly by employing themselves, and only under compulsion to market one-third to buy what they cannot produce.

Such is the general plan which is at present in the position of waiting to be tried out in various places to see how far it will really go, and how far it must go

Practical Details

before it begins to be able, as it were, to turn on its own pivot, and cover expenses. In the Appendix on 'How to start a Homecrofting Group' will be found some suggestions as to where the point is to be looked for. There seems every indication that twenty-five men, well equipped and possessing variety of skill, could run a system to 'pay'. Every attention must be paid, however, to the new meaning given to that word in homecroft accountancy. Production here is for a pool. This pool is a common cupboard, containing the maximum variety and quality of the necessaries of life for the group's use. Only its overflow is for sale. If it degenerates into a shop, and the group into a producing company exploiting some 'line' or other, for the market, and living on the money, it will immediately have become a business, and the men as liable to unemployment as ever when times of depression come.

Chapter 5

The Logic of the Homecroft Economy



In starting the Cheltenham Homecrofting Group, the plan given in the previous chapter was the one we stumbled upon. A pool filled by the men for 'units', which can all be redeemed by two-thirds of the total saleable contents of the pool, is the central principle. Theoretically, the issue of units to the worker could be either by time or by results. We fell upon a method of paying by results accidentally; and we incline to look upon it as a happy accident.

It simply occurred to us to offer each recruit two-thirds of whatever grew upon his land. It was then easy to break the further news to him that he would receive the crop in a specially advantageous form, in the form of claims upon a pool which contained everybody's crop and some other things besides. We then proceeded to add the said other things, obtaining them gradually from various likely producers within the group, and slowly furnishing these individuals with the necessary plant as we went along and even with some training. Against all the 'other products'

The Logic

which thus went into the pool, we issued units; but always fewer than we charged for them, and always—we found out gradually how to compass this—by results.

Details of the system are by no means fully worked out, but enough is available to enable an indefinite number of groups to begin. In the Appendix is given a statement of how we charge, for instance, for boot and shoe repairs; and how we pay for those same repairs. We fell upon this rather early. What gave us much more difficulty was how to devise a method of paying by results for crops other than potatoes; crops coming to fruition (this was the trouble) at different periods of the year.

The latter was overcome in the end easily, as all our difficulties so far have been. We now draw a line across the year at a convenient place, say the 28th of November, or just after the main harvests are over, the moment when the land is barest of crops and the larder fullest. We know roughly the potato-equivalent of peas, beans, rhubarb, berries, marrows, or whatever else grows on the ground—how many half-pounds of potatoes, that is to say, they are severally worth in the shops. Everything as it is reaped for the pool is booked to the credit of the plot at so-many units, as it drops into the pool—there to be labelled the same number. When the end of the year comes, the book total is added up. It is remembered how many units the man has had by instalments during

of the Homecroft Economy

the year, or if three successive men have been working the plot, how many each has had. By whatever amount this total of units, paid into the men's pockets, *falls short of two-thirds* of the units booked to the credit of the plot, that difference is given to the cultivator; or if there be more than one, divided between them proportionately to the time the plot has been under their several charges.

The aim of the system is to add fresh varieties of produce to the pool continually, so that the central store shall be as rich as possible from the householding point of view. It is the nature of the Homecrofting Group to grow in two directions; laterally, by acquiring new members, and vertically, by heightening the quality and enriching the variety in the pool. The two should proceed together; but all the adventure is in promoting the vertical growth. The membership will widen of itself if the pool is rich. In producing new things the practical maxim is to keep all the work within the group. That policy naturally keeps the units within the group. Our boot repairer and our knitter at Cheltenham are both also food producers. Our weaver, poultry-man, pig expert, and miller whenever we advance to these, will be so also. The extra units spread amongst them enable the group to draw out the extra things from the richer pool. When they have reached saturation-point is the time to have more men. To let new recruits come as they will, however, is the most practical plan, actively fostering only the vertical development.

The Logic

The logic of the process is that specialization, the division of labour, will arise of itself wherever it is an advantage. Only, it will no longer carry a sting. It will be free to be the blessing which it potentially always is. The boot repairer, for instance, ought eventually to become a boot maker; and at a more distant day he should be presiding over some modest type of boot-making machine turning out perhaps fifty pairs a week for a 'family' of a thousand families. All the other corollaries, power loom, small spinning machinery—it may not be procurable as yet but it surely could be made—a tailoring establishment, a hairdressing establishment and the rest, ought to emerge in their time and place. And the question whether the system can sell enough to pay its overheads and raw materials, and do so a great deal more easily than the members could otherwise have sold in the labour market the labour which normally goes to produce their household requirements, will begin to answer itself.

The two directions of growth go hand in hand in this further respect, that when the co-operating group has once attained a certain size new products are more easily made. To enrich the variety of commodities in the pool becomes simple. It is not simple in the beginning. A very strict law limits what can be done in the early stages. We must dwell on this for a moment, for to grasp it is a valuable preventive of disappointment.

of the Homecroft Economy

When ten men propose to make their own bread, for instance, a question comes up which is the same in form for each and every similar proposal. The bread is made and placed in the pool by the maker, it being his contribution just as other things are contributed by other members, and he receives a few extra units for it just as the others receive a few extra for their 'other-work'. The members as a whole are now supposed to draw their bread out as they need it, presenting units enough to cover the labour and money sufficient to cover the raw materials in the loaf. The question, however, is: How much money? It sounds triumphant to say, 'Only enough to cover the raw materials.' But they may have to offer more money in their own store for these raw materials than is charged in a shop for the finished loaf. Always we have to ask, Is our money-price for the bought ingredients not necessarily greater than the shop's money-price for the finished article? If it is, homecrofting has lost its economic point. It may be continued for its educational value, or for its interest, or for its aesthetic quality or for anything you like, but it is entirely deflated; it has become an entertainment, not serious work; a good healthy way of putting in the time, but no longer real life.

Of course the Homecroft system has an answer to the dilemma, as the reader doubtless already sees. If the flour in the loaf costs more than the loaf, it is for us to do our own grinding; and surely the shop loaf is not cheaper than our price for the raw wheat. If

The Logic

it is, we can repeat the process and grow the wheat! It is the same with socks, with clothing, with boots. Theoretically there might be ways of tanning our own leather for boots. It once was done. And are there not numbers of ardent and capable people all round us to-day, who are bent on reviving those old crafts? Linen could surely be produced absolutely from the origin—a bag of flax seed all that is wanted—if the art of treating flax can be recovered. And it was once universal.

This is the formal line of reply to these difficulties. But so long as numbers are small, and every man must play many parts, they are real. They are *the* difficulties of the enterprise. They are the adventure of the enterprise, to put it in another way. Food production (vegetables and rabbits) you can start; boot repairing can be started; jam making, poultry, all kinds of wild-berry gathering and many other thinkable projects might certainly be tried; and along these lines the interest of the game will no doubt itself attract numbers, if the gift of enthusiasm is in the leadership and the gift of accuracy is in the clerk—this clerk who has the hub of the whole process in his hands, the distribution of the units, and the book-keeping. But until a certain growth is established, the system cannot be held to have come into its kingdom, it cannot be said to have been thoroughly tested.

The economic question must always be, How far

of the Homecroft Economy

back in the process of manufacture can we go? We wish to have our suits made at home, for money enough merely to cover the price of the cloth, our own units defraying the labour. We find this no use, *i.e.* no saving, or not enough to be worth while. We find tweed cloth costing almost as much as a finished suit of rather poorer quality, which might be good enough for us. Can we hitch electricity to our loom, then? Any chance, supposing we are not content with making the suit on an electric loom for units 'plus money for the yarn', of our spinning the yarn itself?

The distance we can retreat to get a point of insertion for our wedge is largely a question of machinery. It is a great mistake to think that the rise of the Homecrofting Group would hurt the engineering trade. It may not want the present machinery. It has no use for a power loom that will take a carpet fifteen feet wide, for instance. It wants machinery suited to itself. It may give the inventor some fresh problems for his ingenuity; but it would not wish to be without him. Groups must have the best of implements.

Only, there is no blight upon the fruits of ingenuity any more. Our half-hearted centralization has made machinery a curse. It only saves labour, it saves no man's labour. It extrudes some workers from the economic system and overloads the remainder. Almost no discovery or improvement which man can make escapes this fate, except in medicine and sur-

The Logic

gery. Food plants grow more prolific by scientific breeding, animals by the study of animal nutrition; manures are improved in the laboratories of the Agricultural Stations and the great chemical works till we are within sight of a manure that will both feed the plant and kill the weeds! But all to what purpose? Merely that in the pressure of a perverted competition where all are sellers and none buyers, those who can afford the new methods seize them and leap ahead, out of the pressure, and scoop the remains of the market from in front of the others who have not had the tip, or who cannot afford to avail themselves of it. The cynic wants in consequence to see the clock turned back. Research is pointless. Better grow one blade of grass where two grew before, than vice versa. 'To expel all the pests from the orchards of England would put a third of the market gardeners out of work!' That kind of remark comes across the wireless as a joke. And in the present state of our economic affairs it is unanswerable.

But it is surely not a final state of our affairs. Let us dream for a moment, if the tax upon faith and imagination is not too great—and I grant it is great enough—that the country were filled with self-providing circles of healthy men and women, which all unemployed could fall back into whenever they fell out of wages. Every chemical which helped them to drive out their pests, every successful fertilizer or implement which enabled them to set more economically about their work, has become unqualified

of the Homecroft Economy

good news. If anything suggests that 'salvation by groups' is in the womb of time and hard upon the birth, it is just this circumstance, that such a change promises to recover the good of good things which had gone from their nature and turned to their opposites; it promises to yoke the forces of invention and discovery once more to the service of mankind. The logic of the régime we propose is a new economic order of innumerable small circles of independent ex-unemployed, with the nation as a big circle round them all.

Chapter 6

Self-Subsistent Homecrofting Groups can save Industry

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But the metaphor of separate circles is in one way inept. *It must not be thought that we are against centralization.* We are only in favour of taking care of the decentralized. We only urge the swift saving of the victims of the centralizing process in the only way immediately open, by making them self-providing. And this is not a process that will hurt centralization.

There is indeed another way of saving them, also not inimical to the centralizing tendency of modern industry. This is to take courage and go the whole way and centralize everything. We could frankly gather all the reins into one pair of hands, transfer all the vital means of production, all the services, all the large-scale industry at one swoop to the Government and be done with it; running the state thereafter as one huge concern by impressed labour; shortening the day without lowering the wages until all need only work an hour or two in the week and engage in occupations of leisure for the rest of the time.

Self-Subsistent Groups can save Industry

My chief reason for not pursuing capitalism to its logical conclusion like this, finally enthroning and deifying it—my reason for advocating a change—is that a completely centralized social system is not a structure built to last. Like the most refined types of machinery, it achieves its height of perfection at the cost of a certain precariousness. Splendidly efficient in fair weather, it becomes a terrible *débâcle* when anything goes wrong. It is a thing too delicate for a rough world. These are days of uneasiness and commotion. It is well to guard against exposing vulnerable flanks. And centralization is obvious vulnerability. If all the lights in a country come from one central power-station, a single shell can put them out. It would not be so easy to bomb them out if they were tallow candles. A town could be poisoned by tampering with its central waterworks; but not so easily if it had learnt the lesson of Poore and supplied itself from a thousand separate wells.

These considerations could be multiplied. They all argue the danger there is in allowing the centripetal force in society to drive everything before it. But they are not the final considerations. External danger is not to be treated in this way. It has to be tackled much more fundamentally. There will never be protection against the madness of the world so long as nation is competing against nation for work.¹ If we would lessen external danger we must think of

¹ As distinct from the healthy competition for *kinds* of work see Chapter 12.

Self-Subsistent Homecrofting Groups

some way of removing that kind of competition. In any case, freedom to centralize we want and must have. Only it must be in healthy form.

We are not against centralization. But something different from the thing itself must accompany the thing if we are to get the good of it, as the soil accompanies the plant or the air the flying bird. Centralization and nothing else is a negativity; it is the upper millstone without the nether; it is a thing living on itself with no source of recuperation, a semi-existence, a mere whirl, fast and brief and then out.

Undoubtedly a thorough-paced communism is a solution. It is *the other* solution. But it is completely unhistorical. It forgets all about the ascent of man. It forgets how many environments he has been through, how full a cup he has to carry. There is mischief in the wind when we poor earthy human beings, or too large a percentage of us, are asked to do nothing for six days out of the seven but pursue the higher life. We cannot live and do it. Yet that is what we are condemned to, if capitalism is driven on to the throne of the State, there to change its name.

There are only two systems of economics, in the end, as there are only two philosophies: the one is the economics of science and efficiency and the other is the economics of freedom, of limited and tempered science and efficiency. The former will always have its glamour. It would be worth making for, except just that there is that fatal point where efficiency—

Can save Industry

the short cut home—becomes dreadfully inefficient. There is a point, and it comes more quickly than we often imagine, at which it merely takes its place beside all the other short-cuts-not-takable, with which our probationary existence sits surrounded. There is a point at which it sins against the fundamental sanity and common sense upon which, whether we like it or not, the world seems to be built.

We therefore propose to limit nothing in the centralizing tendency except its penchant for self-destruction. Of mass production, as it is now known, we say deliberately that so far from seeking to arrest it we offer it the one means of continuing its life; we propose to introduce the balancing factors which alone permit it to go on undestroyed.

The Homecrofting Groups suggested are not foreign bodies to be thrust into the centralized system of a country's industry to annoy it. These independent circles are to be naturally formed through the centralizing forces themselves.

Any one may see that certain kinds of commodity are never going to be provided by small bodies of people catering for themselves. No Homecrofting Group will produce a railway system or a motor works. Their nature is to patronize those systems. They literally nourish what they do not take the place of. Self-subsisting groups help established industry. They are its customers.

Self-Subsistent Homecrofting Groups

One of the posters placed on the roadsides recently by the publicity department of Imperial Chemical Industries comes to mind as bringing out the point exactly. It depicts the United Kingdom—a great splash of a green-coloured map—with the words written over it, ‘Wherever you are farming get the I.C.I. fertilizers.’ No doubt the great firm studies the whole country in detail, selling in every district just the product best adapted to that district. This efficiency is not going to be any less efficient after Homecrofting Groups have arisen. It will only need another placard. It will run; ‘Wherever you are homecrofting . . .’ buy this or that from us. Still the function of what has been called great industry remains, under our régime. Only, the people it has deprived of a livelihood in course of its amalgamating and rationalizing—all that legacy of little uncoordinated chemical businesses surviving from the nineteenth century, in the case of the I.C.I.—have now been left not disconsolately walking the streets but happily employing themselves and able to buy fertilizers.

But, it may be asked, ‘Might not groups possibly make their own?’ Yes, possibly. And in that event no harm is done. That is the operation of the principle we desiderate. That is the limit coming into evidence, which determines just how big the big firm is to be; how big it can be without destroying itself. The conditions which are now allowing multiple

Can save Industry

businesses to swell indefinitely are working the 'undoing of these businesses—all silently but quite un-restingly. They are filling the world with wageless men.

Let any mass-production process gradually absorb the whole of the business in its particular line in the country if it is clever enough to do so, so long as the ousted people are able to make for one another. It is free to do all it can, so long as they too are free to save themselves. If we rise to the economics of freedom, we shall not be afraid even of the big firm's freedom. It can only help the country, never hurt it. The whole of the possible fertilizer business is only a certain quantity. It is larger if fewer of the independents make their own. Otherwise it is not so large. In any event, so far as it survives it has customers; the people it is not employing for wages, and whom no other is employing for wages, are employed.

Central industry may still produce all that the groups do not produce. There need be no doubt about that. Its advertisement can still run, 'Get your fertilizers—similarly your motor truck, your pedal bicycle, your combine-harvester, your patent plough, your newspaper, your evening at the pictures, your holiday on the Continent when you take one—from us.' In the new social order which we contemplate, big works, travel bureaux, vendors of pills and plasters, syndicated newspapers, are all still going. Only, they are in a full-blooded, healthy world; the sea has not

Self-Subsistent Homecrofting Groups

gone dry in which they swim; in spite of their having turned out so many to wander wageless in the world in process of their economizing and enlarging, those people are not poor. They can turn round and support their own harsh stepmother. They have something to exchange for the products of the very industry which turned them adrift.

We have completed a stage, during the present century, in the history of industrial improvement which throws all the former ways of construing the phenomenon out of focus. It was all very well when only one industry here and there economized a bit and stole a march on its neighbours. A few displaced operatives more or less made little difference, even if they had to stand by and watch their luckier mates supply the whole of the customers by working the new method. They might be trusted to shuffle back in again somewhere. Some new trade would arise. Nay, the cheapened product might make their old trade so enormously busy that they could even be taken back there. But now the people whom industry is dispensing with are silting up the sea, and industry itself is almost aground amongst the silt. It cannot rehabilitate those multitudes of people anywhere; and it cannot sell to them. A particular industry can only here and there snatch at the disappearing remains of the fleeing market by economizing still more, aggravating the silting process further, bringing the final *débâcle* nearer. Our principle is no enemy to industry in that plight. It is precisely the only means

Can save Industry

of its relief, the condition of its continued existence.

It is like the bending of the bow. Industry is shrinking itself up ever further to reach an ever higher efficiency of discharge. There is nothing intrinsically wrong about this. Provided the victims of such super-efficiency could still live and prosper, having only to live a little differently, it would fulfil its function. It would lighten the burden of life for the generality of men.

Why, then, has it not done so? What is it that needs to be changed? Homecrofting Groups, we have shown, would relieve the tension. But why is there any tension? Is there no natural arrangement of things, by which if it had kept the arrangement, industry would have prevented the tension from ever gathering, prevented in consequence the list, the deep lop-sidedness whatever its nature, from which we feel our economic order to be suffering? And would it not be well, concurrently with any adventure we may make in the way of self-subsisting groups, to put this main balance-wheel of the economic machinery into position again and let it do what it can towards righting the whole—if there indeed be such balance-wheel, and if it be out of position?

Here we are approaching the second half of our problem. We shall find the strongest reasons for thinking that there is such a balance-wheel and that its falling out of place was an actual historical event.

Self-subsistent Homecrofting Groups

Herein too consists our answer to the doubt raised in Chapter 2, as to the literal ability of single families of the people to live on the land any more. The true answer to that question is that it cannot be answered. We simply do not know whether there is any future for family smallholdings or not; whether or not enough grit is left in our people to face the realities of the cultivator's life. But the argument is unanswerable for replacing the balance-wheel, i.e. restoring the economic motive to the unemployed to try a land life, and backing that motive by all that a revised education can do for them. Besides forming Homecrofting Groups for the unemployed, we must open the land to them.

Chapter 7

Where Unemployment has come from

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We have held that the workers whom the forces of progress are extruding from industry must fall back into self-subsistence, and so far we have contemplated their falling into a multitude of independent social groups and not into a single communistic state. But a group is complex. Will it never be possible for such of the ousted workers as may not be ready for this formation to go to the land and support themselves directly, family by family? The truth is that this should always have been possible. If it had been, there would have been no unemployment.

This is Phipson's long-neglected programme. The independent group, for him, is the family farm. He contemplates putting a vast economic tide behind the industrial unemployed, to float all who have any tincture of the feeling for the soil still in their blood back into self-supporting agriculture of the ancient kind.

The feeling for the land, of course, is often weak
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Unemployment

and often dead. But an economic motive is a great awakener of slumbering tastes and powers; it even creates them. We know how the opening of the Canadian West drew men of all occupations into farming; how the big wages of the eighties made men into colliers and how the mere rumour of economic advantage creates a gold rush. But the economic motive turning the thoughts of wageless men to the land does not, in strictness, need to be created. It is a natural force, always sufficiently available, always really operating. We only need to take advantage of it. The victim of 'improvements' is already gravitating to the land, pulled thither except where we deflect the pull, by the very forces which have lost him his wages.

The nature of this pull may best be made clear by an elementary illustration. Suppose a hundred men are digging the earth for food, and it occurs to them to delegate two of their number to make spades. The majority will suffer some immediate disadvantage. They will all have to work a little harder to keep those privileged two. But they will soon forget it when they all rejoice in better spades. Suppose now, further, that one of the two invents a process whereby he can make all the spades. That will no doubt be something of a shock to the one who is superseded. But he need not despair. He is not irrevocably condemned to stand by and see the whole game being played now between the cultivators and his mate. The first touch of destitu-

Where it has come from

tion will suggest to him *that his cue is to go back to the digging*. And he will find that he can do so. He is really wanted there. His fellows, though once more they may grumble at a temporary disturbance, will consent to sit a little closer and let him in. For after that, instead of ninety-eight keeping themselves and two, they will be ninety-nine keeping themselves and one. And they are not so blind that they cannot be made to see it.

We would submit that the secret of the balance between industry and agriculture, and the cue to the health of every human society to the end of time, is to keep these two complementary forces alive; the longing of the wageless man for a living and the longing of the people on the land to have him over beside them. These two have got out of balance, and here is the real source of our unemployment.

We have to ask then what has interrupted this profound order of nature and whether the obstacle, whatever it is, can be removed.

Material progress is from the beginning a process of labour-saving: of doing the same work with fewer people. If those superfluous people would consent to disappear somewhere, and leave the world to be run by the remainder, that would be no solution. The very task of statesmanship in an industrial civilization consists in accommodating those people, for they are the pivot of the whole machine. They seem an inconvenience, but if they really disappeared, those

Unemployment

who were left would soon discover that they had to disappear too. If a manufacturer puts in a machine instead of men, he saves himself only so long as too much of that kind of thing is not going on. The few people discharged from his particular works and shot into the world at large are but a drop in the bucket. They are without resources. They cannot buy—even from him. He does not need to mind if plenty are left who have resources. But when everybody does it, the world becomes too full of unemployed and half-employed people; selling, as we have seen, becomes increasingly difficult, the only way to do it being to keep in front, cheapen processes still further and create still more wageless men. That is the vicious circle which needs to be broken. The process of cheapening by human invention must be cured of its habit of stopping sales.

Why not interdict the inventor, then, dismiss the organizer, forbid the labour-saving? What was wrong with the Luddite mentality in this matter?

The answer is that we neither want these things done nor can we really do them. What else is the meaning of human existence but the gradual conquest of nature by more and more efficient processes—with the slow and gradual attainment of that leisure for the higher life, which such conquest leaves? We do not believe in a Lotus land of plenty, but it is hopeless to dispute that the higher life is the meaning of all life. We must find another way than this of

Where it has come from

removing the obstacle which has accumulated our unemployed.

The truth is that despite all the confusion now caused by labour-saving, there is a place into which the bewildered hosts of disbanded men are naturally received, and at which they are always aimed.

Under a naturally working economic order, the closing of one line of occupation should open another. An instinctive belief to this effect inspires all our pathetic present efforts to transport and re-educate workers for jobs that do not exist. Training and moving people is of little avail so long as the great constant forces of progress are piling up the unemployed in heaps which have no outlet. That process must be permitted automatically to provide for the people it displaces. We hold that the natural place for them is on the land producing food. Whenever industry ceases to be able to afford them a subsistence wage because of the lowering labour-cost of the goods it is making, they should find themselves able to buy all they need, of those cheapened goods, with the food they can spare after supplying themselves, out of what they raise from the soil by their own labour.

And the process is at root an automatic one. A farmer has to pay for his land, so much a year. What he thus pays is, in the last resort, a portion of his produce. His rent is a part of his crop, given up yearly to his landlord. On the remainder he lives—by con-

Unemployment

suming some of it and selling the rest. Now, if progress is cheapening production all the time, he ought to live better and better on these sales. Let us look into this.

His land is always the same; the labour he puts on it presumably remains about the same; the crop in an average year will always be about the same. The food in his hands, then, being able to support labour always the same length of time, *while labour is learning to produce more and more in the time*, can only have one result. It must be leaving him richer and richer. If so, he will be tempted to do as any other man does who rises a little in the world, namely, engage others to relieve him of some of the hard work and give him a little leisure for higher pursuits; this especially if there are many others about who are ready and anxious to accept his offer.

But if our farmer is growing richer, there will be those other people about. The very process which is making him better off is a process of labour-saving, which means that a supply of labour is being freed to help him.

This, very briefly, is the natural route by which industrial progress spreads its blessing without causing unemployment. The industrial worker who is rendered superfluous is, like our spade maker, temporarily discommoded. But the same trail which led the spade maker back to the digging is still there for him to travel along, if it can be found. Only,

Where it has come from

instead of being a mere rough track, it should by now have become a broad smooth highway.

We ought to have all the equipment and paraphernalia for the superfluous industrial worker's land education ready. Homecrofting for the family should be an established and well-understood science. No child of the potential working class—which means in practice, as things now are, no child of any class—should ever be launched into this uncertain world at the end of his school years having had no thorough grounding in the elements of self-support; so that in the last resort with land, a hoe and some seed, he could make shift to keep himself from starving. In the whole army of industrial workers, there should not be a young man or woman whose pleasantest school memories are not associated with training of this kind; with learning, the boy to do the man's part and the girl to do the woman's part, in the running of a semi-self-supporting garden home. Certainly every post-primary school, which is catering for children not aiming at the University but presumably destined to work with their hands, should make this its distinctive mission and peculiar mark, that all who emerge from it emerge equipped for the soil if ever they lose their industrial wages—in other words, that the education given, the science, the geography and history, even the literature and language, are regionated around the food garden and man's immemorial task of primary living.¹

¹ See Appendix (B), pp 153-7.

Unemployment

The education that is in a garden is endless, from the botany of the plants or the chemistry of the manures to the geometry of the onion beds, the design of the paths, or the arithmetic of the house-holding. The science of education has advanced as every other science has, and is a magazine of power for our salvation. In this as in other matters, only the fulcrum for the lever is lacking; we only need adequate knowledge of the point at which to apply our resources.

Culture could be got from the making of this road—as indeed the Board of Education with its sporadic interest in matters rural is already half aware—even if it led nowhere. But in the last resort, we must remember, ‘roads are secondary’: The motive is the fundamental matter, the underlying economic drive. Our primitive spade maker with no road, but with the incentive, stumbled his way across a track. By all means let us have a plain broad highway, if it were only to play about on, and let it connect the one vital point with the other; let it run from the place where the industrially superfluous congregate to the place where there is land to receive them. But we have still to inquire where the incentive has gone; why the slope on which these people find themselves is not towards the land; why even if the road were there, they would not walk along it; why when it is actually not there, when the industrially superfluous have no memories of the land or even of having been taught

Where it has come from

about it, we do not yet see them moving in its direction, stumbling along the track, far oftener than we do.

We see them moving on to allotments, and that is significant. But why do the farmers not want them? Why have the three and a half millions who were listed eight decades ago as 'engaged in agriculture' dwindled to-day to little more than one? These are the questions which turn our attention to the money system. Our investigations into it will probably leave us asking: what has closed the route to the land and why in consequence there has ever been unemployment at all?

Chapter 8

Why the Unemployed do not seek the Land

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At the time of writing still another movement is afoot for putting people into smallholdings on the land. How undying is the notion that the place for the unemployed is there! Nothing seems to kill it. After every failure and bitterness of disappointment it only lies fallow for a few years and then springs up again. It is the persistent consciousness, ineradicably in the heart of the populace, that all real renewal of life must come from the soil. Crudely and spasmodically it surges up behind the politicians, making them feel they must move or seem to move in the general direction indicated. It is as if people knew how unemployment could be ended.

There may be a way of doing this thing. At least, there are broad, far-reaching, general conditions which must be fulfilled before we can know whether a movement of the kind can succeed or not. We shall see that they chiefly concern two of our most important institutions, money and the institution of rent.

In the last chapter we have tried to show what appears to be the general intention of nature in the

Why the Unemployed do not seek the Land

matter. A certain amount of work must always be done to support a people. Except in special circumstances, those who are doing the hardest of this work, the raising of the food, will always be found having offers of assistance, if there be others about who, owing to the rising efficiency of industrial labour, are finding themselves superfluous, resourceless, and therefore willing to assist. In the last resort, if men are idle, a natural pressure of them towards the land should begin to be felt. That is the nature of the situation.

It makes no difference to this conclusion whether we think of a static population with a static number of needs to be met, or of a growing population with multiplying needs.

If in a certain line of manufacture or service certain ingenious devices are able to give to one man the strength of ten, the other nine may not at once find the land their only resource. They may find new needs calling them to other industrial work. Or—theoretically speaking, although the fact is never so—such devices may be discovered so slowly and gradually that increases of population, without any accession of needs at all, may still occasion the full tale of specialists to be employed in other work than food.

In either of these cases, *cadit quaestio*. There is no problem. Things go on as before. So many are producing food and so many are at other work. To see the problem arising, we must imagine what is really the fact, that no matter how fast population and needs may be multiplying, the rate of improvement

Why the Unemployed

is outrunning them. What is to be done when any population finds it can do all the other work it requires more easily than before? How are we to accommodate a shrinkage of the industrial army?

The public is so inured to experiences of universal depression, throwing all branches of human activity alike into a calm, and to booms which throw all alike into a fever, that they find it difficult to imagine a state of affairs in which the same forces which occasion an over-supply of labour in industry should occasion a demand for labour on the soil. We slip into the assumption that agriculture is just another industry. If the industrialists do not want men how should the farmers be able to take them?

But we are speaking of the larger rhythms; of the definite, unvarying pull of a natural tendency, which, like gravitation, may work mischief if we don't understand it, but can never cease to act. The pull of the land upon the unemployed is as real as a natural force. And we are in trouble because we have queered the pitch of it. Let us look at it again.

Every individual requires a given amount of staple food. The food producers upon the area of supply of a nation will never need to raise more than a given quantity so long as the population is steady. But this does not mean that they never need more men; or at any rate, that they never want more. When the towns begin to throw men out, forces are working which will, if allowed to do so, elevate the whole mass

do not seek the Land

of food producers, and leave interstices beneath them, in all kinds of accidental places; interstices into which new food producers (ex-industrial workers) will, if they are intelligent, moralized and free, find and insert themselves, of their own free initiative.

The same food supports the same labour. But the efficiency of the labour rises. The same food, therefore—unless the operation of the tendency is sidetracked in some way—must bring the farmer a richer return in the products of labour. With that enhanced income he is in a position to leave the work more and more to the needy people whom invention is depriving of wages, he himself moving upwards meantime towards a rather more affluent and leisured life. This we venture to regard as the natural economic order in a progressive industrial nation.

Is it possible, then, to allow these natural effects still to happen? How can we hope to preserve this simplicity of economic motive throughout the complications of modern society? A glance at the argument is enough to show that there are presuppositions beneath it. The farmer must on the average always have the same surplus of crop to dispose of. This, of course, he will have. But also he must always get the same money for it; and thirdly, the money must always have the same purchasing power on the average over labour.

These presumptions, however, outrage no economic principle. They do not tell against our argument that the landwards motive can still persist

Why the Unemployed

among the unemployed, but definitely in its favour.

If in a year of normal abundance, when there is no reason in nature for any such thing, the farmer finds the price of food grain falling away; or if, receiving the same price in a normal year he yet finds himself poorer because the purchasing power of the pound has been whittled away by mysterious influences of which he has no understanding; or thirdly, if while the pounds the farmer receives for an average crop continue to be the same in number and each pound continues to be worth as much, he finds that increases in rent are steadily raking off his prosperity as fast as it accumulates; under any of these conditions he can do nothing for the unemployed.

Our contention, however, is that all of these obstacles to the natural landward turning of men who have no other resources are artificial; to remove them would only be an ease and a comfort to everybody; and above all it could be simply done. In comparison with the crude and elephantine operations to which the body economic in our era has been subjected, it certainly could be simply done.

The reason is that the doing of it is almost more a negative process than a positive. It removes abuses rather than introduces regulations. It perpetrates no artificiality and no injustice. It merely returns to a natural balance.

If, no matter how greatly production has been cheapened in terms of labour, the farmer's pound

do not seek the Land

while coming to him in the same numbers does not buy gradually more, it leaves him no richer. The farmer has then no part in the general progress of the world. The force that is raising humanity is not lifting him. He cannot let the unemployed come in beneath him. In consequence, the great world force (of inventive genius) is not lifting the unemployed either. They are imprisoned in the towns where there is no work. The health-giving breeze is blowing for them outside but they cannot get into it. Their highway to the land is out of action. It can only be kept open if, in a normal year, (a) the farmer now on the land gets always the same number of pounds for his crop, (b) the pound he gets is one which always supports the labourer for the same length of time and so commands gradually more of the products of labour, and (c) always the same proportion of the pounds he receives has to be set aside for rent as formerly. Nothing is so hard to introduce as an injustice. Here none is proposed. It would not be unjust for the farmer to obtain the same number of pounds for his crop every average year. It would not be unjust that the pound should always support the labourer for the same length of time in the same kind of year. And under those two conditions there is no injustice, nay, there is hardly even any very grave inconvenience, in the principle concerning rent either.

To receive for a piece of land in perpetuity the same money rent for which he originally let it, is not even to tie the rent-receiver to the strict letter of his

Why the Unemployed

bargain. This annual payment, with which we are asking him to be content, is a proportion of the average-year crop, always. This supports the same labour, and therefore buys more and more as progress continues to cheapen production. The rent-receiver is thus becoming always better off on the same rent, precisely as the farmer is becoming always better off by having the same surplus crop for sale. His perpetual rent is a perpetually rising rent, so long as progress continues.

Apart from injustice is there artificiality? That the pound should buy always the same food in a year of normal plenty is apt to suggest price-fixing; but no such expedient is in contemplation. The very basis of the economics of freedom is to permit a man to dispose of his property. There are two objections to any price-fixing programme; that it is not needed and that it is impossible in any case. To fix prices is economically impossible except in special circumstances, 'as in war when the country is threatened with invasion and most men are ready to toe the line. Even then the regulations quickly wear out and they always leak. But no such thing is normally called for in our case at all. It would have no point.

The price of wheat in an average year will remain steady of itself, if the pounds in people's pockets are always just precious enough to support the labourer for the same length of time in the same circumstances. How precious are they in people's eyes? That is the only question which has to be asked concerning pounds. And the answer depends on their numbers.

do not seek the Land

We do not judge how precious food is by the number of pounds which it costs. We judge how precious the pound is by the amount of food it will buy. And thus also do we judge of anything else, how precious it is. If the price of wheat fails to remain about the same every average year, on the open market, when not interfered with, then it is not the value of the wheat that has changed, but the pound that has shifted. And do not let us say this is a mere convention, that it 'may be looked at either way'. It is precisely here that we have all gone wrong. Economics is not a conventional matter. It rests on the solid earth, and we have de-anchored it—to our discomfiture.

Adam Smith seized the point:

'The nature of things has stamped upon corn a real value which cannot be altered by merely altering its money price. No . . . monopoly . . . can raise that value; the freest competition cannot lower it. Through the world in general that value is equal to the quantity of labour which it can maintain; and in every particular place it is equal to the quantity of labour it can maintain, in the way, whether liberal, moderate or scanty, in which labour is commonly maintained in that place. Woollen or linen cloths are not the regulating commodities by which the real value of all other commodities must be finally measured and determined; corn is. The real value of every other commodity is finally measured and determined by the proportion which its average money price bears to the average money price of

Why the Unemployed

corn. The real value of corn does not vary with those variations in its average money price which sometimes occur from one century to another. It is the real value of silver which varies with them.'

Phipson, meditating upon this profound saying, and on McCulloch's blundering commentary upon it—reflecting that it is a question of what the facts are and not at all of what conventions we choose to make—confesses to some misgivings about the word 'corn'.

Do the facts say that the real value of things is their value in corn? Is that the barometer by which we should read whether our pounds are keeping their stability or not? Cereals are not the only food necessity, even in England; while if we narrow 'cereals' or 'corn' down to 'wheat' we find that in many countries it is not even the staple food. We associate various other staples with other countries; oatmeal with Scotland, potatoes with Ireland, rice with India, rye with Germany and Russia, maize with certain other parts of the world, and there may be places where the prevailing nutriment is different from all of these. 'Upon this important question' he says 'I should be loath to speak too dogmatically, and have expressly refrained from more than tentatively adopting what I have taken as the standard food-unit of the United Kingdom.'

But writing at a time when the notion of index numbers was far from being the commonplace of economic theory which it is today, he suggests the possibility of devising a composite unit of articles of food, and expresses his faith that a unit can be found

do not seek the Land

such that the average value of another unit, representative of all other commodities, in terms of this one would be found to rise as the price of this one fell. Later, he experimented with several units, first simply 'food' including cereals, meat and fat; then 'corn' (wheat, barley and oats) and lastly a unit of wheat alone. It is true that the composite unit which he made use of to represent 'all commodities' was rather a crude one; viz. 1 cwt. each of bacon, ham, beef, pork, butter, cheese; 10 cwt. each of wheat, oats, barley and potatoes; $\frac{1}{2}$ cwt. each of tea, coffee and cocoa; $\frac{1}{4}$ cwt. currants, $\frac{1}{4}$ cwt. raisins and 3 cwt. sugar, together with the following other-products: 1 gun, 10 lb. gunpowder, 1 cwt. each of books, cordage, flint glass, copper, tin zinc, paper, soap; 1 ton of coal and of iron goods; 1 dozen hats; 1 dozen pairs of boots and shoes; 10 yds. each of linens, silks and woollens; 10 lb. of cotton yarn and a gallon of oil. But he found that in the United Kingdom, between 1855 and 1885, the value of this collection of things (omitting only the wheat) in terms of wheat alone rose and fell almost exactly with the cheapness of wheat. Indeed, having tried them all, he found the simplest standard the most exact. Wheat by itself came closer than 'cereals', these came closer than 'food'.

Refinements do not matter. The point of importance is that in a rough and approximate way Adam Smith's surmise is found to be statistically confirmed. And that it has not changed for the world as

Why the Unemployed

a whole even now seems indicated by such subsequent work as has been done on the subject. D. Ferguson and G. K. Montgomery, of the International Institute of Agriculture at Rome, discovered that very high coefficients of correlation obtained between the world-production of wheat and index numbers of wholesale prices in the United States, Britain and Germany; the coefficient being .94 in the case of the Bureau of Labour Statistics index number of wholesale prices, .912 with Sauerbeck's index, and .879 with the Statistische Reichsamts index. 'This discovery,' writes Mr. Ferguson in the *Co-ordinator* for March 1930, 'which was made before we were aware of the existence of Phipson, proves that his thesis of the predominating influence of food production on all prices is correct.'¹

It is clear then that McCulloch himself is perverse in his sententious 'note 270', where he taxes Adam Smith with perversity for having declared that the value of corn is equal to the quantity of labour it will maintain. When a labourer finds a pound in his pay-envelope, *the length of time it will support him* is clearly the measure of its value for him. Conventions entirely apart, we are warranted in concluding that that is also its real value. That should be steady. Which does not mean that it should be the same always; for years are not all the same. But it should

¹ The *Co-ordinator*, Vol. 7, No. 3, page 42. Published by the Agricultural and Industrial Union, 7, Queen Street Place, London, E.C.4.

do not seek the Land

keep the labourer for the same length of time in years of the same abundance.

Average-year food is absolute value in its material form, as Fichte long since taught us. If a given quantity of it becomes exchangeable for a different number of pounds, it has not changed its value. The pounds have changed theirs. What we must do to the pounds, if that happens, we shall inquire in the next chapter. Meanwhile, neither injustice nor artificiality attaches to an arrangement by which rents remain the number of pounds agreed upon between the parties, and pounds remain always worth the same average-year food. And these between them will insure that science and invention spread their blessing through the whole body of the people, instead of merely enriching some; that they will drive their great wedge into the right place—that they will insert it *beneath* and raise the whole body of the people; not drive it blunderingly into the middle, where it only raises some by crushing down others.

It is of course no Utopia that is here proposed, no New Jerusalem. The first impact of the inventor upon the economic system will still be disturbing. It will still imply telescoping processes and displacing men. Only the unemployment is not final any longer. The displaced will have somewhere to go.

In the earlier stages it may happen that the cash in people's pockets which has been set free by this

Why the Unemployed

cheapening of the commodities on which it had usually been spent, is merely used to satisfy some other, hitherto unawakened need or needs; and the industrially displaced may then, as we have seen, be able to move over and find occupation in a new department of industry itself. Even this is an inconvenience, a price to be paid for development. But the masses of unemployed now around us prove beyond a peradventure that the rate of budding of new needs, needs for air travel or wireless sets to take two contemporary examples, does not approximately keep pace with the rate at which rationalization throws men off. This kind of opening cannot take them all.

The adverse verdict which has been passed on some popular economic assumptions, such as that the total of human needs is a static quantity, may have to suffer some revision. We have rightly concluded that there are limitations to the validity of the notion of a static work fund, but we have been over-impressed by them. It is dangerous to regard this doctrine as a great error with a margin of truth to it. It is really a great truth with a margin of error.

But if the average-year wheat price in the free and open market does vary, what does it behove us to do in the matter? In other words, how does one steady the pound? It is time now to turn to this question. It is the last question that needs to be disposed of in order to restore the pull of the land upon all those of the unemployed who are not ready to fall into Homecrofting Groups.

Chapter 9

The Secret of a Steady Pound

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We have seen the importance of a steady pound for keeping the track open which leads the unemployed across to the land.

We have also seen the criterion which determines whether the pound is steady or not. Wheat is not dear if its price in the open market has risen above the average in a normal year. Such an event means that the pound has gone cheap. If in any year at all, either the buyer has to pay too much, in the free and open market, for the staple food of the people, or the producer selling the staple has to accept too little for it, then something has gone wrong with the pound. It is too common, and people are not prizing it as they should; or the contrary—it is too scarce and they are prizing it too much; and the number must be put right.

This view is based, of course, on the quantity theory of money; a theory of old standing having limitations which need to be remembered in some contexts, but a theory which, when all the qualifications have been

The Secret

inserted and all the arguments are over, remains substantially correct. It is like the work-fund theory, a great truth with a margin of error in it;¹ and we shall go badly wrong if following some temporary wind of economic doctrine we are deluded into thinking it a mere error.

What we must do then if the average-year wheat value of the pound alters, is to change its numbers, this by the obvious process of making extra ones; or if it is ever necessary—but it should not ever be necessary—destroying some of those which already exist.

There is nothing intrinsically difficult about such a process so long as we only need to add, and as we shall see there should never be any need to subtract. The only difficulty in adding is that we have not now a firm block of pounds circulating in the country, all visible and tangible, which we can count and thus know exactly what replenishment they need. What we have is a vast confused inheritance from the money systems of the past, and the real trouble is to see how we might withdraw the confused system and insert a simplified one in its place without shock; and yet it is not so difficult as it seems. There is no need to be so bewildered about it as we are.

Half the mystery of the pound—Sir Robert Peel on a famous occasion asked, 'What is a pound?'—arises from our habit of thinking it mysterious. We should

¹ Compare Chap. 14.

of a Steady Pound

give ourselves over a little more frankly to quantitative conceptions in the matter. All we need to know about pounds, even the present ones, *is that they are scarce objects*. They pass from hand to hand and enjoy a certain scarcity value. And if, judging by the amount of food that needs to be offered in the free food market before you get one, you find that people are prizing these objects too highly, then they are too scarce; the proper authority—the State—must make more and put them about. The authority only needs to be careful not to commit the opposite blunder of making them too plentiful.

The latter would, if anything, be the more serious mistake of the two. It would be a very serious mistake. Yet unless we are still in a barbaric age it is certainly mere folly to over-insure against it by making them of something which can never by any possibility become too plentiful, like gold.

The quantity of gold in the world is a dead, immovable thing. Or rather, it moves of itself, by jerks, and throws prices about. It is subject to great sporadic increases which come unbidden, and not at all at such a deliberately adjusted rate as keep people always ready to offer the same amount of average-year food for the same amount of the metal. It is our efforts to make this clumsy thing elastic that have caused us all the bewilderment.

Undoubtedly the invention of paper had laid at the feet of authority the ideal substance out of which

The Secret

to make pounds. The obvious plan is to make them all of good, tough, beautiful, properly stamped paper, preferably of a new design to mark a new departure. And they should all be alike. There would be a vast simplification in a policy of uniformity. We should still need to keep some of our pounds in the special form of small change, for a pound is a large unit and we need those dividers. But there are only three other kinds of pounds at present familiar to us, the metal ones, the paper ones, and those mysterious invisible ones which we call credit pounds. They should be made the same, and all visible.

Despite the formidable complexity of the present system, this is not a change which need necessarily occasion any sensible inconvenience.

If the banks have a supply of gold pounds they should receive exactly the same number of the new ones in their place. If thousands of private individuals have an account at the bank, the pounds which they 'have' there should be actually put there by authority. If a sufficient number were printed and the places got ready for them in the vaults of the banks, the movement could be done in a night, with no disturbance to anyone. The bank books, with their records, could all stand exactly as they now are; except, as we shall see, that some of them should be in another place, and those who keep them should be Government servants. The country would then be running on a currency of duly authenticated national paper. And the nation would be free to print extra

of a Steady Pound

pounds if required in order to guard against their growing too precious in people's eyes.

In merely making all our existing pounds visible and numbering them serially, we do not need to raise any large and vague questions about what is 'behind' the notes, or use phrases about the 'credit of the country'. Those pounds are nothing whatever but pieces of authenticated paper with a scarcity value; and their value is kept up precisely as the value of diamonds is, by seeing that they are scarce enough. Half the difficulties about pounds would disappear if we could learn to avoid the word credit. If a man has a 'credit at the bank' that merely means that he has pounds lying there—only they happen to be invisible. They are pounds all the same. And the bank, when it 'advanced' him these pounds (supposing he had a loan), increased the number circulating in the country by exactly that amount, whether it took a legal hold of a part of his property at the same time or not. Suppose that it did. Suppose he pledged his house. This only means that his title deeds are in the drawer at the bank; and, in our patois, that amount of actual property is 'behind' the credit pounds and functions as 'backing' to them. But the two literal and separate facts are (*a*) that a piece of property has passed from the customer to the bank, and (*b*) that the number of pounds in the country has increased by the amount advanced. The bank has monetized a piece of property into pounds. And when the loan

The Secret

is repaid and the title deeds are given up and the property reverts to its owner, the pounds are simply no longer extant. They have been deprived of even their invisible existence.

All that happens when the banking system as a whole gives too much credit, as during the war it had to do, is that it monetizes too much property, it makes pounds so common that people simply cannot prize them as they should. They are like daisies in May. It is not in human nature to value them as formerly.

It is easy now to see how most of the pounds in existence are made. The fewest are minted out of gold by the King's servants in London. The supply is really kept up by the makers of the invisible ones, the banks, working according to a certain rule of thumb with a not very respectable history. And the question whether the banking system, operated though it is by men of perhaps the highest probity in the whole of the business world, is the best regulator of the number of pounds in the country is rather a vital one.

The truth is the institution is very badly adapted for this work. There is no call to 'nationalize the banking system'. But there should be a division of labour between it and the Government. The banks are now discharging two functions which do not mix well. And they should allow the Government to take over one of them, and all the books connected with it and all the clerks who attend to it, namely, the one concerned with the safe-keeping of money. This

of a Steady Pound

would still leave the banks a great work to do, what is now in fact their major work, as we shall see. But it would automatically bring to an end their way of issuing money. It is frankly a bad way.

For the banking system cannot issue a set of invisible pounds to any one except in return for something. It makes these pounds to lend them. And though the responsible heads of the banking world have a high sense of public duty, they are by their very position business men, answerable to shareholders. They are lenders of money. And their natural temptation is to issue pounds to those who can offer the best return. Interest must be paid and the capital must not be lost. These conditions are the first matter for their consideration always, whether the issue is for rebuilding a slum, developing a patent, financing a boxing match or for gambling purposes.

There is no reason to doubt that the banks steer the most patriotic and respectable course that they reasonably can. But they have enough to do steering that course, without having the responsibility for seeing to the amount of money in circulation in the country. They are users of money, and they should not also be makers of it.

In a rough haphazard way it can be said that the system rubs along; the various new sets of invisible pounds issued balance more or less against the sets repaid and annihilated, and thus a roughly even number is kept in constant circulation, although

The Secret

every now and again come crises when a great number have to be issued or a great number annihilated, to the dire and unmerited distress of whole classes of the population.

At the outbreak of war the issue of new pounds of the invisible category had to be enormous, so that people with fixed incomes found themselves robbed of half their resources, since people could not value a pound highly enough to give more than about 10s. worth of goods for it. In 1921 the banking system began to see to this. It embarked on a policy of refraining from re-issuing pounds as they fell in and so reducing the number by an enormous margin in a very short time. The result was an avalanche of bankruptcies. Firms having paid high figures for their stocks while pounds were plentiful found themselves trying to sell their stocks in a world where pounds had gone scarce. They could not get more than a fraction of their outlays back. They did not know that pounds had gone scarce. Still less did they know the reason; namely that the banks were annihilating them. Had they known they would have been furious—quite as furious as the few who did know and wrote 'extremist' pamphlets about it, like Mr. Arthur Kitson. The world had not become nearly so clear about all these things as it is to-day. All that business men knew was that prices were mysteriously falling. Even the bankers did not quite know that they were reducing the circulation, and causing disaster. They were only reducing the volume of

of a Steady Pound

their loans and returning to 'sound finance'. Most of them to-day would admit that they should not have done it at all; and that really the best thing to do with an inflation in the currency of six years' growth is to let it stay, and content oneself with not allowing the rot to go farther. That undoubtedly is what the banks should have done.

But even were there none of these crises, this whole system, as a way of having our money made, is clearly a haphazard affair, wholly unscientific, and with no relation whatever to the needs of the nation. But here we do not mean merely to repeat a parrot cry which every one has heard. To what needs exactly has it no relation?

It has no relation to the duty of the pound to be *always just scarce enough to buy the same amount of average-year staple food* and in consequence just scarce enough to buy always more of other-products, as invention cheapens production. All the making of pounds should become again the exclusive function of the mint, and the number should be such that the free market in food showed no variations in the food price except such as the season justified.

It is to be observed that under such a régime there ought never to be any need for annihilating pounds. There should be a need for slowly increasing them. The population is not stationary; and with the advance of civilization the uses for money increase, so that the amount per head must rise if the basic food

The Secret

of the people is not to fall. But the amount of these issues would not need to be guessed. They would be shown on the barometer. They would most likely be a steady annual amount. They would be put in circulation by the Crown, in the ordinary course of paying its servants. And they would relieve the citizens of that amount of taxation every year.

To relieve the banks of the function of keeping the supply of pounds right, to restore that function to the Crown, and have them all made of visible paper at the mint, would involve no change in the money-broking function of the banks, beyond just that they must not create the money they deal in.

Before the banks lent any money, they ought always to have needed first to look in their vaults and see whether they had it. On the scheme we are proposing they must, like any other broker, look up their lists and see whether they have a customer with the money to lend. The customer should lend the money, and they take their brokerage or commission for putting the transaction through. If the customer places his money with *them*, and *they* lend it, and also safe-keep it for the borrower, their temptation, when they have procured the sum for their borrower, to allow him an overdraft—that is, their temptation to create a few invisible pounds and lend them to him—will be too sore; will hurt too much to stop the old habit. It will probably be felt even by the bankers themselves as a far better policy to remove the

of a Steady Pound

temptation entirely, by confining them to the one side of their present business—what is becoming more and more its chief side—the investing or broking of money. They might be quite willing to leave to the Government the whole of the safe-keeping function. In drawing a cheque in these circumstances I should not be addressing a request to pay some of my money into the other man's account, *to the banking system*. I and all other people would now have our current accounts with the Government; and we should ask it to make the transfers.

It would be very easy for the Government to take care of all current accounts in establishments of their own—perhaps annexes to the Post Offices. All individuals and firms should be required to transfer their current accounts to those places, and leave the banks to the work for which they are supremely fitted, that of finding investments for people who wish their money invested, and when money is wanted finding where it can be had. They should continue to hold the key-point in the business world, but under the same laws as govern the rest of it. Occupying a position of the highest trust, investing vast sums of other people's money, they should be brought under the same regulations as other trustees. If having been given a sum to invest they duly invest the same for a commission, it should not then be possible for the borrower, having deposited the sum with *them* for safe-keeping, to ask *them* (by means of a cheque overdrawing his account) to pay over to some one else in

The Secret

his name, sums he does not possess and has not borrowed. His current account should be in another place, with people who never lend money or procure loans, who are Government servants, and who have no concern with anything but people's current accounts. Cheques should only be drawable upon moneys which people actually have in the State Safe. When I have had a loan negotiated for me, through my banker, and the proceeds deposited in the Safe, I ought then to be able to ask at the counter for a book of cheques all ready made out (in whatever different denominations are convenient to me) for the net amount, only awaiting my signature. I could not then overdraw. And any 'concession' to a depositor, by the Government representative, in the shape of permission to draw a cheque or two beyond what he had deposited, could be treated by the law of the land for what it would literally be, a conspiracy to utter false money.

The replacement of all existing pounds by pieces of appropriately designed paper bearing the national mark, and the transfer of all current accounts to Government establishments, would yield us a pound whose value could be kept steady; and with skill, the change could probably be made so quietly as hardly to cause a ripple on the surface of business. With steady rents stated in forms of these unchanging pounds the land would be as open to the unemployed as Homecrofting Groups, whenever industrial improvements left industry no longer able to support them.

Chapter 10

On losing our Work to the Foreigner

★

The problem of running a currency is to keep its units having always just the right degree of preciousness in people's eyes.

We have said that this is a pure question of their scarcity. If all the diamonds now lying in store were let loose on the world-market they would become so plentiful that the price would fall disastrously. Pounds in the same way must be kept scarce. They must be fed into the circulation at a rate just sufficient to keep their value steady.

The term 'steady', here, must not be misunderstood. If it suggests fixity, as though the pound were to be made exchangeable by law with a fixed amount of something or other—as, under the automatic gold standard it was mechanically convertible into 123 grains or thereabouts of standard gold, if presented in certain places open to the public at certain hours—it is misunderstood completely. To tie the pound to a substance, like this, will never make it equally

On losing our Work

precious at all times, unless this substance is always equally precious; which gold certainly is not.

A money unit is always equally precious if its value in food rises and falls with nature. Only when the pound always keeps the labourer the same length of time in the same kind of year, is it steady in the relevant sense of having a purchasing power over the products of labour that remains steadily proportionate to the efficiency of labour itself.

The numbers of pounds, then, must be regulated by the rise and fall of the open market price of the labourer's food—the staple food of the country. 'Is wheat as cheap as it is plentiful this year?' is the question which must be asked. 'Is it as dear as it is scarce?' If so, the pound is stable; people are regarding it with due respect; they are spontaneously placing a steady value on it. If anything in the market grows expensive or cheap we may now be assured that the price of that thing is really changing; it is not the pound itself that is shrinking or stretching.

And normally the Government should never find it necessary to tax pounds out of people's pockets and pulp them. If a great but brief national crisis did make an inflation necessary, it might be desirable to bring the circulation back to the normal again afterwards—though certainly never to wrench it back (as our banking system did on the last occasion) in a crude and shocking fashion. But if the inflation were one which had had to be of long standing, so that the bulk of people's contracts had come to be made in

to the Foreigner

the devalued pounds, it would be better to let it remain. It would be the lesser of the two inevitable injustices. Apart, however, from the possible aftermath of an upheaval, or the need to correct some great displacement or other, no change except an upward one should ever be required, in the number of pounds circulating.

And any one could check the pound, who knew the state of world harvests. He would know, therefrom, the degree of abundance with which food would arise from the soil and flow in through the open ports of a free country. He could then ask whether its price was as much below the average for the last eight years as the quantity available was above it, or vice versa. Any deviation from this norm would show that the pound was being too little or too highly thought of. Its numbers would have been proved wrong; the rate at which extra pounds were being made would have been shown to be overtaking or lagging behind the increasing uses for money occasioned by a rising population and a developing industry.

But in addition to its stabilizing influence on the internal economy of the country, an unbacked purely national pound with a steady food value at home would have a most important naturalizing effect on foreign trade. It would make all commerce with other nations automatically reciprocal. Without the aid of any protection measures whatsoever it would prevent our work being taken away by the foreigner.

On losing our Work

In doing so it secures the country against what, after the machine, is the next great source of unemployment.

It would not interfere with free trade. On the contrary, it would protect free trade itself; which is perhaps the only thing that was ever worth protecting.

Normally, a human society is a self-supporting unit. It has a certain standard of life; and to keep it up requires of its working population a certain total amount of labour. We have seen one of the two main ways in which the amount of this labour grows less; namely by the country learning to manage its work better, so that it can obtain the same output from fewer hands. And we have seen how work thus lost by the machines need put no one out of employment. The chief other way in which unemployment can arise is by foreign competition. Work not only disappears to the machines but it disappears abroad. A national currency prevents this leakage, as it prevents the other.

This important result comes about because when other countries receive 'mere paper' in payment they must always send it back. If Britain adopts this policy, the outside world cannot act like a great sink into which her money can flow and disappear like a river disappearing into the desert sand. And this is one of the most serious unperceived evils from which Britain in the last sixty years has been suffering.

One is apt to think at first that a currency made of

to the Foreigner

paper, without a gold backing, would be a very inconvenient medium with which to trade abroad. What would be the use of going into a foreign country tendering only a piece of scrip which did not represent gold in the bank of England? But the case is exactly as if a member of a Homecrofting Group presented himself at the store of another group, offering his own paper.

If the reader can carry his mind back to the Homecrofting Groups, it will be convenient here to reconsider the importance we attach to making the currencies of different groups different. This is in order to secure reciprocity of trade amongst them, if trade ever springs up. It is to ensure that one shall not draw away another's currency, and so deprive it of its life blood. And the international parallel is exact. Countries in the world are precisely the same as Homecrofting Groups in an area in this respect. If a country finds itself over-importing and unable to sell, there should be another way of turning the tide for that country than bleeding it of its currency until its whole price level is pulled down. The tide should turn not because people abroad at last find its internal price level low, but because they find its money, which is coming in to them in a flood to pay for the imports, and which has no fixed price to them, abundant and cheap.

A small and struggling Homecrofting Group will have every reason to beware of a big neighbour; to

On losing our Work

beware, not exactly of its competition but of its ever getting into a position to compete. A common currency would put it into that position immediately. This whole subject of the importance of separate currencies was illustrated to me very vividly by an incident in the early stages of the second phase of the Homecroft experiment.

Walking through the streets of Cheltenham one day during the winter of 1932, I perceived that a movement, or rather several movements, for unemployment relief were afoot in the town; because numerous small grocers' and chandlers' shops, fruiterers, dairies, &c., were displaying notices as I passed, intimating that they accepted the vouchers of various unemployment funds in payment for their wares. Finding one which professed to receive 'all' vouchers, I went in to inquire if they would accept those of our Homecrofting Group, then just commencing. In order to explain the difference between ours and all the others, I asked the good lady what she did with the vouchers, to which she naturally replied that she took them to the bank and received money for them. 'In the same way,' I said, 'if you take ours along to our headquarters you will receive potatoes for them.' But as one can quite well understand she was not very ready to do business. She did not particularly want potatoes. I mentioned some other commodities and services which we had on offer. But she was still reluctant—not sure she wanted any of them, and there the matter had to be left.

to the Foreigner

It is perfectly obvious that her position relatively to my visit, proffering claims on our small store, was exactly the position of a merchant in a foreign city being offered by some British traveller a claim on Britain as payment for his goods. He would receive the British tourist as he would any other prospective customer and as the shopkeeper received me. He wants to sell, as she wanted to sell. But when it comes to payment, he would rather have money which he can spend anywhere, just as the shopkeeper would rather have had money that she could spend anywhere. The only difference is that Britain, being an island many thousands of square miles in extent, and thickly populated by one of the leading industrial races of the earth, makes rather an enormous shop compared with the one which I was representing. From this point of view it would be only common sense for Britain always to buy abroad with claims on her own shop, nay, it was sheer folly for her ever to have thought of doing anything else.¹

On the one hand, her shop was so enormous that she could have paid with mere paper claims on herself without difficulty or inconvenience; while, owing to her peculiar position, it hurt her, definitely, to pay other nations with gold, or with anything *which was their money as well as hers*. To give them such money was a plain temptation to them to keep it, to

¹ How she prospered so long as she paid abroad with claims on her own shop, as Germany has been lately trying to do, may be seen from the figures given, pp. 119-122.

On losing our Work

use it to make purchases or discharge debts at home, instead of bringing it back to these shores for its equivalent in goods, opposite the goods left here.

The automatic Gold Standard was a blanket money system for the world. The effect on Britain was to make her money stay away; to make the rest of the world treat her not as a place to spend money in, but as a place in which to sell things and obtain money to spend elsewhere. We must try to make clear the reason for this.

It is most easily illustrated if we can imagine the case of a plurality of Homecrofting Groups neighbouring each other, and suddenly acquiring a single currency common to them all. This at once puts the small ones at the mercy of the large ones.

It is obvious that my grocer friend, scanning the piece of paper I had given her—one of our Homecroft units—and asking what she could get for it, and where she could get it, and when, was in the same position relatively to me, as if she had been the store-keeper of a neighbouring Homecrofting Group, when a member of another group who wanted something from this store, came presenting his own tokens. 'These tokens are not ours,' would doubtless be the greeting he got as he tendered them in the strange place for the first time. And there might be higgling and negotiation. But there is clearly no fatal reason against his being able to buy with them eventually. As a member of another group, he has earned them,

to the Foreigner

possibly by hard work. He might wish, in a moment of impatience, that there had been only one token common to the two stores. Then his tribulations would not arise. But the probabilities are that he will be able to use these tokens peculiar to his own group, in this new place, if he perseveres. All would depend on the quality of the two stores. If his own was but a poor one, he would find his hard-earned units not valued very highly. He might have to give rather more of them than he would like for the particular commodity which he had been tempted to come here to purchase. Doubtless the temptation he had been under to come here at all was due to the superior wealth of this store. It was apparently the centre of a stronger group than his, with goods in greater variety and abundance, and perhaps also of better quality.

These differences of strength, which would doubtless exist from group to group wherever homecrofting became common, are the features in which they are parallel to nations. The position of Britain among the nations of the world, which made her adoption of a blanket-currency code running all over the world a very mischievous thing for her, was a position like that of a weak Homecrofting Group amongst stronger ones, when a blanket code is proposed for them, whereby there comes to be only one kind of token for them all, or all their various currencies are correlated to one.

This is precisely the kind of thing, incidentally,

On losing our Work

which someone is sure to propose. As surely as ten groups ranging from a membership, say, of fifty to a couple of thousand arise in a distressed area, some 'co-ordinator' or other will almost certainly wish for some kind of a 'clearing-house', in which to sit above them all and exercise a function of some kind. And it will be very well, so long as he does not try to have a code accepted, fixing how many units of group A are to be the standing equivalent of a unit of group B, and so on. To fix the units in that way, by an automatic rate of exchange, is to institute one currency for all the groups. The next step is to have one mint, one size of units, one colour-scheme and all the rest of it. It is possibly, if wisely done, a good thing; but certainly not a thing to do from aesthetic motives. What we are concerned with, for the moment, is to grasp the economic results of it; which, whether good or not when one is dealing with a number of self-subsisting groups in an area, are certainly fatal to some countries when one is dealing with the different countries of the world.

What is the result of imposing a common currency on a number of Homecrofting Groups or even on two, especially if one is much bigger than the other? We can get the answer from our illustration. What would have happened, if I could have told my lady of the grocery establishment that our little group was linked to that enormously larger one, the country as a whole; that those homecroft vouchers which she des-

to the Foreigner

vised were correlated to the money of the country; that they literally were, every one of them, a fixed fraction of the pound sterling—perhaps one four-hundred-and-eightieth, or $\frac{1}{4}d$; which is in fact about their money value? That would have been linking our little group to another one much bigger and stronger. Suppose, for example, that the Government had declared our unit to be legal tender for a halfpenny. It is clear that the lady of the shop would then accept them at once. For then, what had been a unit-claim upon one paltry store would have suddenly become a unit-claim on the whole town of Cheltenham, the whole land of Britain, and under a universal and automatic gold standard, upon the whole round globe. She would be eager to sell all she could! On the other hand, what would be the effect on us? Where is this person, having taken the chit, going to spend it now? Certainly not in the *little* store but in the *big* one; not with us, but in the Cheltenham shops. The little store will be left with its goods unsold. It will quickly be out of business.

That is the standing difference between little and big, in a context of Homecrofting Groups. The little store, if it values its own little life, if it does not want to find its goods constantly being left unsold, and itself gradually squeezed out of existence by its larger neighbours, must avoid competition with them. It must trade with its own tokens. Then it is sure that what it spends outside will be spent again over its own counter. The moment you clap a grid

On losing our Work

down upon the whole ten groups of an area, the bigger will begin to swallow the less, and eventually the biggest of all the whole of the remainder. Ten groups will telescope into one; nine busy little 'clerks' will find their occupations gone. One success will be recorded in the history of the Homecroft movement in that district and nine miserable failures.

Note, that so far as Homecrofting Groups are concerned (and it is the same with countries) there is no objection to the ten having a monetary centre. In the new social order which we contemplate, the banker has an honourable function. But the monetary centre must be a free market, not a clearing-house. Let anyone who cares to do so open a bank at which a member of group A can buy B units or C units for his own; or vice versa. But let there be no fixation of prices, no blanket code, no reduction of all the separate currencies to one—unless, as above hinted, with eyes open, with the deliberate intention of not having several little centres of life, conducting their spontaneous dealings with one another, having their common newspaper, annual games, or what you please, but only one big group.

For so long as these groups are running their own currencies, all *vicious* economic competition between them is cut out. Though they may joust at games together, vie with one another at a craft show, compete in artistic production or in making poetry (and again it is the same with nations), *they are not in*

to the Foreigner

competition with one another for work. A homecroft member walking off to a neighbouring group to have his hair cut because he can have the operation better done there, a Tyneside shipbuilder going to Belgium for ship's plates because they are cheaper there, is not letting his own group down. He is not taking its work away. He is only giving a gentle jog to the dilatory barber, to the backward foundry. By that deed of desertion, the barber's or the foundry's work has not really gone to the other barber, or the other foundry, *but to some one else within the home group.* The units left 'abroad' in payment for the imports have to be brought back to buy something else here. What work the home craftsman, through his inefficiency, loses some one else gets—some one else at home.

The reader will perceive how like the whole argument begins to sound, to the old stock arguments for free trade. It is indeed so. Those arguments were sound. They only were making an unconscious assumption, namely that each country is trading with a currency peculiar to itself. Make that assumption true, and you make all the arguments valid. Goods can thereafter only be paid for with goods. Foreign trade need not be balanced. It automatically balances itself. Free trade needs to be protected by separate currencies. Under an automatic Gold Standard it is a misnomer.

It will be observed that the parallel between the several Homecrofting Groups and a plurality of

On losing our Work

countries appears to become inept at a certain point. Under a common currency it is the big Homecrofting Group which stands to gain, the small one is starved. Under a world currency the big group suffers from the union.¹

If my grocer friend had been told that my units were halfpence, she would have accepted them and spent them in the big shop. Why is the British shop not advantaged, then, by its bigness, under a currency common to the world? For it is not. We take up this question in the next chapter. There is no inconsistency. It is really because although British goods lack neither quantity nor quality nor variety, all is neutralized by their being dear. And yet they are not dear!

For it was not by cheaper goods that she was defeated in the world markets. The goods from other countries which displaced hers were not really cheaper. Rather, the pound, when it was taken away to those countries to buy, changed its value—altered its average-year food value—*en route*. The sovereign, just because it was now world-money and did not need to be sold for other money at the frontier of a new country but ‘ran’ straight through, lost its stability. Just because it remained the same in substance, everywhere, it changed its value wherever it went. Its value grew as one took it across the sea. It bought less average-year staple food at home than anywhere else away from home.

¹ See the figures pp. 119-122.

Chapter II

The Great Betrayal

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The aspiration to have all the moneys of the world united by a single Gold Standard was a very grave error but a very intelligible one.

It is always easy to imagine that because unity in itself is a good thing, to set up any kind of uniformity must be a step in the right direction. In the case of money the temptation was particularly insidious. What possible harm would come of fixing all the exchanges at a definite figure? It would smooth the passage of commerce. It would stop the higgling at the frontiers. The British merchant when he went abroad would know at once how many lire he had in his purse, how many dollars, how many francs. If all the world linked its coinage to Britain's, what could be better for the British foreign trade?

No such good came of it in reality, however, once the knot was tied. This economic and historical fact, and not the dust raised by the bi-metallists about the marriageability of gold and silver, was the true significance of the events of the early seventies when

The Great Betrayal

so many of the leading countries of the world hitched their moneys to that of Britain by monetizing gold.

That transaction could not bode any good to Britain. It could not escape but call up competitors against her, having artificial advantages with which it was impossible to cope. We need only think in concrete terms of what the change meant when gold became sole legal tender in other countries than Britain herself. It meant an immense widening of the 'shop' upon which British money was a claim.

The American merchant having sold his cargo in Liverpool, found that he had actually had dollars given him—literal dollars which he could take home and spend. Or they were lire, or they were marks, or they were francs. They were whatever he cared to call them, so long as he kept within the circle of the gold-using countries. It was a wonderful change for him. The payment he received in Britain for the goods he had left with her was not British sovereigns (exclusively) any longer, but gold bars which need not be coined. Without necessarily even moving them from the bank, he could go to Germany and show his paper, and straightway he had so-many marks and could buy with them. Or he could show his paper at home, and he had so-many dollars.

The real money unit in all the leading countries had become the grain of gold. Our merchant's cargo had made him so-many-grains rich and given him a claim on the world; instead of enriching him by so-

of British Commerce

many pounds-sterling, which could not (without much inconvenience and loss) give him a final claim out of England.

England had had a gold money ever since anybody could remember. But up to the seventies it had been practically peculiar to her. Nowhere else was gold the only legal tender. Any one selling to England for gold, had better spend the money where he earned it. Three-cornered trade was indeed easy enough. He could spend his earnings in any country, and he often did spend them abroad. But always what he was tendering was English money. People who took it from him had business to do in England with it. If he could find no one in Italy or Germany or wherever he wished to trade, who had a trade with England, he must either buy goods in England with it himself, or melt it down and sell it to the German or Italian jewellery trade, and obtain in that way the marks or lire he wanted for his German or Italian purchases; which was a rigidly limited way of doing; since if people did it on any scale, the trade could not take the glut of gold which would be occasioned. After the change, he could spend his gold finally in any country of the gold bloc. It was literally money. So-many grains were automatically so-much of the currency of the country.

By stepping on to the British money, Germany and the others became economically provinces of Britain. Our merchant had merely to look at his earnings and

The Great Betrayal

ask in which province of this greatly widened Britain he would spend them. All that region through which a single money runs is economically one country, and the place to spend one's money is of course the cheapest place. This, in the new country created by the gold standard, could not be Britain. Britain was the dear province; and that is the place to sell, not to buy. Germany or America was the place for buying. They were less industrially developed. Always this is the relation between a people which is more and one which is less industrially developed. The advanced people, despite all their enterprise and ability and achievement, are the disadvantageously placed, in this topsy-turvy arrangement. They are like the small shop in our illustration.¹ They are not really a small shop of course, or a backward one, or for that matter a dear one—in terms of the labour cost of an article. They are the best equipped in the world. Things are really cheaper here than anywhere. But the moment the simpler people are linked to them on the same money, a sea-change occurs. For of course the simpler people can live longer on a grain of gold. They can therefore do more for it. Erect your machinery among them and immediately you can produce a cheaper article.

Moreover when the currencies are linked it is particularly easy to erect the machinery. Capital, to use the ordinary phrase, is mobile. It was always more

¹ See pp. 103-8.

of British Commerce

mobile than labour. But when currencies are linked it acquires wings. Before then there was a barrier to pass. There was only one way by which a British manufacturer, ambitious for some accidental reason to establish a factory among Indians or Afghans, could proceed to do so. That was to buy the Indian or the Afghan money. Over that bridge he must pass. Even if he decided to unpick his mill, ship it out and set it up again, he still must have a supply of the money of the country to pay wages. This he could do without loss, only so far as the money of that people was to be found on the bourses of the world; only so far, that is, as the nation had begun to give its money to Western people for their goods; implying both that it wanted these goods and that the West to some extent respected and trusted its money. Intercourse must have begun in other words; or have begun to begin. And our adventurer would have to fit his transaction into this beneficently-slow process, he would have to keep step with it, in any enterprise which he hoped to make to pay.

The employer ambitious to use the labour of the primitive race could not go faster or farther than the degree of civilization already reached by the primitive race warranted. If he did, he would find himself going forth to buy their money on a scale too great for the amount of it which was available. He would create a famine in that commodity and force up its price on himself. The transfer of his business to where there seemed to be cheap labour, would

The Great Betrayal

become an affair too costly. Doubtless he could do it, but gradually; not in a way to make a fortune at a stroke. He could not simply walk off with a million pounds to 'wake up Afghanistan', or the like. It would not be enough to know of the virgin forests of the placè, or its hidden gold or coal or oil. He would have to ask certain other questions about it, how long the missionaries had been there, and what stage in general things were at. A certain decency would be imposed upon his haste. The devoted people would have some little time to become educated up to industrialism, before being pitchforked on to the crest of it.

The disparity in general development between Britain and the other countries with which she became lock-stepped in the matter of currency was less pronounced than in this imaginary instance; but it was a perfectly real and essentially similar divergence. A number of countries, all in the front rank of commerce and civilization, and yet all quite definitely less industrially developed than Britain, joined themselves to her in one money union. Capital could immediately move, where labour could not possibly follow. And it was tempted to do so. There was no need to buy marks or dollars to invest in Germany or America. You had them already. There was no danger, supposing too many people were clamouring for dollars, of forcing the price up. The price was fixed. A kind of show of buying at a market price

of British Commerce

there was, of course. The fixed price had a little, gentle, infinitesimal yield in it. It could move between the gold points. One 'bought' dollars. But if they showed the first sign of going dear—as though one might possibly not get the full number out of one's bars of gold—one didn't buy them. It was perfectly easy to send to the bank for the gold and ship it out, whereupon it was automatically the proper number of dollars. The swing of what should have been a free pendulum, the movement of the beam of what should have been a freely-swinging balance, was fixed by the cost of the (very reasonable) shipping and insurance charges for the transport of gold.

Wherever the ounce of gold could keep the labourer longest, there the ounces tended to go. For there they could buy the largest amount of the products of labour. And so the inevitable happened; although not even after it happened was the cause in the least suspected—till Phipson preached it decades later into ears entirely deaf except perhaps for those of people like Mark Major and his friends. Let us look how the figures of British trade were affected by these changes.

For entirely special reasons, Britain had, for thirty years after the introduction of her free trade, been in a position to lead the industrial world, and did so. It is well to realize how very emphatically she did so. Taking the records of the seven quinquennia

The Great Betrayal

between 1840 and 1874, and regarding the first quinquennium, 1840-44, as 100, we find from *Statistical Abstract for the United Kingdom* and *Blue Book* (Cd. 4954) that her exports rise as follows, per head of the population:

	1840-4	1845-9	1850-4	1855-9	1860-4	1865-9	1870-4
<i>Quinquennium</i>	1st	2nd	3rd	4th	5th	6th	7th
Exports per head	100	109	158	213	245	308	381

But by 1874 the new monetary era had begun; Germany had de-monetized silver and monetized gold, and the other leading countries had followed her. Britain, till now, had been the place where the machinery was; where, therefore, a given amount of food, supporting the labourer for a given length of time, was worth most in products of labour, of any place in the world. Also, during that period, the pound had remained roughly always the same amount of basic food. This was not due to any knowledge or care on the part of the authorities, but it happened so. Taking the price of wheat per quarter in 1840-4 as 100, the prices in the seven quinquennia (*Blue Book*, C. 8706) vary comparatively little. The figures are:

	1840-4	1845-9	1850-4	1855-9	1860-4	1865-9	1870-4
<i>Quinquennium</i>	1st	2nd	3rd	4th	5th	6th	7th
Wheat price	100	94	85	100	86	93	95

A fairly steady price for food in Great Britain so that food fetched a fairly steady number of pounds, a big return in manufactured products for your food-

of British Commerce

pound, and free ports—these things together kept the world buying manufacturers, with food products and with raw materials for manufacture, in these islands.

Immediately, however, the pound which had been obtained in Britain no longer required to be spent there, but might be spent where it had stretched its staple-food value; that is, amongst people whom it could maintain much longer than it could a Briton, the Briton lost the whole advantage of his advanced knowledge and his business capacity. For the same *food*, Britain was the cheapest place in the world. For the same piece of international *money*, she became immediately the dearest; the money, now, being one which raised its food-value immediately you took it anywhere abroad.

Britain, which could manufacture for the smallest expenditure of food, adopted a money which differentiated against her. The whole world was artificially made one country, before it was nearly ready to be one country. Britain in consequence simply became the dear quarter. It was merely a matter of starting machinery in the other places and her hitherto great trade began to flow there. This, and not the lack of gold, was the real explanation of 'the great slump of the seventies'. By a monetary trick, she was handicapped out of open markets. When other nations stepped on to her money, she should promptly have stepped off, and continued as before purchasing from the world with her goods. She

The Great Betrayal

should have adopted an unbacked paper, which was merely a ticket for those goods, as formerly her gold had approximately been; and so deprived herself of any possible means of paying for her imports, except by exports. Instead of paying by exports, she took to paying with money. Only one result could be looked for and the records faithfully show it.

Taking the seventh quinquennium from the introduction of free trade as our base line and calling it 100, we find the previous phenomenal rise in her exportation not merely suspended but sharply reversed. From *Blue Book* (Cd. 4954) we find the figures for the remainder of the century running thus:

	1870-4	1875-9	1880-4	1885-9	1890-4	1895-1900
<i>Quinquennium</i>	7th	8th	9th	10th	11th	12th
Exports per head	100	81	90	84	82	81

This happening in the calm waters of the nineteenth century, might, one would have thought, have awakened at least the suspicion that some definite change had taken place. The suddenness of it should have been a shock. But like so many monetary changes—like the change which we ourselves propose in order to regularize our trade again—it took place so silently that no one felt the faintest tremor or saw the shadow of a ripple. The depression was blamed on every conceivable fact except the simple one that England was trying to continue her business on a money which had become common to her and the world.

Chapter 12

The Nations' Need of Disentanglement

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We have been considering how agriculture can be given a chance to be able to drain off a substantial proportion of the unemployed—those who may not be prepared to homecroft in groups but may be ready for a venture on the land in the old way.

Our position has been that but for a long-standing kink in our economic structure the land would now have been attracting them. That kink consists of two misarrangements which prevent the blessings of progress from reaching the food-producer. The food producer cannot rise with the tide that is raising the world, because on the one hand the rent receiver above him can always ask for more pounds from him, while on the other hand the pound itself has been a slack, supine thing, which could not keep its value.

We have seen how easy it would be to make a new set of pounds which could be kept rigid, and how quietly they could be substituted for the unhappy collection we now have. We have also seen how this civilized and corrigible pound would affect the

The Nations' Need

other great source of unemployment, foreign competition.

Foreign competition at present takes away work. With a free paper pound peculiar to the nation it cannot. Work can then only be imported from people abroad, by their taking work in return. If foreign competition drains away employment in one kind of occupation, it automatically makes other occupations busier. Those falling out of the one can go to the other. The problem is reduced to one of re-education and transference.

On the other hand, when all the world is made economically one country the area of every competition is increased, and nation is set struggling with nation for work itself. There is constant risk in every nation that employment may be taken away by its neighbour.

This premature, artificial, external union forced by a common money upon differently developed peoples, and the unnatural competition arising from it, have two further consequences for these peoples, one affecting their internal and the other their external affairs. Externally it strains the relations between them. Internally it immensely accelerates the drive of life. Tension without and tension within—these are its fruits.

The tension within is sufficiently familiar. It takes shape in that ubiquitous all-pervading tyranny which we call the pace of modern civilization.

of Disentanglement

Why are we all going at such a pace? It seldom occurs to us to ask the question. We say 'modern life' and settle the matter. But it surely is a question. Wealth, we know, is power. It should bring assurance, self-possession, repose. It is poverty that drives a man from pillar to post. Yet modern civilization, the wealthier it becomes, must always rush the faster.

The reason in the last resort lies in that economic fusion from which we have been suffering for sixty years. This it is which has brought all a man's competitors in one wild mass on to his very hearth-rug. 'What are all the people hurrying for?' asks the innocent child on its first view of a cosmopolitan city street. They are hurrying because every soul of them has too many others to keep abreast of.

Competitors from all the world are now in every race. There were once numerous small areas, everybody was in one or another, and a man could hope to be among the winners in a race confined to his own district. Now the recruiting ground has widened. It has been a gradual process, with definite historical steps, and has largely been a phenomenon of transport. The individual who was once only in a parish competition, making boots or wheels or coffins, finds himself no longer even in a county or a national competition—for this work which is his living—but in a world-wide one.

Competitors from all the world are now in every race. But it is quite futile merely to erect barriers to

The Nations' Need

keep them out. For one thing, what is so often said is in some part true, that people need a certain amount of driving from pillar to post to make them duly progressive. We need more competition than was common in the Middle Ages. But just as there is a point where our appreciation of the variety of modern life turns to rebellion at the pace at which it is driving us, so there is a point at which competition becomes economically monstrous; and the question what to do about it, is a question of fixing that point. Once we see where foreign competition becomes an evil, we shall see that tariffs are absurd as a treatment for that evil.

Modern international competition is monstrous, as it appears to us, not in that it is strenuous, but in that it is for the wrong object. An object has been competed for, which nation should never have been pitted against nation in pursuit of. That object is work. Work is life, and nations have been competing with one another for their life. It makes for a bad atmosphere.

No nation should ever need to say to another, 'Am I to have work or you?' It is like the question 'My life or yours?' between people with firearms. The foreign rival invading the markets of this nation with his cheaper products should never possibly, by so doing, find himself filching away this nation's employment. Parish may invade parish with this result quite innocently; or county county; but international friendships cannot stand such a strain. Yet tariffs do

of Disentanglement

not help. The only help is to disentangle the nation's currency from that of other nations.

It is a wrong state of the world when, as under an automatic gold standard, it can continue selling in Britain where prices are high and doing its buying in a more primitive place where prices are low. If that other place were really a piece of England, say the stretch between the Channel and the Thames, it would be quite harmless for the world to do all its buying south of the Thames and only sell in Lancashire. The workpeople of Lancashire could go south of the Thames where the work was, and leave Lancashire to be a residential area with its investments south of the Thames. But Lancashire workmen cannot go to Germany or Japan.

It is a similarly wrong state of the world when one nation can canalize a whole staple industry of another away from it, without that action having any automatic effect in starting up some other industry within the nation's borders, to take the displaced people. If Poland is to have the British coal trade, there is nothing amiss about that. Let Italy and Spain and South America and the other places buy the coal which suits them best. That is economic freedom. But such freedom is a monstrosity unless separate currencies for separate countries go along with it. Under such currencies, on the other hand, freedom is the only source of economic health. Let Britain's money be national once more. Then,

The Nations' Need

immediately the sales of British coal to Italy, Spain and South America cease, Italian, Spanish and South American money is at a premium in London, the supply having been so much reduced; not the same buying from them on our part as formerly; and this not because we have any objection to their oranges or hides, but merely because since they ceased taking anything in exchange, it is not economically possible. Their money has gone dear, and British money on their markets correspondingly cheap. Such is the effect of separate currencies. There is not the call for British money in the South American markets any more. Polish money is what they are calling for. That is where they are buying. And this is entirely good and well for all parties. If they cease to take their supplies of coal from us our money will cheapen on their hands. It must. It is not our doing but economic law. Any extensive sudden cessation of this kind must drive up the price of their money on our markets and down the price of our money on theirs; which is good for all parties. It breaks the force of the wave. It generates a reverberation of other exports on our side and other imports on theirs, moderating their haste as in the case of the cheap-labour exploiter; making the transition decently gradual by keeping it an exchange of goods for goods all the time; and thus allowing our displaced miners time to find their way into better occupations; occupations which are there, since other exports are now wanted for those countries or, in so far as such are not

of Disentanglement

wanted, the imports which came from those countries are stopped and there is work amongst us making the corresponding home article. All nations alike are calling for this disentanglement. They are erecting tariffs only because they cannot formulate their need.

If Britain is using a national currency, what holds when a nation which had been in the habit of buying from her decides to change its custom to another shop, holds equally of the decision of any foreign Government to keep her goods out by a tariff.

A tariff is a great temptation since separate currencies have stopped. In the world as a whole, the machines are rapidly lessening work, and no nation has yet learnt where to bestow its unemployed. A tariff is a way of saying to other nations, 'We have people to keep employed. We make our own things. We do not want to buy yours.' But beneath it all, *sotto voce* so to speak, they are still willing to sell. No tariff-erecting nation wants to hurt its sales. If their moneys are national, then, a tariff simply fails of its purpose. It is made to strike both sides of the trade at once. By however much imports from Britain, let us say, are lessened by a tariff, by that same amount the demand for British money is lessened, in the markets of the tariff-imposing country; while the price of that country's money in London is raised correspondingly. The suddenness of the interruption is broken. The trade must be goods for goods. It tails off gradually. And it tails off equally both ways.

The Nations' Need

The net upshot is that two countries which had been exchanging a good deal, for each other's benefit, are now exchanging less. The clock has gone back a bit on the horologe of time. Some people in both countries have been disturbed. But nobody is out of work. They have had to change their work, that is all. The one accustomed to producing hides which had been getting shoes from the other because they were superior, now produces fewer hides and does its best at shoes. The other accustomed to producing shoes, which had been getting its neighbour's superior hides in exchange for them, now produces fewer shoes and drafts off its superfluous men to do their best at hides. Monetary disentanglement turns the tariff weapon against the hand that rises it.

What holds of tariffs under separate currencies, holds of all artificial interruptions of trade whatever. If, under a régime of national currencies, Indians or Chinese boycott British cotton goods, they merely hurt the sale of their own tea. If no more British cotton is to be taken in India, no one in India needs British pounds any more so far as buying cotton is concerned. What then is the use of their continuing to send tea or jute to Britain for pounds? They cannot continue it. It is economically impossible. They have made it so. And once more, they have done no terrible harm—only set the clock back. Some of their tea hands will have to obey the call for cotton to be made in their own country; while we fall back on

of Disentanglement

some shift or other, sending our cotton to people who have rather less good tea and will trade with us, or falling back on some other beverage, either procurable for exported goods which our people make, or if not, then producible at home by the people no longer needed in the manufacture of exported goods.

Incidentally, it should be noted that the boycott or rebellion is the less likely to need suppressing in these circumstances. It hits the people of India or China themselves, and in so far as they are enlightened and free they will see to their own salvation. Those who are hit have a motive for influencing the remainder in the direction of peace and goodwill. On an automatic gold standard all is disastrously otherwise. Britain may be boycotted in India, but pounds are as useful to the Indian people as ever. They do not buy only in Britain. They are valid in all the world. The boycott policy has no immediate economic repercussion upon the boycotters. Indian merchants may still keep all their tea gardens going and their employees busy while Lancashire workers groan and starve. It calls for some artificial measure, police, punitive expedition or war.

Whether we have to deal with boycotts or tariffs, which are an attempt to set trade back—or whether we have to accommodate ourselves to those natural redirections of trade, which are a symptom of its going forward, as when a country which had patronized our shop sees itself better served in another—it is absolutely essential to the peace of the world that

The Nations' Need

every natural currency-sphere should run its own currency. It does not make for disunity. On the contrary, it makes for that national integrity of each people, without which they cannot deal with one another freely and without fear.

The most that any nation should ever need to fear from another is some spirited challenge to change its lines of occupation. It should not be economically possible for a foreign rival, even though he has the utmost freedom to come to this country and sell his goods, to filch away the nation's employment thereby. Parish may take away the employment of people in the next parish, without harm. County may invade county with such a result, as we have said. But international friendships cannot stand the strain.

There was a time when demarcations and divisions of all kinds were much more numerous than now, and no idea is more familiar than that boundaries count for less and less as human society advances. Families have become tribes, tribes states, and states federations of states. Everywhere the isolated becomes connected. But the process cannot go on haphazard. A law governs its right accomplishment. And our bristling contemporary nationalisms prove that it has been deeply transgressed.

Unification has proceeded as if it could be accomplished all on the same plan. From the parish upwards, areas have subsided into larger areas till economically speaking the only area we do not think

of Disentanglement

of merging into its neighbours is the world. Parish marches may be economically obliterated without much hurt, but not so international boundaries. The permanent function of an economic boundary is to prevent the one area from losing its employment to the other. Always, in this matter, work may safely go only where the people may follow. If the work is drained away into a foreign country, misunderstandings arise. Let kinds of work go there, but not work.

It is no real evil to the individual that his kind of work should be held on a somewhat precarious tenure, against more and more competitors. It is good for his moral fibre and good for his skill. But if the loss of it does not mean automatically the provision of other work within his own country, which on that account he has his chance to obtain, he is competing for his life. Competition should be for luxuries, but not for life.

Universalism in money converts the human form of rivalry into the animal form. It changes a natural and chivalrous jousting for prizes into a race for the altogether indispensable. It gives competition the wrong object, sets too high a stake. The high stake makes the desperate struggle. And the desperation of the struggle makes the pace within and the fear of war without.

There could be no shallower objection to a national money than to say that it savours of nationalism. Nationalism in the derogatory sense exists precisely

The Nations' Need

because of the sin which an international money has committed against the international spirit. That spirit has long been growing. The industrial era, the rise of free trade, the great Exhibition of 1851, all suggested to observers of an earlier generation that a new feeling was abroad among nations; that the follies of military rivalry were passing; that the more advanced peoples were really beginning to want to be good neighbours. But the specious fallacy that any sort of uniformity helps unity did deadly work when it vaguely associated a monetary union with dwelling together in unity. John Stuart Mill—who should have thought more clearly—already wonders how much longer the absurdity of an indefinite number of different little currencies is to be allowed to hinder the unification of the world. How far his attitude was influential it is hard to say. In any case the nations, conscious of a new rôle of world-citizenship coming upon them, did assume too early that they were ready for a common money. It was as though at the tender, tentative beginning of an interest in one another, they had been thrust, without ceremony, into a neighbourhood absurdly, impossibly, embarrassingly close. It was unbecoming. And no one can wonder at the sequel; at the strange lack of understanding of themselves and their motives which the nations have since displayed; still deeply desiring to be good neighbours, but neither able to like another, nor yet to understand why they cannot; perpetually embracing each other in a frenzy of

of Disentanglement

anxiety to swear eternal friendship, and at the same time making furtive gestures to keep each other off. Disentanglement is what they need. The great desire of all nations, surely the strongest and sincerest world-desire known to history, the recent dear determination of the peoples to bury the memory of war and usher in an era when men could be sensible and live in peace, has been thwarted and stifled and turned into its own opposite, largely because beneath the silken threads of mutual understanding and friendship which the peoples had begun to throw around one another, was slipped unawares a galling fetter. That is why this veritable passion of internationalism could not get itself carried out. Every one knows that it was and still is the deepest mind of the modern world. International recriminations are wanted by no one. What has compassed its defeat? Simply that nature distributed mankind into nations and they became economically merged before they were culturally unified. Instead of each reposing calmly on its own base, slowly lifting its head into the free upper air of a common scholarship, a common code of business dealings, a common standard of morality and of economic life, they plunged without thinking into a struggle for existence with each other. None was secure that the work which the machines had not yet taken away from it, was not to be raided by the machines of some other nation. Life was in competition, and each nation dimly knew it. Each felt, with perfect and tragic truth, that the only safety lay

The Nations' Need

in seizing the diminishing market by getting ahead of the others.

This is not the natural relationship of independent peoples. It does not become their dignity. The quantum of total employment within each—except for its lessening by progress—should be uniformly self-maintaining. The alternatives before Britain today should be 'coal or some other work' or 'textiles or some different occupation', not the desperate 'coal or nothing' or 'textiles or nothing', with its result of strained feelings in all the chancelleries of Europe, and sparks in the clouds overhead. It does not follow that, with natural relationships re-established, international misunderstandings will be at an end. It is not human that they should. But with reciprocity made inevitable, their sting will be drawn. They will no longer be a hopeless problem. A sweetening will have come into the conversations. Conversations can be sweet between peoples who know that however they may think themselves momentarily disadvantaged one by another, at this or that particular turn of affairs, all are secure of their livelihood. Though they compete, and may in the course of competition bicker a little, they are competing after all for the secondary things, not for the altogether indispensable. They are secure of their economic integrity. Their competition is not for life.

Chapter 13

One Currency for the British Empire?

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It is not convenient here to raise every question that might come up regarding the effect upon the world of that system of national currencies which we have seen is needed to obviate unemployment. But in the course of the endless debates that have taken place on unemployment the British Empire has figured largely, and measures have even been taken which deeply affect its well-being. It may not be inappropriate to ask what if anything the result would be upon the Empire, if we made our pounds pieces of British national paper. Our view is that provided the currency adopted was not an Imperial but a purely British one, its influence would be towards consolidation of the Empire; putting a kind of an economic seal upon the spiritual bond.

This arises from the still surviving economic relationship of the derivative peoples to the mother country, and from the principles which govern investment of a national currency.

England has made her mark as a foreign investor.

One Currency

Introducing free trade in the forties of last century, she quickly sprang into the position of manufacturer to the rest of the world. As her citizens grew rich they put out their money, not merely in further factories at home but in loans abroad where new countries were developing. The resulting interest was neither hoarded in a chest nor was it all used for developing their own island. It went abroad again. It has been truthfully pointed out that this was and still is England's conception of herself. She is a nation with much money abroad.

And her conception of the function of that money is not merely that it shall bring interest, but that it shall bring orders. The foreign borrower will place his orders where he gets his capital.

If England's currency is national, this becomes more than a pious hope depending on the sentiments of the borrower. It is then not economically possible for her to lend abroad without receiving sooner or later an accession of foreign orders. And before the seventies she used to receive those orders. But when she has only a world money to lend, which may be spent anywhere, there is nothing to hinder the people who borrow from her paying their interest, and only passing the orders to her if her goods are cheapest—which they are less and less likely to be, as we have seen.

This is the reason, incidentally, why people are now saying that investment abroad can be overdone; that development of foreign railway systems with

for the British Empire?

British capital was all very well in the railway age, but that it would be better now to regulate foreign investment, and give public utilities at home a chance, and so on. The apportionment of investments at home and abroad is another of the economic processes which have ceased to look after themselves and must be managed. Mysteriously they have come to do harm.

From the point of view of the question we are discussing it will be observed that the citizen of the Empire is in exactly the same position as the foreign citizen. Borrowing a world money from Britain he is tempted, even if he be a citizen of the Empire, to spend it where there is no guarantee whatever that it will occasion orders in Britain. On the other hand, borrowing a money which is exclusively British, there is no possibility that he should not occasion orders to go to Britain, even if he be a citizen of a foreign country with no particular loyalties in that direction.

Equally whether he borrows a national currency or an international, he can place his orders where he pleases. He can have his locomotives made in Philadelphia or in China on an English currency, perfectly easily if it suits him to do so. The difference is merely that in this case, the American or Chinese engineering firm must be purchasing something from Britain; whereas if international money has been borrowed from Britain and used in this way, they need not.

The whole theory that foreign investment brings

One Currency

foreign orders thus depends on the assumption that Britain uses her own money. And the belief derives its force from her experience during the time when she did so. She was then investing the national work. Under an automatic gold standard she was only investing work, national or other. And the dice were all loaded in favour of its being other, and against its being national. The dice continue to be so loaded, so long as the money is international. It makes no difference whatever that it should be invested in the Empire.

But when Britain is investing a national paper money of her own abroad, does it make any natural discrimination in favour of the Empire? For if it does, its introduction at once outclasses everything that has been suggested as a means of cementing the bonds between Britain and the outlying peoples.

And the answer can be confidently affirmative only in so far as it is still true that the overseas part of the British Commonwealth keeps its interest in primaries and Britain her industrial interest.

Of course, blood remains thicker than water, and the outlying citizens of the British Empire are probably predisposed to purchase in Britain if they are as well served there as elsewhere. But they will not patronize an unduly dear shop out of sentiment; nor can they be expected to. With the world open to them, they will ask where their surplus goods, the overflow which they have to exchange, is going to

for the British Empire?

exchange for most. There they will spend the proceeds of their goods, quite oblivious of the fact, if it be the fact, that the money which set them up in business came originally from London, and that they still send their interest-payments to London.

The practical question, therefore, is whether the introduction of a national money reinforces their natural attachment by an economic motive any better than one artificially generated by tariffs and quotas; which when they work put the clock back, and when they do not (as they usually do not) destroy the very soul of a people.

The ultimate fact on which Britain can rely for giving her overseas population a real motive to conduct their exchanges with her in preference to others is her enormous capacity to import food. A people which has food products to export, if it has the choice of taking them to Britain for other products, or taking them to the rest of the world, will tend to take them to Britain, chiefly because the rest of the world is sufficiently supplied with food. Now the main exports of the overseas Empire are still agricultural products, of which food is the principal. From this point of view it is probably just to expect that without any pressure from differential duties, a national currency would take British products into the world, opposite the bulk of the characteristic exports of the Colonies and self-governing Dominions.

The home country and the peoples of the Empire

One Currency

do not, in literal fact, need one another economically at present. But by nature they do. Britain is still a manufacturing country while they still produce primaries. The only reason why they do not now feel their need of her and she of them is that neither needs to buy, directly or indirectly, where its selling is done. Reinststate that requirement and it will probably be found, on the whole, that the other members of the Empire can, of all places in the world, get the largest quantity of the kind of goods they want (in exchange for their goods) from Britain and vice versa. Give them all their separate and distinct paper currencies, and they will quite possibly feel their unity renewed. Here, once more, to distinguish is the way to unite.

Many of the British Colonies and dominions are heavily in debt to Britain. Rumours of default even occasionally disturb the atmosphere of the City of London. Under separate currencies the debts of those Colonies are their salvation. Clearly the one thing to sell in such a Colony in these circumstances would be British money. And it would be got by exports to Britain.

As regards proposals for an Imperial currency, it is to be very carefully observed that any single and uniform currency would tend to disintegrate the Empire. In so far as it could be made to run at all it would set up strains everywhere. It would make the Empire economically all one country over against the world. The world would then do as it has done,

for the British Empire?

sell to the richest province of that country, namely Britain, and buy in the other parts of it. Hence inevitable stresses and strains, conferences, misunderstandings, futile efforts to make a machine work that is wrongly built. An Imperial currency if it were a success, would be for that reason a failure. In so far as it held together at all, it would set up a long slow process of shifting the Imperial centre of gravity. It would banish Rome from Rome.

It stands to reason that nothing could much assist the Empire if it worked the slow decay of Britain. Such would be the inevitable effect of successfully imposing on her a distinctive currency to be shared with all the Dominions—with, for example, 250 millions of people so much poorer than herself as are the people of India.

When the world has brought its goods to this country and sold them, our interest is that it should buy from us—directly or indirectly—in return. We have taken from it and it should take from us. We do not mind whether the customer spends in the very place in which he sells. But something should go out from us opposite what has come in. That is barter as it has been from the beginning of human affairs. If the money with which we pay belongs to our area and is not recognized elsewhere, the barter takes effect. But we must see to it, since there is nothing to shepherd the money which the world is spending with us into one part of our area more than another, that no hurt can accrue to us, wherever in the area the world

One Currency

spends. Is it indifferent to us, then, where within the Empire our currency is spent? Plainly not. The currency-sphere must not include some higher and some lower-standard peoples. If it does, the old trouble will break out. The world will buy from the latter and amongst the former only sell. It will lay down a pipe-line which constantly tends to conduct money from the one extreme of development to the other, like the pipe-line laid for Britain's money in the seventies, which took it to the other gold countries, and might have brought her to revolution instead of merely to depression, unless she had fallen upon a way of increasing her pounds by manufacturing invisible ones. For it was the competition abroad and not the want of pounds that, as we have said, made the great slump of the seventies in England.

A currency is a current, with a gravitational flow. If the whole of its area is approximately on a level it circulates about indifferently like a stream meandering through a plain; flowing from quarter to quarter as each thing it is seeking to buy happens to be produced more cheaply in terms of labour, in one spot or in another. If there is any depression in the area, especially if as in the British Empire there is a vast region where men work habitually 'for as many pence as the British workman requires shillings', it will flow there and fertilize the region, leaving the higher places to the long agonizing process of trying to get low enough down to be also watered. That is what caused the low prices in England after 1870, not the

for the British Empire?

dearth of gold. A cheque pound is as good as a gold one. And they were common enough.

Much sentiment is wasted over the problem of Empire settlement. One hears of the 'urgent necessity of peopling Australia's empty lands' and the like. And well-meant proposals are made for the 'adoption' of various areas by various Local-Government areas in England in agreement with the Dominion Authorities, the intention being apparently that each county at home should have a piece of fertile land in the Commonwealth as a destination for its own overflow, quite apart from the big Dominion towns, to which settlers so often drift. On a grander scale, one hears of proposals to find a home for the Jews, or a place of refuge in some unclaimed quarter of the earth for some millions of refugees from Germany or Russia, where people of one race or culture could be more or less all together, and conduct a life of their own quite apart, as it is naively put, from the rest of the world. All this is very well and perfectly feasible on one condition only—that they are given their own paper currency at the same time. After that, it only needs organization. Without that no amount of organization has much chance of success. In a gold-standard world, the whole of the millionaire benefactors together in joint stock company can do no more for the refugees in the end, than first place them in their new home, and then invite them into a world-competition. If they keep their standard of life low

One Currency?

enough down, they will survive. But if they raise it, the outside world will soon be amongst them again with its direct trading, tempting them to buy away from their own shops, with money which need never come back to them until their whole price-level is reduced to the point which the competition determines. Nothing can save the world in the lump. It must be saved in circles. We need to re-study the economics of the smaller group.

Between circle and circle there cannot be over-trading in either direction so long as each circle trades with its own money. To over-import goods from any foreign country is to over-export money to it. This reduces its price there, if the price of money-units is free to move. Otherwise, i.e. if money-units are tied to gold and not free to move, the whole price-level at home must move downwards, or trade cannot be balanced again. The tail must wag the dog. Instead of the price of a country's money-units abroad falling, their purchasing power at home must rise. Instead of the rate of exchange between two countries adapting itself freely to the natural fluctuations of trade, it remains rigid and generates a one-way trade. It forces the richer country to over-import and the poorer to over-export.

Chapter 14

Why the great Increase in Parasitic Occupations ?

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We have tried to draw a picture of how social progress ought to go. There is also a picture of how it is going. And our representation of the one can hardly be caught in full clearness, except against the background of the other.

While the words of the last chapter were being written, Sir James Jeans was comforting the British Association ¹ with the thought of the untold new wealth which science has brought to the world. He admitted indeed that science sometimes put men out of employment, but against that he made the familiar point that sometimes it created more work than it took away. Scientific research did lead to labour-saving invention; but it also made certain more fundamental discoveries which ultimately led to new trades catering for new popular demands, providing employment for vast armies of labour. The problem,

¹ Meeting at Aberdeen, September 1934.

Why the great Increase

as he conceived it, was to keep a balance between those two kinds of scientific discovery. We had been having too many of the one and too few of the other; a steady flow of labour-saving devices with no accompanying steady flow of new industries to re-absorb the displaced labour. This could not but lead to unemployment. But since prophecy is impossible in this sphere, and there is no telling what research is going to lead whither, there was nothing we could do but push on and not be left behind in the international race.

Next to the fallacy that uniformity of money promotes harmony among the nations, perhaps the most deep-set economic fallacy of our time is this one, that men displaced from industry have nowhere to go but into the service of *new* popular demands.

This is not the nature of things. Science can and does ultimately cause the re-employment of the men it deprives of their living; but not in this way. The scientific way is indirect. The new industrial occupations it opens are not the main absorbent for the unemployed. Its improvements should ease up the whole rural population and let them in there.

Only the miscarriage of rent and the flabbiness of the pound have prevented the men discharged from industry, and not admitted into new industrial occupations, from being able by exercise of their liberty and intelligence, to wend their more or less devious ways into their several self-made places on the land. The real work for the unemployed is to relieve some

in Parasitic Occupations ?

of those who are now supplying the basic needs, not to supply new ones. New needs will arise, and call for as many of the extruded workers as they require; but an independent life on the land remains the only natural place for the mass. If this absorbent is closed to them, they can only press into the middle occupations, fill these to embarrassment, and there with other parasites generate decay. That is the track civilization is upon. That is how it is going.

To close what we venture to call the natural valve, and turn the whole force of the unemployed on to the supplying of new needs is to put an artificial pressure on the most sensitive place in our human constitution. Surely our candle is burning already, and giving beautiful light. Why, in the name of all that is precious, start it burning at both ends and in the middle, under a forced draught! We should leave new needs to arise of themselves. We should let them ask for what they want—never put pressure upon them.

It is tempting to speculate on what had been the result if this valve had never been closed, if rent of a changeless amount stated in pounds of changeless value had been the rock on which a free society was built.

The valve has been closed, be it observed, not because rents or rent-receivers are iniquitous institutions; they are on the contrary the very fabric of the economic order; but merely by our forgetting—through a process as human as the story of the banks

Why the great Increase

—that when a man has sold the enjoyment of a piece of land to another he has sold it, equally whether it was for an annual sum or for a lump sum down. He cannot take it back again except by the reasonable process of buying it back, as he might buy back a horse or a coach which he regretted selling. We have not regarded rents as sales, and so have permitted them to be altered, either surreptitiously by failing to keep the pounds in which they were stated always the same in average-year-product value, or overtly by permitting the landlord to revise the sum.

With rigid rents and food-steady pounds, the displaced industrial worker, when he has seen that times have really changed for his trade, and that it is of no use persevering trying to get back where there is literally no room for him, can go out among the present occupiers of the land and just because of that state of affairs have some hope of seeing an opening. Those earlier on the road than he, and already some time established, will here and there have acquired savings and be thinking of getting places of their own. Times are such that one or another amongst the oldest-established of the agricultural labourer class, can go up to the present tenant of a piece of land and offer him a better rent for some portion of it than the tenant is himself now paying. Land has grown in value. Its yield is able to purchase more of the products of labour owing to technological improvements in industry. The present occupier is still only paying his original rent and knows he can never be asked to

in Parasitic Occupations ?

pay more. Why should he not bring a new man in under him, accepting rather more in rent than he himself has to pay, and so begin himself to be something of a landlord, although one who in his turn cannot raise rents after having granted them. His place with his former master can be taken by one of the men on the road.

The just incidence of rent is what secures that there shall be an opening for the extruded man, and that he shall be able slowly to rise. It alone spreads the benefit of human advance. The present occupier of the land feels it, in this instance, because he has a piece of profit-rent handed to him. He no longer needs to work so hard. The old servant feels it because he has now advanced to a piece of land of his own. The down-and-out industrial worker feels it because he has taken the old servant's place, and has a living where he had none. His mates, the remaining industrial workers of the town, also feel it, for he is no longer competing with them for wages. Finally the industrial employer feels it, because he has acquired his machine and has yet not killed his market. It is of course mere metaphor to particularize the operation like this, as though it would happen so in every case. But these are the principles, and would be the general long-range results. Rent is the fulcrum of the balance between industry and agriculture. It must stand firm as part of the framework of society, if there is to be freedom within that framework. The principle of a natural minimum

Why the great Increase

wage in industry thereby secured is an indispensable part of any social order which is to be human and not merely animal. The whole working of the economic order is thrown into progressive disarray if landlords may notch their rents up and up. Between 1750 and 1877 the total rental of English land rose from £12 millions to £52 millions, according to Mulhall. If this is to be relied on, an estate let in 1750 for £12,000 per annum, in perpetuity, could have carried by 1877 twelve layers of tenants and sub-tenants in a descending series—each stratum of families forming itself beneath the last, as the last rose to let it in. Rent not abused is the principle which holds the gates to the land open, and gives the superfluous another resource than clinging desperately to the skirts of industry itself, trying to force themselves back on to its pay-sheet—thereby forcing industry into erratic developments which will provide occupations for them.

We little realize for how much this unnatural pressure has been responsible. We have probably altogether underestimated the economic significance of the man at a loose end coming to one better off, saying, 'Will you not let me'—do this or that for you. That man has the ingenuity born of distress. He is the source of much. Whence else came the cynical doctrine that the way to make a fortune is to invent a new vice and become the sole caterer for it?

It is tempting, at any rate, to speculate on what the probable result would have been, if this valve had

in Parasitic Occupations?

never been closed: if the thunderous words of Bracton had literally stood: 'Let the lord take that which is his and go his way.' The colossal tempest of the industrial revolution would still have given the country a shake, no doubt. But the force of the wave would have been broken. These industrial towns of ours were recruited from the land. When they became overfilled, had the way back been open, the people would have streamed back. But they were forbidden this, their lateral spread. The pent-up human forces therefore could only thrust themselves upwards. First there was the long period of more congestion and horror, described by the nineteenth-century phil-anthropists, by Carlyle and Kingsley and Dickens. Slowly relief comes; but no *horizontal* relief, only the upwards-forcing of the tormented human masses, into the occupations which they have stimulated society into 'needing'. All the host of middlemen grows up, all the elaborate game of selling, the multiplied clerking, order-taking, advertising, delivering. And that, of course, in itself is nothing unreasonable. But far beyond it lay the ultra-refinements of all manner of 'service', shading everywhere into the same pandering to fads and fancies which has been written across the face of every decaying civilization in history. It is true that civilization awakens new needs, but new needs do not make civilization. That is only the confusion of sophisticated social theory running before the wind of fashion. The whole picture is revolting. Yonder were the men of the dawning industrial era

Why the great Increase

cooped up in towns in heaps—their ‘stertorous unquiet slumber heard in Heaven’. As yet, under all their ‘coverlet of grime’ they are essentially unspoilt. They are from the country, most of them, and would gladly be on the open fields. But pressed together in their prison, they can only find something or other to do for those above them for the further cushioning of their life. New demands break out, not gradually and healthily as they do in a population distributed over the wide spaces in terraced series of wealth and rank, such series as it is the natural result of progress to generate, if our argument has any truth; but intensely, rapidly and under pressure. And the tastes in question are not confined to those for whom the workers work. They are reflected into the workers themselves. The denizens of Dickens’s slums are well acquainted with hunger. But the real misery is that the hungry people are people with appetites acclimatized to delicacy. Poverty is not to them an unvarying monotony of potatoes and salt or porridge and sour milk; but dregs of tea and chitterlings and scraps from rich men’s tables. The blare of city life is accessible to them, and is breath-of-life to them. They are the reflection of a city-dom, which has arisen in the very last resort, from nothing so much as the effect upon the ears of the affluent, of the appeal, ‘Is there not *something* you can let me do for you?’

Human progress is a spiral. Its direction is not straight up, but round and up. And if the outward

in Parasitic Occupations ?

movement is arrested there is no right movement upwards.

The tragedy is that all those things are the very beauty and glory of our human inheritance if we will only go the proper way round to get them. The new demands, needs, tastes which are forced into being by urban populations churning on themselves, are the very material of true cultivation could they have been let wait—as the non-urban leisured classes would have let them wait—till they could be naturally born. But the penned-in people literally learn to mistake condiment for nourishment, shadow for substance. They influence the whole scale of human valuation, and end in that inverted mentality which always sees the towns and their life in the centre of the picture, and the country as if it were some forgotten appendage to them—the country, which should bear them all with ease and joy like decorations on its own broad breast, which should only amuse and delight itself with them, wholly uncorrupted by them, and because uncorrupted by them save them from corrupting themselves. In fact, however, the country has drained itself into them. And becoming parasitic upon its own parasite, it has fallen for want of objective occupation to self-absorption, to ransacking itself for ever new sensibilities to awaken, new nerves to touch, until unable to be stimulated further it sinks back in exhaustion, still strangely and pathetically murmuring inarticulate benedictions on the forces that are destroying it, calling them Progress, Refine-

Parasitic Occupations

ment, Freedom, Self-Expression and thinking it has not had enough. Hard as Phipson's saying may be found, that the independent food-producing groups of a country are its only 'true' buyers, the fact remains that theirs are the sort of needs which industrialism should be mainly occupied supplying—whether the people to be supplied are found in its own country or have spread by emigration into an Empire far beyond its borders. There is no necessity that we should puritanize ourselves, or resolve to refuse to furnish cinema shows and flood lighting, chewing-gums, patent medicines, racing coupons—almost whatever is asked for. We can stand all these things—they will only become adornment and joy—if there always remains a broad enough background of solid substance in the national life to carry them. An industrialism whose main customers are masses of people who need fuel and oil, cottons and woollens, mattocks and rakes and reaping-machines, roads and bridges and rolling-stock, will arrive at the other things—it only will not live on them. How to keep primary and secondary in their true relation is the core of the social problem. Any sociology not interested in preserving this balance is not interested in its subject-matter. The severest criticism of the Bolshevik régime in Russia is precisely that it envisages the country as a department of the town, agriculture as one of the industries.

Chapter 15

Summary

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A thesis like the foregoing suffers to some extent from its simplicity. It deals with elementary conceptions which have had a long reign in economics; and, because they are basic are very difficult to modify. For the most part we have not been seeking to deny them but rather to give them the very slight turn which is needed to bring them into line with the truth and entirely alter the practical outlook for unemployment.

For instance, two ways of treating unemployment have been held axiomatic by different sets of people; namely, to try like Mr. Roosevelt in America to restart the industrial machinery, or to confine ourselves like the National Council of Social Service in our own country to helping the victims to bear it, till some clearing of the economic weather comes of itself to relieve them. It would be a mistake to say that we take no side in this controversy. We do side emphatically with the National Council. It is of no use trying to absorb the unemployed by starting up

Summary

the old machine. We would rather say, go down like St. Francis and succour the helpless, only do it in the right way. Infuse the spirit of brotherliness into the victims of the slump, get them together into brotherhoods of 50 to 2,000 to work for one another in the family spirit, and you will find you are doing the other thing too, only doing it also in the right way; not, indeed, setting the old industrial machine moving, yet restarting production; doing more, that is, than merely diverting your poor people or helping them to endure till better times come; actually bringing the better times, by putting the people economically onto their feet. Both Roosevelt's way and the National Council's way of treating unemployment are the same when either of them is rightly gone about. Our Homecrofting group simply brings two things together which were thought to be separate. It does two functions in one which were thought to be different. It goes out to help the victims, and finds itself moving the very economic depression itself.

Our other provision for the unemployed, namely their absorption into agriculture, introduces a distinction between two things which have often been regarded as axiomatically the same. We have suggested that as men are extruded from industry, owing to progressive methods, agriculture should receive them. But to the orthodox economist agriculture is an industry. And it is unthinkable that

Summary

prosperity in the one should synchronize with unemployment in the other, so that the closing of opportunities of work in the factories should open them in the fields. How can a continuously increasing number of workers, shed from industry because of 'improvements', become wanted by the farmer? An industrial depression hits all industries, including the agricultural industry.

Thus the economist—or at any rate many economists. But in speaking thus we are letting the mere proximity of a paltry hundred and fifty years of 'great industry' blind us to a distinction which, because it is economically vital, has written itself out in the whole contour of economic existence almost since the world began, the distinction between the agricultural basis and the industrial superstructure of society, between, to put it accurately, those who must market everything they produce before they can live and those who, like the traditional peasant family group, make so many things at home that they do not need to market very much at all.

It is a daring statement perhaps, but we are compelled to say that there is an ultimate distinction between the seller and the buyer. The seller is the person who lives by selling; the buyer is he who does not. The buyer has an independence which the seller has not. And the buyers are the basis of the state. The state is a community of independent members, or rather groups, each of which stands

Summary

solidly on the earth and is therefore able to support the others. These independent nuclei may either be families or larger groups, their function is the same. Only the families have existed in the past; but both could exist, as we have advocated. They are nuclei of individuals whose joint work produces the bulk of their own requirements, and who buy only with their overflow. The proposal for Homecrofting Groups is really a proposal to revive in the nation a mass of such fulcra, as supports, in order that industry itself may be retained. For the people who sell are retained by those who buy, not *vice versa*. All industry needs to be thus retained by a class who are able to buy from it. Homecrofting Groups are a beginning of that class—or rather, of a modern form of it. They are made by turning the helpless victims of modern methods into self-supporting nuclei with a surplus; and therefore into buyers; into constituents of that independent class without which there can be no state and therefore no industry.

They are really the only formation of the people that can save industry from itself. Invention, as we have seen, by always curtailing the production-process, is eliminating labour and leaving people without resources. At its present rate, it is rapidly filling the world with wageless men. It must be saved from itself, by turning these extruded people into buyers of its products. You turn them into buyers whenever you gather them round a pool to fill it with their

Summary

own necessities by their own labour, and to take payment in paper claims on their own pool. *They can then go with these claims, and patronize the industry which extruded them. And only so does it seem possible for that industry to be saved from the consequences of its own development.* Mechanical progress can go on only if all dependent sellers, when they are pushed out of the selling class by science and invention, are free to form themselves into the class of self-supporting, independent buyers who can more or less live whether they buy or not. An industrial depression which hits all industries does not hit these Homecrofting Groups. It makes them more prosperous. It pours recruits into them. And the very cheapening of the production processes which causes this recruitment makes every group's overflow go farther. In consequence of industrial development the claims on a pool, when the members of it go forth to buy with them from outside industry, can purchase more. The economies effected in production, which created them, have also created a cheaper market and so increased their purchasing power.

Whether the new class of buyers are Homecrofting Groups on the land making 'everything' for themselves (except such luxuries or utilities as a group of a few thousand cannot conveniently produce) or whether they are family groups each on its own farm, which is what is meant by a revived agriculture, makes little difference in principle. Industrial improvements, though causing unemployment in in-

Summary

dustry, make them prosper. We have advocated both absorbents, although in the end the two are one. Both are buying groups—only, the one is smaller and the other larger. And a class of buyers is what our civilization must contrive to develop.

Whether the buyers in question be such family groups as we have been familiar with—farmers, small-holders, cultivators of the soil—or whether they be Homecrofting Groups of the larger kind, they are at any rate a mass of comparatively small producing groups. But one great advantage of working out the remedy in terms of agriculture as we know it, is the vivid light it casts upon the function of rent in the whole enterprise.

When the economist cannot see how agriculture can ever possibly absorb all the overflow from industry, he is failing as we have said to distance the subject he is studying sufficiently to see it. He is allowing himself to be obsessed by this immense mis-growth of modern industry in the foreground of his field of vision. It has been a devourer. Agriculture has been absorbed into its vortex; and there is nothing now but industry. All of us practically live by selling all that we produce. But though this seems an elementary fact, it is not quite so. It is derivative. In other words there is a reason for it. And the reason lies in two things—that the number of pounds in a rent-contract has not been held unalterable so long as the rent was paid; and that

Summary

the food value of the pound, in terms of which rent contracts are made, has been allowed to drift. Let rent contracts be unchangeable and let the average-year food value of the pound be steady; maintain these two fundamental conditions of civilized prosperity firmly; and you can either proceed to make new independent buying groups along the lines advocated, or you can make use of those that are ready-made to your hand, the actual crofting, farming, small-holding families—as the absorbents of the unemployed. The only elements of priority which Homecrofting Groups may be held to have over revival of the traditional farmer class, are (a) that they are an *immediate* way of bringing succour to the unemployed, and (b) that they are intrinsically a higher social phenomenon than the traditional crofting family, inasmuch as while they till the land and produce their own food, they are capable of an indefinitely more advanced standard of life. And there is one other point of superiority. If salvation is sought along the lines of Homecrofting Groups, it is probable that there would be no need for restriction of machinery at all—not even in agriculture.

If the money unit is always the same average-year food, then the rent at which I let a farm is a given amount of the land's average-year produce. If we regard it as a fundamental law that the tenant is entitled in perpetuity to all the surplus produce of his farm after this rent is paid, and to all the comforts such surplus may come to be able to purchase for

Summary

him as progress goes on, it is obvious that the same labour devoted to his farm will make him a richer and richer man. The labour of making other goods being continually abridged by science, his surplus produce goes further in buying them. The victims of labour-saving can therefore be taken on by him as servants or as sub-lessees of parts of his farm.

Let us attempt one more re-statement of this cardinal, and not really difficult, argument. Suppose the amount of home-grown food absorbed by our island population is a certain fixed total amount. The farmers are now supplying this. The difficulty which I think prevents apprehension of the simple fact in question is that one does not at once see how farmers, already working their various holdings in a normal way, could come to want more men, even though science and invention and industrial progress are 'putting men on the roads'.

The farmers will of course not need more men unless they work less hard themselves. But to be in a position to work less hard is the natural reward of prosperity and the natural goal of every life. If I am able to pay a maid to sweep my rooms I rejoice. I am always glad to be released for higher occupations. It is my interest as well as my duty not to keep her out of a job. It is my interest as well as my duty to divert a part of my income to her and live on the rest. That is what the farmer does—not in present conditions of course, but when rents are fixtures and pounds are stable in terms of food, so that he can get

Summary

the full advantage of all progress; the surplus of his farm, after the rent is paid, leaving him the richer for every abridgment of production and consequent cheapening of the product which science and organization effect. The farmer does not go on producing the crop himself after he can pay another man to do it. He is a free tenant, holding his land in return for a certain fixed slice of his average-year crop. On the sale of the remainder he lives. With progress this remainder buys more. He can pay a man with a portion and live on the proceeds of the other portion. In other words, the farmer having prospered will offer his farm to another man at a market rent pay his own head-rent out of it and live on the difference, or he will partly do this. He will offer a part of his farm at a market rent, and add the difference to his income.

The same law, exactly, governs the ultimate prosperity of the Homecrofting Group. The economic life of the country is like nothing so much as a great game, the unemployed being people who once were in it but who have been put out. They are now spectators merely. And it becomes very clear as time passes that they will never all be in again. Here and there an individual who has perhaps acquired some special training at Government or other expense may find himself able to scramble over the heads of his fellows and get back in; but always at the cost of keeping someone else out. The old work-fund theory is not so

Summary

false as has been represented. It is not a great error with a little margin of truth in it. It is a great truth with a little margin of error. What is clearly wanted at a time when every one except a theorist sees that there is not enough work to go round, is that the lookers-on at the great game should cease trying to get in again; and instead, should face about and start an innumerable series of little games of their own, found a new class, a class of groups each of which rents a piece of land like a small-holder—enough to supply itself with food—and practises ‘subsistence farming’, not on the old hard method which it is now the despair of American agricultural leaders that they cannot reintroduce but on a method compatible with modern standards of life, the method of making as nearly as possible all their necessities by joint production and division of labour, and purchasing their luxuries from central industry; making such purchases with those surplus claims on their own common pool, which they possess.

One need not dwell further on the mechanism of these purchases. The member of a group can make them, either from central industry or from another group. To the general coin of the realm, these innumerable little homecroft currencies are nothing but a new kind of merchandise which has come above the horizon and is being dealt in by the shops. A claim on a certain pool is just a packet of goods. And it sells for what it is worth like anything else. When members of Homecrofting Groups wish to buy fertilizers

Summary

from the I.C.I., or borrow money from a bank, they merely sell some surplus claims or deposit them as security in the bank. There is nothing very significant or new in the relation of the Homecrofting Group to central industry—the ‘mass production’ which has been throttling itself by throwing men out, and which they alone, by getting themselves into a position to be purchasers, can now keep alive. The Homecrofting Group is merely a number of erstwhile unemployed people who are still unemployed, but have now created enough wealth to be able to buy as before.

The significant relation is that between two Homecrofting Groups. And here we are getting beneath another of the current axioms; the apparent advantage that a low-standard people enjoys in the world-competition.

This is again a situation which the economist as a rule simply cannot see otherwise. If a native of India can live on as many pence a day as a British workman requires shillings, has he not an advantageous position, and can anything in the world alter such an economic fact? Yet this too invites the same answer as before. You are looking at a derivative fact and mistaking it for a primary one.

I grant it looks very natural. But appearances are not all one way. From another point of view it looks upside down. Skill and education and culture ought to be (and at bottom surely are) advantages to man

Summary

in the conquest of nature; and if they have become a disadvantage I must insist that this is not a quite elementary and necessary truth. Rather, it is an unnatural position into which we have brought ourselves by an artificial arrangement.

In 1934 a report was published giving the results of an inquiry by Mr. Gamble, the research secretary of the National Council of the Y.M.C.A. in Peking, into the Chinese standard of living. Two hundred and eighty-three Peking families were asked to keep accurate accounts of their income and how they spent it during the year. The families ranged right through the social scale from professors to bird-catchers. At the bottom of the scale were to be found working-class families of six which, on a wage of 3s. a week, could not only exist but come out at the end of the year with a balance on the right side. No wonder if they do not need to buy cotton goods from Lancashire. Japanese statistics, it may be presumed, are little if any different. No wonder if they can sell cotton shirts in Lancashire.

How are we to stand up to that? How is it possible to prevent the more primitive community having the cheaper labour? And if it has the cheaper labour, how is it possible to be immunized against it?

Firstly, I am eager to grant that none of the received methods do immunize us. One cannot forbid the more primitive country to erect factories; and it is not economically sound to shut its goods out of our

Summary

markets, either by tariffs or prohibitions or 'cotton-conversations with Japan'. We can only try to keep ahead in the quantity and quality of goods which our machinery and processes turn out. That may not seem very hopeful. But there is another thing we can do. We can act as if we were a Homecrofting Group purchasing those goods with its own tokens, from another group. The money we pay to Japan should be an order on Britain; a paper claim on the British shop. Then although Japan sold us shirts, it would only be for a money which she must spend on something else that we make. The money we paid to Japan, being only our own paper, must come back.

'But' it will be insisted 'under an automatic gold standard too, the money comes back.' Yes, but when? And by what means? Under an automatic gold standard, an over-importing country does not right itself until it has paid out so much for goods from abroad, that its money has become scarce at home, and pulled down its home prices to the level of those in the other countries of the world.

'But' I will be asked 'is not that merely an unfortunate, but again a very natural fact? Who are we, that we should be able to sell to the world with our price-level up?' I can only repeat that from another point of view it is most unnatural, and point out the artificiality from which it arises. As we have put it, there is no necessity that the tail should wag the dog instead of the dog wagging its tail. There is no necessity that the whole price-level of a country should fall,

Summary

as by some vast geological subsidence, merely in order that its over-spent money should come back. Over-spent money should bring itself back. It should come back by its own gravity. The money itself should be selling at discount where it has gone, and come back in that way. That is the effect of a glut of goods on a market. And it should be the effect of a glut of British money. 'But British money does sometimes glut the foreign market, and its price does rise and fall even under an automatic gold standard.' Yes, but only between the gold points. The balance is only permitted to swing between these two narrow limits. The gold standard is nothing but the artificial fixing of the price of a country's money, e.g. the number of dollars or yen that are to be paid for a pound. Abrogate that; if Britain is sending too much money into the surrounding world let the price of her money fall freely in the markets of the world; then her home price-level may stay put. Her cheap money will then come back to her sharply. Gresham's law will see to it. Bad money drives out good. British pounds that are a glut in New York market are exactly in that position. And let us remember that a sensitive balance, poised between two opposite and counteracting forces, remains spontaneously steady.

The truth is we only need to slit the seams by which the nations have sewn themselves together and set them free, and they will live at peace in a world abundantly big enough to hold them all.

Summary

It may be said with truth that the immediate drift of social affairs is not towards the ideal we have here represented. It is towards regimentation—sometimes of a more communistic, sometimes of a more Fascistic sort. All I have to say upon that is, that regimentation would be a good thing enough if freedom were played out. But I believe there is an economics of freedom. There is such a thing as the free state. It is a better thing than regimentation and costs less. No violence is implied in it, or even compatible with it. To bring it to the birth is the only real revolution—a silent one. ‘The change’ to quote the great author whom I have been imperfectly seeking to follow ‘would be such a one as is wrought in a frost-bound land by the gradual approach of spring. Here and there a grain would shoot, here and there the leaf-sheaves burst, a golden crocus raise its head, or starry snowdrop gem the ground. There would be no sudden ripening of an impossible harvest—nothing, perhaps, but a certain tenderness in the air telling of a present quickening; an unwonted feeling of independence, imparting a new sense of security.’ To bring this fully to earth doubtless requires more than any economics can give. But the economic behests which clear the path for it and render it possible are in the end only three. (a) Go down and save the individual victims of the present blind industrial process by grouping them into larger or smaller families of self-supporting ‘buyers’, without which industry itself cannot be

Summary

saved from the consequences of its own orgy of invention. (b) Teach the rent-receiver to see—or at least make him by law understand—that he has never had the shadow of an economic or moral right to touch more of the total yield of his tenant's farm, than the annual portion which the tenant undertook to give him as rent; and make the tenant himself understand that when he becomes rent-receiver, he is similarly bound. And (c) in order to secure this end, make the British pound a food-pound in the only way which that can be done, namely by making it inconvertible into gold or any commodity whatever, a mere piece of national paper to be sold in other countries at all times like merchandise for what it will fetch. Then must the pound remain for ever at parity of purchasing power over food with the other moneys of the world, and trade be automatically reciprocal. The price of the pound in dollars or marks will oscillate freely with trade. And the number about which it will oscillate is that number of dollars or marks which purchases the same food in America or Germany as the pound does in England.

Chapter 16

Can different Theories meet ?

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Iwould fain not have closed this effort to throw light on the economy of unemployment without some attempt to compare the great forgotten writer whose thought I have been chiefly expounding with other workers in the same field. But I can hardly do more for the present than merely testify to my conviction that the economic principle which opens to the unemployed the opportunity of self-subsistence on the land also provides something of a meeting-point for many contemporary theses which have seemed hitherto to have little enough bearing on one another.

Despite the mountains of irrelevance under which Phipson so effectually buried all he had to say, despite the absence of humour from his pages, the want of dramatic gift, the heavy Ruskinian style and the prophetic cloak, I cannot but think that he is only seeing together many of the truths which our various money reformers are seeing separately.

Thus, for example, Professor Irving Fisher. I do not know how far it is the habit of constantly overlay-

Can different Theories meet?

ing it with a thought-pattern of my own, but it has been impossible for me even to expound the point of view I have been upon without stumbling unconsciously upon Fisher's very phrases. 'So far from the pound being stable because of an invariable gold content, it can only be stable if its gold content varies.' That is the English of the compensated dollar. And of course Phipson saw it. I give it only as an impression, but at least it seems to me suggestive of being on the right track, to find myself standing so close to the princeliest of all the money reformers on a point so cardinal. And it is by no means the only point.

Professor Cassel's name has been encountered, one supposes, by every student of the international money problem. Complete as the differences are—and this holds of all the theorists—between the view as a whole which has been expounded here and anything which Professor Cassel could accept as a whole, I still must humbly think that the mutual dealings of Homecrofting Groups, taken as a metaphor of the mutual dealings of states under separate currencies, would meet with his approval. It leads us to regard foreign units in a country's market as simply bundles of foreign goods selling there, like the goods themselves, at a price determined by supply and demand. That seems to me entirely consistent with the doctrine of Cassel as to how rates of exchange behave when their common basis has been shaken by war. That such currencies will exchange at about parity of purchasing

Can different Theories meet?

power is not a strange doctrine to us. We proceed upon it throughout. Our exact assumption is that currency A appearing in the markets of country B will sell for just as much B currency as the goods it commands in its own home determine. In other words, the citizen of B will tend to spend his money to equal advantage whether he buys at home or in country A.

As to differences from Cassel, I can only speak more or less at a venture. But the root difference must, I think, be that the step-wise arrangement of the peoples of the earth into a series of descending degrees of social and industrial development is not for him a fact whose untoward incidence upon an advanced nation's trade would be mitigated any more by one currency arrangement than another. If so, the issue between him and the view taken here is deep; but also I think that any layman can judge it.

One cannot turn to British writers on money without at once lighting upon the work of Mr. J. M. Keynes—of whom, what must one say? Some gods are hidden in darkness and some in dazzling light. But I think even the most bemused of uninitiated readers may pierce the brilliance far enough to detect some genuine affinity here too; nay, even feel that our national currency, or something very like it, is this writer's real eldorado, his fascinating, half-discovered country. His *Tract on Monetary Reform* drove it deep into the minds of his colleagues that 'we cannot both eat our cake and have it' in the matter of stability in the money unit. We cannot enjoy a pound at once

Can different Theories meet?

fixed in its price abroad and steady in its home purchasing power. And anyone at all, scanning Mr. Keynes from however melancholy a distance, may surely be forgiven for linking his name with far-reaching views about price-stability coming before external exchange-stability, about unfixing the sterling value of gold, about freeing the note issue from the gold reserves—in fact, with a mind moving in great wide gyrations towards a centre of attraction, for which a ‘national money’ might easily enough be the name. He is no friend of the Gold Standard and yet he seems to take himself to be more unique in that than he is. Deep in the second volume of the *Treatise* of 1930, after a passage arguing that gold would make an ideal international money if an international money were ideal at all, the bewildered follower of Phipson comes upon this:

‘But is it certain that the ideal standard is an international standard? It has been usual to assume that the answer is so obviously in the affirmative as to need no argument. *I do not know where it has been questioned except in my own “Tract on Monetary Reform”, Chapter IV.*’¹

And having risked this most revealing statement he proceeds to ‘attempt to do justice’ to ‘the considerations which can be advanced on the other side’.

I am not competent to go into these considerations, not having been reared in Mr. Keynes’s economic traditions. But I cannot feel convinced that he has

¹ *Treatise on Money*, Vol. II, page 301. Italics mine.

Can different Theories meet?

seized the weightiest of them. I do not know why he gives the right answer to the question, "Should standards of value be international?" for what seems so wrong a reason. He replies to it in the negative, because purchasing power, he says, cannot *mean* the same thing in different parts of the world. But surely it can and must. If purchasing power be that in the unit which we all want to see steady, then it must mean at least a certain quality or power residing, among other places, in a money unit. It is a quality or power, moreover, which can be further defined. It is the power to command, in a free market, always that amount of materialized absolute value which nature, or the difficulty of obtaining it, justifies.

Now something embodying absolute value in material form, something such that special abundance of it in any year must free money for purchasing other things and make general prices rise, and any special scarcity of it in a particular year must conversely, by absorbing money which would otherwise be spent on other things, make general prices fall—something so constituted can, as we have thought, be found. We can see that under conditions of freedom this must be the economic behaviour of a people's staple food. And what is *a priori* obvious is also, so far as our observations go, able to be approximately empirically confirmed. Purchasing power over the same amount of the staple food grain of a country, therefore, which varies with the seasons and does not vary otherwise—that is what purchasing power (or

Can different Theories meet?

at any rate the particular purchasing power of which we wish to see the money unit contain a stable amount) must mean 'everywhere'.

There is clearly a profound difference of view here, the gravamen of which must I think be connected with a difference as to the degree of respect to be accorded to common-sense assumptions. I think common sense does assume that there is something of absolute value, whenever it reflects on the subject. If so, it is surely justifiable to aim as we have done, at finding a definite material embodiment of it. We take it that the absolute value is life itself, perhaps in a wide sense. If such value can assume material and measurable form, a unit thereof must reside in that unit of matter which supports life for a certain length of time. This, food does. Hence the real value of your money unit, whatever it may be made of, is the food in it, as Adam Smith saw. And the stability which we want in a unit is not indeed that its value should be always the same, not that it should always support life for the same length of time, but that it should support life for the same time in the same circumstances, that its power to support life should vary with nature and with nothing else.

To enumerate random affinities with independent writers has perhaps little point when the opportunity is lacking to go fully into what may be only superficial resemblances. All one can plead is its fascination. I venture to think, if I may mention one more name, that no one will pass from the foregoing re-

Can different Theories meet?

flections to the great work of Silvio Gesell,¹ without being struck with the thought that he is attempting, on the broad stage of the world rather than upon the more manageable area of a single country, an essentially similar reform.

When one comes to the numerous less closely affiliated writers, Foster and Catchings, Eisler, Abbati, Douglas, Soddy, Macmillan, Arthur Kitson and many more, the temptation to spend time grouping them round the circle at the centre of which one seems to find oneself standing becomes almost one to be resisted; misrepresentation is so easy, unless one is peculiarly well equipped both with knowledge of these reformers' writings and the gift of taking their meaning. Still, I am persuaded that the garnering in of that saving 'truth about money' for which the world has been waiting so desperately is not likely to be any one man's work; and the truest truth will be that in which the largest number of diverse and independent 'visions' can find a home. So long as all theories, to quote Sir Josiah Stamp, 'live lusty lives in isolation', that degree of intellectual unanimity which seems the necessary prelude to saving action is not likely to be attained. And I have no more earnest wish for the thing I have tried to utter, than that it be laid alongside other sincere utterances and compared therewith by that mass of uncommitted

¹ *The National Economic Order*, translated from the sixth German edition by Philip Pye (Neoverlag, Berlin—Frohnau, 1929).

Can different Theories meet?

readers through whose suffrages alone actual reform is to be looked for.

The direction of reform here indicated has at least the advantage of simplicity. The formation of Homecrofting Groups can be begun at once by anyone who cares to read the Appendix to this booklet. As to the other and greater refuge for the unemployed, the family life of the cultivator, the legal changes required in order to naturalize our economic arrangements and show whether it can get itself carried out or not, are, although momentous in their significance, so unobtrusive in the doing as to be like the knocking out of the wedge which allows the great vessel to launch itself into the sea of its own motion. Men do not really need to carry such a measure by a dead lift. The state of our economic affairs is waiting for it. And if I do not follow the example of Professor Fisher and actually draft a Bill to nationalize the pound and secure finality in rent contracts, it is merely because it would seem to be such easy work, when the proper time comes, for the specialist accustomed to the task. If to grant a rent concludes a sale, if the national pounds in terms of which it is concluded have always the same average-year-food value, and if freedom prevails, then a new hope arises for the unemployed. Self-providing groups can be formed for them, the land can be opened to them, and foreign competition is prevented from taking away their work.

Appendix

On how to start a Homecrofting Group

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Our discussion has not been all speculation. We have spoken of an industrial country with a genuinely separate money system, and that is an ideal which does not yet exist. But the other independent group of which we have spoken, the island of semi-self-subsisting unemployed with its local currency, is in being although on an almost microscopically small scale. I have ventured to offer this last, or the principle of it, as a serious proposal for the relief of distress; and it seems incumbent on me to state in terms more exact and concrete than I have yet done, how I conceive that a working circle of the kind could be called into existence. I propose, therefore, to consider briefly three contexts in which the principle expounded could be applied.

(A) HOW A HOMECROFTING GROUP CAN BE EVOLVED OUT OF AN ORDINARY WORK CLUB OR SOCIAL SERVICE CENTRE

In the original *Spectator* experiment in Homecroft housing for weekly wage-earners,¹ the worker and

¹ See pp. 16-18 above.

Appendix

his family were only given the means of producing food for themselves. Their work illustrated self-employment in its simplest form. The 'croft' simply lay around the 'home', equipped with its spaces where fruits and vegetables 'could be grown, with its poultry-run, tool-shed, goat-stable, &c., the whole constituting a perennial larder round the house which the family could keep replenished by working in their spare hours in a semi-recreational way.

The proposed Homecrofting Group may have to remain for a long time just this family, only providing some of the necessaries of life; the members being dependent for the remainder upon whatever remnants of wage, dole, or other money income they may possess. Their aim will be to emancipate themselves gradually from dependence upon money, by deriving more and more of the needful from their own direct labour.

They will begin, therefore, simply as a nucleus of people who have somehow been inspired to try to save themselves by joining hands and serving one another in the family spirit.

This may seem to some a stumbling-block. Can anything be expected to be permanent which requires so much altruism as this to initiate it and keep it going? The ultimate solution of the difficulty is the currency. But there is no need to hasten to that point. It is right to remember, even if nothing more could be said, that the long period of industrial

How to start a Homecrofting Group

depression in this country has not been without its moral quickening, one result of which is that the actual giving of services to one another by the unemployed is by no means unheard of today. And when I see the little homecrofting household doing this very thing habitually, the members giving service according to their ability, the stronger toiling at the heavier tasks and the weaker doing the light ones in order that the family cupboard may be filled with its winter's store, I must confess that it lends a new significance to all the rumours of voluntary work by the unemployed that are now echoing about the world. The first answer to the question whether the unemployed would give their services freely enough to get a Homecrofting Group started must be that they are giving their free services now in great numbers for objects much less important to themselves.

But this is not offered as a full answer to the question. For the novelty of a great moral adventure wears off, as many a weary social service leader knows. You cannot get from a random collection of people the sustained disinterestedness which is possible in a family. Nature sees to the family, but she has no interest in the artificial group. The only way to keep the family spirit alive in the group is by justice in the distribution of the calls for service. And distributive justice requires a currency.

At the beginning, in any group which was well led,

Appendix

the spirit of service might be abundant, even overflowing. The labour the members engage in would be interesting work. The variety of experiments that are possible and the excellent hand machinery which can now be obtained would be a standing incentive to self-forgetting industry, especially if coupled with youthful ardour. It could all be voluntary. Set an enthusiastic boy to learn the knitting machine, for instance, and we may reckon with fair certainty that so far from needing to be goaded to his task he would soon be dunning the other members to give him work. Similarly let a hand-mill be installed for grinding flour, let an expedition be arranged for gathering nuts, let a jam-making or wild-berry-picking party be suggested, let any one of the innumerable enterprises which strengthen the position or heighten the comfort of the group be conducted in the proper spirit, and Nature herself would see to the response. For a long time the mere ability to clean and dye a piece of wool, for example, and spin it into yarn by the old authentic craft methods, or by the new methods, would have the self-sustaining interest of a game. The mere pleasure in the eyes of those who had brought the wool to be worked and saw prospect of good socks for a few pence would be abundant reward. To those who prefer it this would be an entirely feasible way to begin.

Still, the well-springs of enthusiasm do not gush for ever. Sooner or later, the clear consciousness of the facts would arise. The members' contributions

How to start a Homecrofting Group

could never be all alike. Some would be giving more time than others to the common fund. The time of some would be intrinsically more valuable than that of others. Even the most loyal of the members would want some record of their service kept. This record could grow into a currency, and only if it is allowed so to function will the new community have the stability which the institution of the family enjoys.

To invent a currency is at first sight a formidable undertaking. Really it is no very difficult or complicated matter. A currency is nothing but a record of service, and it can be evolved from a literal record by merely modifying the paper on which it is written.

The literal record itself would be easy enough to make. When the group is first launched, each man could be given a book or sheet in which to make entries of his achievements; faithfully recording each job that the leader has asked him to do for another member or for the common pool; specifying what was done, for whom and when and where; a book which he can show to the leader every week. Let the man who has been white-washing another member's ceiling, for instance, show how many hours he spent; let him who has mended a watch show his time similarly. There would be some satisfaction even in an entry in a book. If the leader was tempted to call upon the same man for service too often, it would be easy for the man to show his crowded book, and ask that recourse be had to some other member who had less

Appendix

service to show. This would be the beginning of a technique for justly distributing the calls for service amongst the members of the group.

But the system must not stop there. The record must grow into something more tangible, simple and usable. The book entry might, for example, be regularly translated into something which could be counted out into the man's hand.

Arrangements for this could be in charge of the leader. For him it would be the easiest of tasks regularly to turn the recorded labour-time, as he reads it off from those entries, into a money of account. Stationed at his desk he could review the sheet in which each worker shows the week's services he has rendered, a sheet giving in every instance the date, nature of work, time taken, &c. "Ten minutes of your time?" the leader might then say to him, pointing to the first item in his record, 'that will be six.' And for this job he will count out to the man six *of something or other* taken let us say from a drawer at his elbow. And so with every job in the man's list. To another man for ten minutes of twice as valuable time, he would count out twelve from the drawer, and so down his list. Similarly with the other men.

But what are those things? In spirit a mere confirmation of the men's entries, a better record of the work done, a tangible receipt given to the worker in the shape of uniform slips of paper which he could put into his pocket and keep; printed in ones, fives, twenties, hundreds and thousands, in different col-

How to start a Homecrofting Group

ours for convenience of holding. At Cheltenham we supply the men with a special purse for keeping them.

Thus can a voluntary service group be made to grow into a Homecrofting Group, if only the spirit of service is there to begin with. It is not the only way of beginning. It is not the way the Cheltenham Group began. But it is one way. Any ordinary unemployment centre or work club where there are tools and equipment and the men have the idea of a joint effort to benefit one another, can organize itself along these lines by merely proposing that every man keep a book, and that every man try and have some voluntary service for other people to show in it. Then paper tokens can be given to every man according to his record.

Yet this does not complete the story by any means. It must be carefully explained to every member that these tokens are only a different kind of record; that they are of no use to anybody; but yet that members should keep them. *'For this drawer out of which they come at present is one day going to be locked. After that there will be no more. And then they will be of use.'*

And duly, at a certain convenient date, but only after a number of gifts of various kinds of useful commodities have been collected from friends of the scheme and accumulated in the premises in a kind of shop or pool, each ticketed so-many tokens, and after a convenient number of tokens have simultaneously

Appendix

got into the hands of the members—the drawer is literally and visibly locked. From this moment the principle of distributive justice has taken possession, and the Homecrofting Group is born. When any one now wants a footstool mended or a rag rug made, or his children's boots repaired and comes to the leader asking for it as usual, he gets a certain slightly stiffening moral shock. Things are not quite on the same easy footing as before. The individual is now presumed to have become a man and put away childish things. He is expected to make his requests, not in the way of an infant asking his mother for something in the nursery; but in the manner of a grown man who, when he asks for something, is conscious of having also something to offer. He is told by the leader that he may have the shoes done as before. But, as he of course knows, the cobbler must have tokens for doing the work. Hitherto they had come out of the drawer. But the drawer is now shut. He himself must supply them. If he has been working, he will have a supply. If he has not a supply he has not been working.

This is justice supervening upon a régime of loving-kindness. It is a severer but a better life. There need be nothing harsh about this justice. Even a lazy member may still be given what he asks if he wants it badly. It is merely a matter of some one's being generous. And arguments may be used to evoke the generosity. 'All the work was free not so long ago'; 'we are still, in a manner, a family'; and so on. I have

How to start a Homecrofting Group

seen quite a good deal of free giving away of tokens from member to member in such circumstances.

It is important to notice that this generosity can come equally well from a friend outside the group. He only needs to make a gift; for example to place a suit of old clothes in the pool or shop. The leader can then at once unlock the drawer and hand out the equivalent of the suit to the suppliant member in tokens.

For all that is needed in this system is that the total number of tokens held by the members should be well covered by the goods in the pool. Even if a man were growing onions for the pool, and had nothing to offer to the leader for all the months they were in the ground, the leader would be able to unlock the drawer and give the man a little every week on the strength of the future crop. He could then sell the onions to other members and get the tokens back. But this last item belongs to a system of which we have had some definite experience, and the place to speak of it will be under the third heading of this Appendix, on how to go down into a distressed area and begin homecrofting from scratch.

(B) HOW TO START A HOMECROFTING GROUP AT A SCHOOL

Ever since the publication of the Hadow Report, the educational authorities of this country have made a strenuous effort to introduce something different

Appendix

into the higher education of boys and girls at school who are not destined for the professions.

Hitherto all who continued their school life into the higher forms, found themselves being trained in the great vestibule which leads to the University. The problem of the Hadow Committee was how appropriately to continue the education of the mass of working people's children and give them the kind of training which would be a preparation for their own life. The hard fact which faces us now is that in thousands of cases, their own life is the life of unemployed persons. If any kind of training can give them the art of self-subsistence, surely it is the instant duty of the nation to provide it.

Now this is possible, and there is hardly a town of any size which could not make a beginning. It only needs a few acres of fertile land, with hutments, garden tools, and plant for conducting lessons in weaving, boot repairing, sock knitting, the cutting of firewood, the making of briquettes, the grinding and baking of flour, the care of small live-stock, the manipulation and preparation of live-stock for purposes of food; in everything, in a word, that is needed to enable the boys and girls themselves to earn and learn at the same time, to supply their own families with some necessaries by their labour, while receiving lessons in life and work assuredly different from those dispensed in the vestibule to the University. Learning how to make some shift in after days to live without wages if wages are not to be had, is both a possible

How to start a Homecrofting Group

and a most highly educative process, and it could be part of every post-primary school curriculum.

The system would be one of relays of visiting pupils, who could be assembled on the scene of their labours every morning, Saturdays, Sundays and holidays all included; each relay being there for perhaps one month in three. This could be organized without depriving the individual pupil of any of his holiday-time. And a relief system could similarly free the teacher.

The teacher's task would be an interesting and adventurous, though doubtless not an easy one, With the assistance of the right type of caretaker, who should be a man with knowledge of land and animals, it would be easy to begin quite gradually; only vegetable growing being undertaken at the first. The aim should be the eventual production of all the main necessities of life. Each boy and girl should receive tokens in proportion to his work, on the principle indicated in the previous section and to be described fully in the section which follows. With these in their hands at the end of each day, the children could wander round the common pool and buy out of it and take home to their parents as much as their earnings entitled them to. The system should aim at paying for itself, except for the dead weight of salaries of which the public funds would probably not expect, at any rate in the beginning, to be relieved.

The Board of Education themselves have encour-

Appendix

aged the idea of instituting some genuine difference between the higher education provided in the 'Modern Schools'—to use the name suggested for these new institutions by the Hadow Committee—and that of the traditional Public or Secondary School. 'It will indeed be nothing short of a calamity,' says Educational Pamphlet No. 60, 'if the end of the Modern School is an anaemic reflection of the present Secondary School.'

In this connexion the official emphasis is laid on practical, as distinct from theoretical, training. But it is now becoming clear that the mere un-systematic agglomeration of so-called practical subjects, drawing, sewing, domestic science, school gardening, woodwork and the like are nothing different from what has always been, and they are nothing specially interesting. They are waiting to be welded into a life-saving system with an economic basis and a bearing on the desperate problem of the world into which the children are going. Nothing can be more tragic than the present state of the higher forms of our schools when the last school-day arrives and companions part, one to continue the Shakespeare and the Caesar at the University, and the other perhaps to go down into some coal-pit to ask if this is what he was trained for. Can we wonder that there is discontent, when we prepare everybody for life at the top of the ladder and leave the great majority to spend their days at the bottom? Surely it were better to give to all without exception the preparation

How to start a Homecrofting Group

necessary for facing life at the bottom, and let those who are going to rise, rise. The one subject of which everybody of this day should be master is communal living without wages. The training is strenuous, as will be seen from the next section. It demands some facing of the weather! But it is so interesting that we may well believe no healthy youth or maiden in whatever rank of society born, would fail to become absorbed in it if it were competently presented.

What the concrete occupations of the children ought to be at the Homecroft Centre can best be gleaned from the discussion of our concluding topic, namely:

(C) HOW TO START A HOMECROFTING GROUP DE NOVO, AMONG THE POPULATION OF A DISTRESSED AREA

First of all, a little 'evangelization' must be done.

Assemble a good meeting of working men of the district and their families and tell them that there is hope.

Even at a time when there are no wages there is something they can do. They can 'get together and make their own things'.

But it involves producing their own food; so all who do not know the land must learn it.

Indeed the group is primarily for allotment men — ~~others~~ only so far as they are willing to learn, and not too many learners.

Appendix

The group is to be a little community and there must be give and take all round. It will be impossible to see that no one man ever has a stiffer job than another; although inequalities will be avoided as far as possible. People must be eager and willing to give their service freely.

The game is to 'make ourselves all one family'.

There will be a family cupboard, a 'common pool', to which all of us contribute.

What we put into the pool is not *money*, but *things*. We will contribute things to eat and to wear and to use; things which we grow for ourselves and make with our own hands.

Each member will contribute what is in his own line; and then he will be entitled to walk round the pool and draw out other things which he needs.

And on our scheme, as will be explained presently, he can only draw out the equivalent of what he has put in. That is the fairness of it.

But we will not be making for the common pool all the time. There will be a great deal of other work to do. That is why everybody must be willing. There might be fencing needed for our land, making of roads, erecting a hut in which to hold the pool, canvassing outside support for the scheme, collecting gifts of used clothing, writing letters, keeping books, and so on. That sort of work is done for the pool in the end, but nobody takes it out. Claims on the pool cannot be given for work that no one is going to

How to start a Homecrofting Group

take out. If two men erect a fence no one is going to draw the fence out of the pool. If others put up a hut no one is going to draw the hut out. And so on. There are a large number of things that must be done for nothing. Our basis is in voluntary labour. Anybody not willing to work had better not join.

All this unpaid work however is only to give a start; it is only to keep down capital expenses.

And it will not wholly keep them down. It will not eliminate them. Men might go to a wood and cut the posts for a fence if they got permission. But they could not make the wire. We shall have to pay money for many materials, e.g. road materials, fencing materials, building materials. We shall also have to buy machines—a machine for making our socks, a machine to grind our flour, a stitching machine to stitch our boots and so on. We can hardly escape those expenses.

If all this can be done on subscribed money good and well. But if it is done on borrowed money we shall have charges to meet year by year for interest and redemption, perhaps 9 per cent per annum. And this interest and the rent will always have to come from somewhere. We shall also need money to pay for fertilizers, seeds, wear and tear of tools, tools themselves, and the like. And here we must ask where the cash revenue is to come from to meet those standing charges?

Our revenue should come out of the overflow of our pool.

Appendix

We shall try to grow more potatoes than we need, and sell some; make more jam than we need, and sell some; knit more socks than we require, and sell some; and so on. We are in trade only to this extent.

And in all the selling we shall take care not to undercut trade prices.

The first steps then are:

- (1) rent a piece of fertile land;
- (2) erect a hut (perhaps 30 ft. × 12 ft. 6 in.; height, 7 ft. 6 in. to eaves, 10 ft. 6 in. to ridge);
- (3) partition off 7 ft. or 8 ft. at the end of the hut as an office;
- (4) lay in a stock of gardening tools;
- (5) measure out the land into lots of 1 chain for each family to begin with; but contemplate allowing each family to take perhaps another chain later; and then let each man start on his land in the fall of the year.

It must be clearly understood from the beginning that everything which grows upon anybody's plot is in the common store. No man's produce is so sacred that another man may not have any of it. There must be division of labour in the growing; and when the harvest comes all may pick from any part of the field. There will be rules, of course.

A man's growing crops do not belong to him as an individual. All that belongs to him are his claims on the pool. He has claims on the pool, opposite all he contributes to it, whether garden produce or other

How to start a Homecrofting Group

things. These claims are in his pocket and belong to him. What he contributes is not his. It is in the family cupboard, and he cannot raid the cupboard. He must produce his claims, surrender them, and take away what he wants in a regular manner.

If a man's whole crop is in the pool automatically, how many claims will he have? How many will he be entitled to? How will the amount be decided?

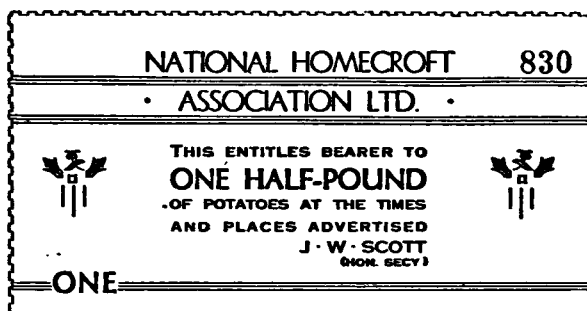
The answer. Every man's plot has a number, and his name and number are written at the top of a page in a book kept at the office.

Everything which is picked from off his patch of ground is weighed and booked to his credit on the page. At the end of the year (28th November) his page shows everything that has been taken from his plot in the year, i.e. since last 28th November; and the number of claims it is equal to is written opposite each item.

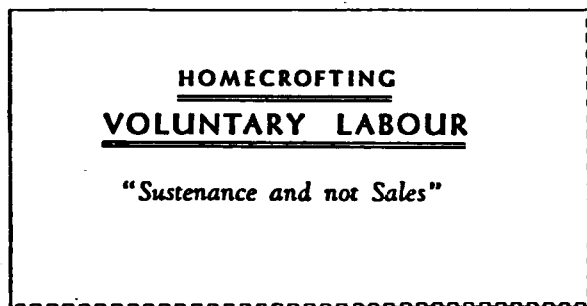
A claim is a small piece of paper called a 'unit'. These units are about $4\frac{1}{2}$ in. \times $2\frac{1}{2}$ in. printed on the face and back as illustrated on page 198.

The manager will have numbers of these in perforated books ready to tear off. Homecroft units may be of any design however; and every group should have its own design, distinct from all others. At least the name of the group should be printed very clearly on the face side. They should be of different denominations; ones (buff); fives (yellow); twenties (white); hundreds (brick colour); and thousands (blue). There is no imperious necessity that this

Appendix



Specimen Homecroft Unit, face side



Specimen Homecroft Unit, reverse side

colour scheme should be adopted; only, this happens to be the one used by the Homecrofting Group at Cheltenham; and it would be an enormous gain if when exchanges became common between group and group, the same colour always denoted the same number of units however the design or size of the units in the various groups varied. What is supremely

How to start a Homecrofting Group

important is that Homecroft units should never be confused with money. They should be as distinct as possible from it, in size, colour and design. And no money figure should be mentioned on them. The reason is that the unit becomes more valuable as the group becomes more prosperous. A fixed money figure therefore is misleading. It is only disappointing to the men if something which is not $\frac{1}{2}d.$ and will not be taken in the shops as $\frac{1}{2}d.$ bears $\frac{1}{2}d.$ printed on its face. A fixed quantum of labour time would do.

It would be disaster if these units became money. Theoretically they could become money in either of two ways; (a) being made of something so like money that people were deceived (which would of course be illegal); or (b) by the Government recognizing them and declaring them legal tender.¹ If either of these events happened, homecrofting would become at once impossible. It is not necessary to explain why at this point. It will become quite clear from the foregoing. Our potatoes or minutes must not be money.

Each unit, then, is one half-pound of potatoes. We must return now to the man's page in the book.

His potatoes, as they come out of the ground to be stored in the pool, are all weighed and entered (under his own inspection) before being passed into the pool. Similarly the cabbages, the carrots, the peas, &c. All are weighed as they are picked; and they are entered in the book at their proper worth in units; that is, at their worth in half-pounds of potatoes.

¹ See pp. 108-10.

Appendix

How do we know their worth in half-pounds of potatoes? How do we decide how many half-pounds of potatoes a stone of peas is worth; how many a cauliflower is worth; or a used suit of clothing or a second-hand pair of boots?

We do it by reckoning a half-pound unit as $\frac{1}{2}d.$; and then taking a moderate shop price—indeed, a rather low shop price—as the price of the article in question. Whatever number of halfpence it would be in a very low-priced shop, we simply label it that number of units. It is quite easy to do.

A price list showing the number of units per pound at which everything is reckoned hangs on the wall. The man himself can consult it and see how many units per pound the various vegetables are as they come off his plot; and he can thus check the clerk as he books everything.

And how does the man get his units? When does the clerk tear them out of the book and give them to him?

First of all, the clerk has not got the book. That is in the hands of the manager, locked safely away.

The units for all the men have to be asked for, by the clerk, every week. Every group should have a clerk.

He receives them from the manager's hands and distributes them to the men every Saturday morning.

The men receive their units in this way, so-many per week every week in the year.

How many do they receive per week? This, it must

How to start a Homecrofting Group

be pointed out, is the only piece of speculation that the system contains. The number has to be calculated.

By the end of the year we wish each man to have had two-thirds of his crop. And years vary enormously in the degree of their abundance.

We therefore speculate conservatively; we calculate for a scarce year, knowing what a normal year is.

We divide two-thirds of the normal potato-yield of the patch in question in an *average* year into 52 equal parts; and that is the number of half-pounds per week which the man receives. Or rather, he receives about two-thirds *of that*. For we might have a year that is below average. A safe number would be, perhaps, 25 units per chain of land per week. These are only the man's *weekly* units for husbandry. They are not all the units he receives for that work. And he also receives units for other work usually.

These are the weekly units which he receives for his contribution of potatoes and vegetables. He may also be contributing other things. We should hope so. Every man should have one extra job at the least. If so he will receive extra units for it. The way to develop the system is to have every man contributing something to the pool over and above the food he contributes.

When the end of the year approaches the man can reckon up how many units he has had for husbandry during the year. He sees from his page in the book, for how many units two-thirds of his total crop has been disposed of. (If it has been disposed of *out*

Appendix

of the pool for units, he sees how many units it fetched; if it has been disposed of *to a merchant for cash*, he sees how many halfpence it fetched; and he knows that each halfpenny is a unit. It is to be noted here that any small potatoes which go to feed the Homecroft pig or any loose cabbage-leaves that go to the rabbits or the hens are not booked at all. They fall into the class of that voluntary labour which is expected from everyone. But any fruit to be made into jam is booked at its scheduled price, similarly any onions to be made into pickles, any flax used for spinning, any parsnips for wine or the like.)

The man can now compare the total units he has received by instalments for his crop with the total units for which two-thirds of his crop has been disposed of, and see the difference.

He will find that he has not had two-thirds of the crop in units. He will know how much he is short. And he will receive the difference in his hand.

This means that he will have a larger bonus if he has a good crop, and a smaller if his crop is poor.

The important point about this scheme is that the member's total reward in units will be proportionate to the work he has done for the pool. His claims upon the pool will be as his contribution to it. That is the fairness of the system.

This bonus may sometimes have to be divided between several men. Perhaps the plot has been cultivated by two people jointly all through the year.

How to start a Homecrofting Group

Or perhaps the man who started it may have obtained work, and have had to drop it, his successor having cultivated it since. Perhaps several men may have been on the same patch in succession. The bonus in that case will be divided amongst the cultivators, to each according to the length of time for which the plot was under his care.

This dividend or bonus may either be given all at once, or given in the form of an increase in the man's weekly units throughout the next following year. A loss could be made up for by a reduction in the weekly moiety in the same way. (It is best for a man to take it as a rise in his weekly allowance since otherwise he must take away his potatoes, and he may have nowhere to put them.)

So far then the requirements for a Homecrofting Group are land; a clerk (who is one of the men themselves) and a manager; a shed and tools; a weighing machine; a book of units; a record book in which to enter the crops; a record of the units advanced against the crop of each plot and to whom advanced; and a price list hanging on the wall. Let us now observe the working of it.

Each man begins drawing weekly units against his future crop from the day he joins the group.

The men accumulate the units in their pockets till the first crops are ready. Then they begin to surrender them, and draw out the produce as they want it. But they have never at any time units beyond

Appendix

two-thirds of the crop. So one-third of the total units represented on the field, except for the margin of inevitable wastage, can be recovered (in the form of halfpence) from the merchant. (The merchant, of course, will not necessarily offer $\frac{1}{2}d.$ per half-pound. He will give only a wholesale price. That is understood.)

Out of this cash must be met seeds, manures, rent, interest, &c., as far as it will reach. If it does not reach far enough the proportion, one-third, which is reserved for this purpose, must be increased. We must aim at not needing to be subsidized. It has still to be found out how many men must be in a group in order that it may pay its way by selling only one-third of its products. Sales are always secondary.

Consider now the position during 'the year one' of the scheme. We may say it began on 28th November when the field presumably was mere grass. What were the men doing with their weekly units until the first crop came?

For the pool was empty as yet. They could not draw from it.

Every effort should have been made during those early months however to have something in it, so that the men *could* be surrendering some of their weekly units as they went along and drawing out things which they needed.

Well-wishers could give gifts of used clothing. The clerk could ticket these at appropriate numbers of

How to start a Homecrofting Group

units as he dropped them into the pool. Similarly with boots, tins of cocoa, anything useful that might be presented.

An amateur hairdresser might be found amongst the men. (The specialists should all be found amongst the group as far as possible.) A knitter who can work a machine or learn it may be found; or one who might be able to wash and launder clothing, one able to repair boots and shoes, and so on.

All this extra work should be done on the premises, so that the business as a whole may develop in the direction of becoming a kind of 'omnibus producing company' with all its operations concentrated; so that incidentally it may become a haunt of the men, and recreative and other amenities may be introduced; always however on a scale that does not interfere with the major recreation, namely the running of the establishment itself. Too early introduction of too much of a diversive character might arrest the economic development.

The units paid to a member for other-work done for the pool should always be covered by the units surrendered by whoever draws the particular piece of work out of the pool. Similarly with cash paid for the material in it. A jar of jam for example should *fetch* a margin more of units and cash than it *costs*.

If the materials cost only units and no money (say 2 lb. of onions have been taken from the field and are appearing in a bottle of pickles) then the two workers, the one who grew the onions and he who made the

Appendix

pickles, should have between them two-thirds of the total units surrendered by the member who takes out the article from the pool. The number which goes to the grower is easily arrived at from the price list. A certain number of units per jar must next be allowed to the man who 'lays them down' in pickle. The cost, in units, of the finished product is thus arrived at. Half that cost must be added; then the product is ready to be ticketed at this amount and set upon the shelves.

The product whose materials cost only units are a limiting case, practically never occurring. Thus in the case of a jar of pickles the vinegar costs money. Vinegar cannot easily be made by the men. Nor can the jar.

The money spent on anything, like the units spent on it, must always be recovered from the person taking the product. Thus most products in the pool are ticketed so-much money 'and' so-many units.

How much money? And how many units?

The amount of money and of units to charge for the different products placed in the pool, or the various services rendered in the shed, can always be arrived at on the same principles. One 'tickets' boot-repairing jobs, for instance, by hanging up a price list showing the money and the units chargeable for every separate repair. There are in fact only some 16 typical repairs altogether which can be done upon leather boots and shoes. The units charged for each repair should be about twice the number given to the

How to start a Homecrofting Group

member who does the repairs. The number this member receives for his work is one unit for each $\frac{1}{2}d.$ usually paid to the trade for doing the particular job. When the number of units to be charged is thus arrived at, the amount of money to be charged should simply cover the expense of the materials used. The Cheltenham Homecrofting Group charge as follows for boot and shoe repairing:

	CHARGE MADE TO CUSTOMER	<i>Units paid to Repairer</i>
<i>(1) Sole and Heel</i>		
Men's	1/5 and 30 units	17
Ladies'	1/1 ,, 28 ,,	16
Youths'	1/1 ,, 28 ,,	16
Children's	9d. ,, 20 ,,	11
<i>(2) Sole only</i>		
Men's	11d. and 25 units	14
Ladies'	9d. ,, 20 ,,	11
Youths'	9d. ,, 15 ,,	8
Children's	6d. ,, 11 ,,	6
<i>(3) Heel only</i>		
Men's	6d. and 8 units	4
Ladies'	4d. ,, 8 ,,	4
Youths'	4d. ,, 6 ,,	3
Children's	4d. ,, 5 ,,	2
<i>(4) Extra for Hand-Sewing</i>		
Men's	25 units	14
Ladies' and Youths'	20 ,,	12

How to start a Homecrofting Group

(which have had to be bought) and (b) units to cover (i) the units booked to the credit of the cultivator upon his page, (ii) the units paid to the jam-maker for his work (perhaps one unit per 2-lb. pot) and (iii) the margin.

Everything attempted must be covered in the same way. Almost never are things produced for units only. And if money has been spent money must be charged to replace it. Of course the aim must always be to reduce the money and increase the units.

There is indeed one way of evading the need for charging any money even where the product has cost money; but it leads to too much outside marketing. This is to sell so much of the particular type of product or service to the public at a profit that the takings will cover the raw material for whatever of this kind goes into the pool. Then the ticketed price could be the unit price plus one unit for each $\frac{1}{2}d.$ of money.

What lines of production may be ventured upon? Every group must make its own venture. This is just the unexplored territory. It will vary in various places. It will vary even more with the size and skill and management of groups. If all that is thinkable were practicable the system would triumph. Perhaps thinkable, in various possible localities and circumstances, would be (besides boot repairing, vegetable and potato culture, hairdressing and sock making) clothes mending, firewood, coal from out-

Appendix

crops, picking of wild fruit, jam and jelly making, wild nuts and possible products from them, washing, goat-keeping for milk, rabbits for meat, home-produced eggs and bacon, flour grinding from home-grown wheat, bread baking, cloth weaving and clothes making—ultimately, if the group were large enough, machine boot making and furniture making, possibly even machine spinning from home-produced wool, production of linen, soap, honey, wine.

The consideration which determines whether a group can undertake any given line is whether the money charge to cover the raw material is within the price charged in the shops for the finished product. It is of no use charging 9*d.* and 10 units for a pair of socks if a pair of the same quality can be bought in a shop for the ninepence alone!

The logical reply, when this happens, is to extend the group until it can produce the raw material itself. If the price of the yarn in the sock is too much, the plan is to begin earlier and only have to charge the price of the wool in the yarn. Thereby we may replace say a charge of 9*d.* and 10 units by a charge of 3*d.* and some larger number of units.

The above statement is concerned only with the question what things can be produced. The further question remains, what capital is required to start a group and on what conditions it may reach such a point of development that it will not need to be subsidized but will clear its own expenses? On this the

How to start a Homecrafting Group

only possible answer at the present stage must be speculative. We can however state the terms of the problem.

Given a certain number of men, say 25, and a list of the products they could make and the services they could render for themselves by working along home-crafting lines, we have to ask *how much less money they would need* in order to provide themselves with these things than they now require in order to buy them.

Let us say that as a group they can produce:

- (a) potatoes and vegetables from the origin,
- (b) boots and shoes from the leather,
- (c) bread from the origin,
- (d) bacon from the origin,
- (e) socks from the yarn,
- (f) clothing from the yarn.

We have then to ask four questions:

- (i) What the land required would cost per annum in rent.
- (ii) What the capital sunk in plant would cost per annum in interest and redemption.
- (iii) What wages in money per annum are required.
- (iv) How much the annual cost of the raw materials would be.

The only data available being those from a group of *ten* men producing *another range* of goods and

How to start a Homecrofting Group

	£	s.	d.
Allow £11 10s. for emergencies and say the capital is £200, costing (in interest and redemption charges) per annum	20	0	0
Land, 25 acres, part ordinary arable and part 'allotments', rent per annum	50	0	0
Wages of superintendence (say) annually	100	0	0
	<hr/>		
	£170	0	0
	<hr/>		
Total per man per annum (exclusive of cost of raw materials)	£6	16	0
	<hr/>		

On the above estimate each man would be able to obtain his family's potatoes and vegetables, boots and shoes, bread, bacon, socks and clothing (in large part) for an annual sum of £6 16s. plus the cost of the raw materials they contain. Each man would have to produce for sale an output realizing an annual sum of £6 16s. plus the cost of those raw materials. He will find himself in those necessities if, besides being a member of his Homecrofting Group, he can sell, annually, labour representing that sum.

How much labour must he sell to produce the same things for his family without the resources of the group?

The data are difficult to obtain. But from the state-

Appendix

ment in the *Week End Review* for 1st April 1933, of the food that is necessary for a family of four, as calculated by their experts, we derive the following:

	£	s.	d.	
Bread per annum	5	12	8	
Bacon „ „	6	5	8	
Vegetables „	6	1	4	
Total				£17 19 8

Rowntree's book on Poverty, a standard work for its time, gives the following as the average expenditure of a poor family of four, on clothing in 1902 :

	£	s.	d.		£	s.	d.
Clothing, per annum	3	14	0				
If we balance this low figure by adding for boots, per annum	2	10	0				
We obtain a total for wear of					6	4	0
Making an annual total for all these necessaries of					24	3	8
Or for 25 families of four, an annual expenditure of					604	11	8

The necessaries costing annually according to this calculation £604 11s. 8d. are made obtainable for £170 plus the price of the raw materials in them.

Otherwise expressed, what costs £24 3s. 8d. per family is being obtained for £6 16s. plus the price of the materials. Whereas the breadwinner of the family

How to start a Homecrofting Group

formerly had to work for £24 3s. 8d. in the ordinary way to obtain these necessities, it is now enough if £6 16s. plus the price of the raw material is worked for in the ordinary way. Only a fraction of the labour now needs to be pressed upon the ordinary market to obtain these necessities which would have had to be marketed if the Homecrofting Group did not exist.

In the above 'raw materials' include seeds and manures, leather, pig-feed, and yarns for knitted wear or tweeds. Whenever the yarns can be manufactured the money cost of those items shrinks to the price of the raw wool.

It is too early to make the above figures other than highly speculative. But even if they be found enormously too favourable, it must be remembered that twenty-five men are a minimum. As the numbers participating increase, as power machines become installable, and as more things can be produced from nearer the origin, the pace at which returns overtake expenditure becomes a rapidly accelerating one.

Even if extreme smallness of numbers should occasionally prevent an enterprise like this from yielding a financial return, one ought in common fairness to take into the credit side of the account the healthy nature of the occupations to which these men would be introduced, the profound education in the useful arts they would receive, the acquaintance with the soil, and with animal and vegetable life and all the elemental conditions of human existence; and with these considerations in view, compare this way of

Appendix

helping the unemployed with such other ways of helping them as have so far been found possible. If this is done I think the claims of the Homecrofting Group will be found abundantly comparable with any of those more exclusively educative and recreative movements which are at present familiar to us.

A final note of warning must be inserted. A group's production must be for its own consumption. It must aim at having a maximum variety of things in its pool for its own use. A man may if he cares sell some of his claims on the pool to a neighbour and buy certain things for himself out of a shop with the money. There is no objection to that. It cannot go too far so long as the pool contains a variety of goods and the variety consists chiefly of the necessities of life. *But if the men ever drift into the practice of making only one thing for the market instead of many things for their own sustenance they become once more an ordinary business; and are as liable to unemployment as ever when general trade becomes slack.*

In commencing a group the co-operation of the Authorities must always be obtained so that the men's unemployment benefit may not be interfered with. The money value of the weekly units at the first is so small that there is usually no difficulty in making a beginning.

In conclusion, it must always be remembered that while the system contains great possibilities, it is as yet a virgin track, entirely unexplored. Only one

How to start a Homecrofting Group

Homecrofting Group is in existence—that at Cheltenham—and it is only in its early stages. Every group is a new experiment.

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These last words were barely in print when an event occurred which shows how rapidly such words may go out of date; the announcement of no less than a gift of £30,000, made to the cause of self-subsistence for the unemployed by a believer in it. I can hardly close this book without a word of appreciation. It is difficult to know whether to congratulate Lord Nuffield most upon the scale of his giving or the exquisite placing of the gift. It is risky to prophesy; but if anything we have been urging here is true, this money should do something which gifts of the kind very seldom do—make a little history. This is not merely because the donor has placed it in the hands of a social worker of genius, Mr. Peter Scott of Brynmawr, but because Mr. Scott appears to have caught sight of that which, as we believe, can alone really effect his great purpose, and the results are showing. The unemployed under his new scheme are already, it is reported, in a group making for themselves the necessities of life and exchanging them on the basis of the amount of work done by each participant. Whether the technique being followed in effecting the exchanges is the one we have been advocating I am not informed. But whatever be the technique of exchange, the substantial fact is that the people's standard of life, according to reliable accounts, is being

Appendix

raised by 10s. to 15s. per week. The system is either the Homecroft one or something as good.

Lord Nuffield's gift can hardly but have reverberations. It is like the coming of age of a new principle. All the serious agencies working for the unemployed will have to come to it, even the Government Commissioners for Distressed Areas. Wages will not return; and largesse cannot go on for ever. The public will tire of amusing the unemployed. They themselves will tire of being amused. Only the prospect of getting economically on their feet again will ever stir their blood. And this cannot be done on the old lines. To put them in wages, except for the brief duration of a boom, is only to put other people out. The hope lies in a new economic formation based on the triple idea of a limited group, a common pool and an *ad hoc* currency to mediate exchange; a formation which is still virgin soil for the economic pioneer, but which once achieved for the unemployed not only does not harm those who remain in wages, but by providing a new set of buyers actually helps them to maintain their standards and keep their posts.

Index

- Agriculture*: 73-86; and industry, how they have got out of balance, 63-73
- Altruism*: its place in the life of the Homecrofting Group, 182 ff.
- Balance*: of industry and agriculture, see *Agriculture*; of trade, see *Exchange rates*, see also *Tariffs*
- Banks, The*: makers of pounds, 91-3; should not be both creators of pounds and lenders of them, 95-8; how their two incompatible functions can be separated, 96-8; the change easily made, Chap. 9
- Board of Education*: Homecrofting an answer to their problem, 189-93
- Bonus or dividend system in the Homecrofting Group*: ensures individual efficiency, 201-3
- Boot and shoe repairing*: 48; charges for, in the Homecrofting Group, 207
- Boycotting of trade*: self-corrective under separate national currencies, 130 ff.
- Bracton, The Laws of*: on the sanctity of rent agreements, 153
- Brynmawr*: 217-18
- Capital*: how much required to start a Homecrofting Group?, 210-216
- Cassel, Prof.*: 174-5
- Christianity*: and the unemployed, 34-5
- Civilization*: the mischief of having one money for all levels of, 174-5, Chaps. 10 and 11; competition between peoples at different levels of, Chap. 12
- Communism*: as one solution of the problem, 56-9
- Compensated dollar, Professor Fisher's*: 174
- Competition*: should be for luxuries and not for life, 133; how the Homecrofting Group releases men from it, 31-3; should move men towards the land, 65-7; should not be possible between nations, 123-36; it has come to be for the wrong object, 126; countries on

Index

- separate currencies cannot compete for their economic existence, 129-32; its human *v.* its animal form, 130-3
- 'Co-ordinator, The': 23
- Corn: see *Wheat*, also *Smith, Adam*
- Credit: 91-2
- Currency: an *ad hoc*, the key to the Homecrofting Group, 28 ff.; the Cheltenham Group's currency, 28-35; an *ad hoc*, for a Group, easy to devise, 40-5, 185 ff., 196 ff.; a national, 35; an unstable, as affecting the food-producer, 76 ff.; a national, and rent, Chap. 8; the unit of, must always have the same average-year-food value, 76-8; the secret of steadiness in its value, Chap. 9; the quantity theory of, 87 ff.; stability the reverse of mechanical fixity, 99-100; stability of the units secured by correct numbers of them, 99 ff.; and free trade, 99-112; separate countries should have each its own, Chaps. 11-16; a single, for the Empire undesirable, 137-46
- Dickens's slum life*: how it is accounted for, 153-4
- Dividend*: see *Bonus*
- Education for the Land*: need for, 70-3; high value of, as education, 71-3; how to organize it, 189-93
- Empire Currency, an*: the objections to it, 137-46; would disintegrate the Empire if it worked, 142-5
- Exchange-rates*: should follow trade and not govern it, 146
- Family Homecrofting*: see *Homecrofting*
- Family, the*: 16-18, 26 ff.; and the land, 63-4, Chap. 7
- Ferguson, Mr. D.*: 84
- Fichte*: 85
- Fisher, Prof. Irving*: 173-4
- Foreign investment*: of a separate and national currency, 137 ff.; brings foreign orders when money is national, 137-8; why the proposed control of, 138-9
- Foreign trade*: helped and not hindered by a separate national money, 102-12
- Free trade*: only possible on an intrinsically valueless national currency, 102-12
- Gesell, Silvio*: 178-9
- Gold standard, The*: in what the mischief of it consists, 113 ff.; its introduction the turning-point of British commercial prosperity, 119-22; the evil of it is its rigid uniformity, 102-12;

Index

- the evil illustrated from Homecrofting Groups, 106-12; it pegs the foreign exchanges, 127-32; see also under *Currency*
- Group Homecrofting*: see *Homecrofting*
- '*Hadow Report, The*': 189
- Homecrofting*:
- (a) on a small scale, by families, 16-18, 26-8; the economic motive to family self-subsistence, 63-4
 - (b) on a larger scale, by groups; what goods and services can be supplied, 51-3, 59-61, 209-10; financial limits to, 210-16; relation of, to family Homecrofting, 19; how the Cheltenham experiment began, 30 ff., 39-46; how Homecrofting by groups ensures prosperity to ordinary industry, 56-64; in schools, 26, 70-3, 189-93; separate groups should have separate currencies, 106-12
- Homecrofting, how to start a Group*:
- (a) at a Social Service Centre, 181-9;
 - (b) at a school, 189-93;
 - (c) *de novo*, in a Distressed Area, 193-218
- Homecroft Units*: are not money, 197-9; may be goods or time, 198-200; how made, 185 ff.; how distributed amongst the Group according to individual efficiency, 40-3, 200 ff.; possible design for, 198
- Industry*: new openings in, not enough to absorb the unemployed, 148 ff.; and agriculture, see *Agriculture*
- Invention*: see *Labour-saving*
- Jeans, Sir James*: 147
- Justice*: secured by a system of finality in agreed rents and steadiness in the average-year-food value of the pound, 77 ff., 149-52; is in the group what loving-kindness is in the family, 188-9
- Keynes, J. M.*: 29, 175-8
- Kilson, Arthur*: 94, 179
- Labour-saving*: how to avert the evil effects of it, 67 ff.; industrial, ought to leave the food-producer better off, 69-70; how in the absence of stable rent-agreements and steady pounds the farmer is cheated, 123
- Land*: it must be opened to the unemployed, 63-4; its relation to industry, 65-73; idle men should gravitate towards it, 74 ff.; how the way to it has been closed

Index

- to the unemployed, 149 ff.; the basic motive leading the unemployed to it, 66-7; need of education for it, 70-3
- Machinery*: see *Labour-saving*
- Major, Mark B. F.*: 23, 119
- Mass production*: see *Labour-saving*
- Maxwell, George H.*: 17
- Money*: see *Currency*, also *Gold Standard* and *National Currency*
- Money reformers*: conflicting theories, 173-80
- Money, Sir L. Chiozza*: 44
- Montgomery, G. K.*: 84
- National Currency, A.*: Mr. J. M. Keynes and, 175-8; does not restrict foreign investment, Chap. 11; it unpegs the foreign exchanges, 123-36; makes a tariff hit the trade both ways, 129-32; releases the tension within the nation and between nations, Chap. 12; makes exchange rates depend on the state of trade, 146; see also *Currency*, and *Gold standard*
- Nationalism*: a national currency and, 133-6
- Needs*: the number of new, not enough to absorb the industrial unemployed, 148 ff.
- Nuffield, Lord*: 217-18
- Parasitic Occupations*: Chap. 14
- Payment by results in the Home-crafting Group*: 40-3, 48-50, 200 ff.
- Peel, Sir Robert*: 148
- Phipson, Cecil Balfour*: 21 ff., 28 ff., 82 ff.; his index of commodities, 82-3; his view that food producers are the only true buyers, 119, 154-6
- Pool, the Group's common*: how the goods made for it are priced and distributed, 204-9
- Poore, Dr. George Vivian*: 17
- Post offices, The*: as repositories for all current accounts when functions of safe-keeping and lending of money are separated, 96-8
- Pounds*: conditions of their stability, 87-98; how to secure those conditions, 99-102; the three kinds of them, 90; defined as objects having a certain scarcity-value, 88-9; their value depends on their numbers, 87-8; criterion of their value, 80-5, 95; should all be of one kind and all visible, 89-91; how invisible ones are now made, 91-3; outline of the change required in the banking system to stabilize pounds, 88-91; how to

Index

- check their stability, 101; if national they cannot be indefinitely exported, 102 ff.; see also *Currency* and *National currency*
- Progress*: in general, 33-4, 52-5, 56-64, 65-86; conceived as a spiral, 154; how it should touch the food-producer, 67-70
- Protection*: see *Free trade*
- Purchasing-power parity*: 174-5; what it means, 176-8
- Rent*: 38, 74-86; and currency, Chap. 8; the unjust incidence of, as a source of unemployment, 147-56; a rent once granted concludes a sale, 149-50, Chap. 8; rent as pivot of the balance of agriculture and industry, 151; Bracton on sanctity of the rent agreement, 153; to regard it as inviolable involves no injustice, 77-80
- Ruskin*: 40
- Schools, Homecrofting in the*: meets the Board of Education's problem, 189-93; see *Homecrofting*
- Scott Peter*: 217-18
- Small holdings*: the general conditions of their success, 74 ff.
- Smith, Adam*: 81 ff., 162
- 'Spectator, The'*, 16-18, 181
- Stability in money*: Keynes on, 175 ff.; the kind of stability which is wanted, 176-8
- Strachey, John St. Loe*: 18
- Tariffs*: 123-30; under a national currency they are self-defeating, 129-32
- 'Tract on Monetary Reform'*, Keynes's: 175-6
- Unemployment*: where it has come from, 65-73; traceable to unjust incidence of rent and the variability of the pound, 147-56; why the unemployed are not gravitating towards the land, Chap. 8; where the unemployed can be re-absorbed and where they cannot, 147 ff.
- Units, Homecroft*: see *Homecroft units*
- Wageless men*: how, in self-subsistent groups they may become buyers, Chaps. 2 and 6
- Wheat*: price of, compared with other prices, 80-96