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of

MODERN SOCIALISM

by

S. G. HOBSON

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NEW OXFORD ST., LONDON, W.C.1

By the same Author

National Guilds

Guild Principles in War and Peace

National Guilds and the State

House of Industry

Functional Socialism

Dimitrije Mitrinović



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СВЕТОСАР МАГНИТИ - БЕОГРАД
К. Н. Бр. 46471

PREFACE

THESE short and inadequate chapters appeared serially, during August, September and October, 1937, in the columns of *The Post*, the official organ of the Union of Postal Workers. We are not only grateful to, but warmly applaud the courage of its Editor, Mr. Francis Andrews, in allowing to appear matter so disturbing to the peace and quietude of those pleasant Labour gatherings now scarcely distinguishable from mothers' meetings.

The complexity of modern life, bringing in its train so many diversities in thought, motion and action, has for the moment brought all our political and industrial leaders to an intellectual standstill. This is obvious to any detached observer. One and all they are living on the scraps of obsolete controversies. Their political programme is an *olla podrida* from yesterday's banquet; their industrial programme, if there is such a thing, is numbed and frustrated by the wage mentality. In such circumstances, a political victory would prove a disaster, whilst every industrial victory is instantly followed by a correlative rise in prices, which in its turn is followed by the inevitable depression. There can be no break in the vicious circle whilst Labour confines its purposes and activities within the ambit of the wage system. Not only the wage system in the concrete but the wage system spiritually

dominating their minds and hearts. Mr. Dalton's dithyrambics notwithstanding, the real enemy is not a "tired and timid" government, but official Labour's mild and gentlemanly acceptance of capitalist philosophy and methods. Thus, whilst gently toying with theory—even Montague Norman does that—to discuss the wage system as a blot on civilisation is not good form. As for "workers' control" or industrial democracy—such ideas are positively indecent.

The Futility of Wagery

However much our pastors and masters may shrink from these fundamental issues, there is not an intelligent trade union official, constantly occupied with wage negotiations, who does not know in his heart that, in treading the wheel, the corn he is supposed to be grinding is tragic illusion. It is said that we are enjoying a trade boom. Enjoying! This month's returns disclose 1,300,000 unemployed. That is bad enough, but there is worse to tell: compared with this week last year, October 2nd, real wages have fallen £2,000,000, or £100,000,000 a year. Wage increases have been counterbalanced by price increases; worse, 7,000,000 wage earners have had to meet the rise in the cost of living without a single farthing added to their wages. And they are the worst paid at that. The oft-repeated claim that prosperity is reflected in wages is thus seen to be a shameless mystification. With well over a million unemployed to bear down wages, with an addition to profits out of nominal wages of £100,000,000, the employers,

backed by a myriad shareholders, are reasonably satisfied; what surprises a growing number of us is the smooth complacency of the conventional forces that now determine Labour policy. They rise in their wrath at the mention of Spain or China; with easy indifference, they evade the vital issue. Like Hosea Biglow, they "do believe in liberty as far away as Paris is."

Without appearing unduly intrusive, might we gently ask our revered leaders if the time is not ripe to examine the wage system, not only as an ethical outrage, but as a practical failure? Some future critic will certainly inquire why these "practical" Labour statesmen, with wage problems thrust under their noses every hour of the working day, never once stopped to find out the true inwardness of wagery. Our critic will probably remark that they snuffed it into their nostrils like tobacco smoke.

Blocking the Way

The case for wage abolition was successfully argued before the Great War; an event of profound importance has occurred since the War which clinches the argument beyond cavil—the definite conquest of economic scarcity. For the purpose of wealth production there is now no lack of material, animate or inanimate. Within reason, every human need can be satisfied. Yet the road to plenty remains blocked.

What is this sinister obstacle?

The persistent claims of private interests to prior rights over the public welfare.

How are these "rights" asserted and maintained?

By the simple process of buying labour at a commodity value, based on the bare cost of living, and pouching the surplus. In short, the wage system.

Why then is it permitted to continue?

Because we move in the momentum of traditional industry, culminating in a wage mentality, which will become chronic unless dispersed in a new vision of life.

The New Factor

From whence shall this new vision come? What new principle emerges—a principle which must be an inspiration and universal in its application?

In looking for it, we must first reject the prevailing standards and values.

Let us consider the case of those 7,000,000 wage earners now burdened with an increased cost of living with no commensurate rise in wages. By present standards and values, they are getting precisely what they deserve. Our industrial quidnuncs affirm that, if they were worth more, they would get more. With such pernicious nonsense is the world governed. Suppose, by some magic, we wiped out our 1,300,000 unemployed. Would these 7,000,000 still receive the same wages? Their wages would unquestionably rise—perhaps be doubled. Thus, by financial canons, these 7,000,000 are worth x to-day and may be worth $2x$ to-morrow. When they get $2x$, does their work change in either quantity or quality? Finance, in fact, declares that

the same work may vary in value almost from week to week. The dustman, who removes my rubbish and is an important factor in the preservation of public health, is worth to-day x , was yesterday worth $\frac{2}{3}x$ and to-morrow is worth $2x$. What fools we are!

Anybody with the least spark of imagination must see at a glance that the work men and women do cannot be measured in money: can only be valued by their functional contribution to society.

Function is the saving principle.

Function and not finance.

We shall misread modern industrial history to our sorrow if, for a single instant, we accept the current assumption that our finance has been the instrument by which scarcity has been surmounted. All to the contrary; finance has been a stumbling block, a powerful means of frustration. With a policeman at its elbow, it has stood at the toll-gate demanding and exacting monstrous blackmail. Long since it has pursued a course widely separate from our industrial life. It is not due to, but in spite of, finance that the functional processes have piled up wealth beyond our dreams. Law, meekly assisted by the wage mentality, still compels these commodities to pass through the toll-gate. If this occurred in China, we should laugh, exclaiming "How Chinese!" Like thousands of other highly civilised Westerners, I have frequently derided the "squeeze" of the Chinese Mandarins. Yet how trivial it is compared with the universal squeeze of modern finance?

It is, in fact, a double squeeze. First the worker

is squeezed by putting on his labour a financial value which bitter experience soon finds to be illusory; anon, will follow a continuous series of squeezes upon every stage of production and distribution. It is all there, naked and unashamed. Our genial exploiter, whose integrity has won the admiration of the world, cheerfully remarks that of course he must make his bit. After that, it is comforting to reflect that our astute Labour leaders contemplate an addition to Old Age Pensions. (Perhaps some day they will realise that the offer of a pension is an insult to old age. A pension is the last beatitude of the wage mentality.)

Work, Not Money, Shall Triumph

The plain inference from modern development is that the work of the world must be judged by its functional and not by its financial value. When this is understood by the generality of mankind, financial values will be laughed out of existence. Just as we laugh at a baby who judges a man by his neck-tie or watch-chain. The searching question must ultimately be put to each of us: "What have you done?" Not: "What have you been paid?"

The post-war years have gradually but clearly disclosed the eternal truth that function, the work done with a social purpose, is the vital element in our economic and cultural life. We owe nothing to our financial exploiters and gamblers; they have but cumbered the ground and poisoned human relationships; but what of our unpaid debt to our workers—our technicians and craftsmen, our

thinkers, our artists, poets and writers? The debt is beyond computation. The sorry fact is that the debt can never be understood, much less recognised, until we escape from the wage mentality.

We shall, in part, repay the debt, and incidentally enrich ourselves, if we resolve to free function from its financial shackles and, by wise political action, devolve upon the appropriate functional authorities the supreme task of working unhindered so that the change from economic scarcity to social plenty shall be achieved.

I do not doubt that our practical politicians will sniff contemptuously and denounce the functional organisation as rank impossibilism. They always do. In prophecy, the realist is always right—and always wrong. The corpse survives yet a little while after the spirit has departed. The realist points to it, thinking it still lives, and says: "I told you so!" But with the conquest of scarcity—surely an admitted fact—capitalism, which depends upon scarcity for its profits, is dead. I leave its husk to the tender care of the practical politician.

The analysis of function as an operative principle of life is by no means an easy adventure. In a previous book—*Functional Socialism*—I dealt with it in its broad sweep. In this little volume, I have tried rather to define and explain function, confining myself to its logical reactions. Truth is sometimes found in compression; but only when aided by the imagination of the kindly and understanding reader.

October 1937

I

THE MEANING OF FUNCTION

WHETHER it be due to its use in science or merely to euphony, it is unfortunately true that the word "function," as applied to industry, has a somewhat confusing effect upon the reader. Yet it was in current use even in Tudor days, before the scientists seized it for their own specific purposes. There is no other word in the language with a precisely similar meaning; so we speak of "Functional Socialism" because we must.

The root idea of function is action, and, by inference, appropriate action. In biology we speak of the functioning of the body. These functions are not disconnected or ill-regulated actions of the members and parts of the body; on the contrary, they must act in harmony, or cause pain and disease. If we picture the human body as a commonwealth in itself, we can easily imagine a riot or perhaps a revolution amongst the majority of its members if others do not play fair; or if they are unduly favoured. Biologically considered, the thought is inconceivable. Nature in all its ways is equalitarian. Function is its instrument of equality. The heart might claim to be more important than the little toe, as doubtless it is; but if somebody

treads on the corn on the little toe, the heart promptly demands functional harmony. Indeed, if the heart should chance to be weak, it might suffer severely.

Viewed in this light, we easily perceive an analogy between the biological and economic systems. To obtain the best results in either category, there must obviously be functional harmony, a knowledgeable correspondence amongst the parts, a common purpose. In this country the biological necessity of this is recognised by our expenditure of £500,000,000 a year to keep in good health.

And we spend ten times that amount to maintain functional discord in our economic system. Perhaps some day some philosopher will draw notable conclusions from our national habit of maintaining a sound body in unsound economic conditions. Also this curious fact: that we take endless trouble to maintain the sound working of the unseen functions and stupidly let the seen and more easily controlled functions in the body politic become jangled and out of tune.

Function in Industry

The meaning, then, of function in industry begins to see itself. Observe that it must be controlled or co-ordinated action, directed to the public welfare. Not action personal to the individual; perhaps, even, action detrimental to the general good. That is why the words ordinarily in use—such as trade, craft, vocation—do not yield the same meaning as function. They are personal; function implies that trades or crafts or vocations must be related

to the community as a whole. Thus, when we speak of functional value or utility, we do not mean the value of any act to the man himself, but how it fits in and harmonises with the general scheme of things. It follows that any act which brings discord, diverts or frustrates the functional flow in industry, may be adjudged either anti-functional, misplaced function, or non-functional. Keep steadily in mind that the test is not the act in itself, however efficient it may be, but its relation to the body politic. Banking, for example, is admittedly highly efficient; but does it help, divert or frustrate function?

Now, hitherto the Socialist movement has been unconscious of the implications of function, either in its theory or propaganda. Following Adam Smith, who died in 1790, Socialism has accepted economic values as founded in law and practice. It has assumed universal nationalisation of capital values, without regard to their functional utility. Thus formal Socialism has demanded the nationalisation of banks, at their market valuation, without the least inquiry into the possibilities of a functionally self-governed industry, creating its own credit and generally evolving a banking system of its own. And, for all I know, the same policy might be applied to the stock exchange, totalisators, racecourses, "bookie" establishments, slums and brothels. I would not be surprised if these various activities (being all *ipso facto* anti-social, and therefore non-functional) were to be declared illegal, that Socialism would protest, on the ground that unemployment would increase.

Socialism's Blind Eye

The blind eye which official Socialism turns to function may be symptomatic of its decline. Philosophically considered, we are passing from libertarianism into a period, perhaps an era, of function. For it is Function and not Socialism that has already conquered scarcity, and it is Function that will continue to supply our needs, whatever may be the dominant political system. It is now evident, is it not, that function will go on creating its own scale and hierarchy of values, and even of social conduct? That is merely a fact, obvious to everybody except our politicians. If you doubt it, look at the constant correspondence and conferences between your secretariat and the Postmaster-General. It is nine-tenths functional and one-tenth social.

By the mercy of heaven, Socialism may persist, not by its own perspicacity, but because function, like Nature, is democratic. Two points have, almost unobserved, crept into this argument. The first is that Nature, in its functional activities, is equalitarian. That is to say, whatever the various functions may be, and whatever their relative importance and urgencies, all being necessary and functionally desirable, they are in consequence equal. No function can say to another: "Go to; I am better than thou!" The second point logically follows: each function is autonomous. All functions, of course, are affected by or depend upon the others, but in their own sphere of action, and subject to the welfare of the whole, each is sovereign.

If I have pushed the biological analogy too far,

nevertheless I think a new social philosophy definitely emerges. For the first time in history, the functional principle is gradually asserting itself in human affairs. It may be defined as the recognition of human activity, not as a selfish or self-contained thing, but in its relation to the welfare of the community. Also we find in its very nature a new and fruitful development of democracy in industry. This is the first step in the case for Functional Socialism.

II

THE LOGIC OF FUNCTION

WE now see clearly, I hope, that an essential factor in function is its relation to all other functions and to life as a whole. Function, as such, can only continue when it is a recognised and harmonious activity in the vast organisation of our social and economic existence. There are many activities that, in this sense, so far from being functional, are definitely anti-functional, or at best are functional deterrents. To revert to biology (of which I am disgracefully ignorant), I presume that a cancer in the human body would hardly be described as a function. It is plainly a disease, and therefore anti-functional, being in fact destructive of the functional processes. So in our social organism there are cancerous growths, some highly respectable, which call for extirpation and most assuredly not for compensation. When, therefore, we speak of functional values our meaning transcends money values; for many of these cancerous growths have, as things are, large financial interests. The essence of functional life is harmony. Bastiat, the French economist, vaguely understood this; but he too readily assumed that all the economic processes,

precisely because they were economic, tended towards harmony.

Before coming to the more practical aspects of function let me state a philosophical view expressed by Julian Huxley. "The greatest event of the nineteenth century," he says, "was the revolution caused by man's sudden stride to mastery over inorganic nature. The twentieth will see another such revolution caused by another step forward in mastery, but this time mastery over organic nature. The revolution is even likely to be greater than its predecessor, for the stuff that will be controlled is the basis of our thoughts and emotions and very existence."

Professor Huxley's Conclusions

This alert thinker, moved by his own deductions, comes very near to the functional principle. After noting that the growth of intellect does not wholly explain the conquest over inorganic nature, he proceeds: "An equally important factor has been the increase in harmony, in co-ordination between the parts and between the actions of the organism which, too, is dependent on the structure of the brain. . . . Until we devise a type of society whose traditions and institutions at least make it possible for reason to take the lead in its councils, and one that does not waste the major portion of its energy and resources in external and internal warfare—until that time we must remember that it is only we ourselves who are responsible if the gifts of power bestowed on us by the labours of the inquiring intellect are wasted, misapplied, or even

II

THE LOGIC OF FUNCTION

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turned against the very foundations of society itself."

A pertinent thought instantly suggests itself: the methods and instruments, more or less blindly improvised, to master inorganic nature, are surely obsolete when the battle is won. Functions deemed to be essential in the early struggle are found purposeless, if not harmful, as we move into a new era. To-day, as I write this, it is officially announced that one-third of the Brazilian coffee crop is to be destroyed to maintain prices. It is curious that the criminal aspect of this monstrous act is not seen, much less condemned. Obviously the old machinery—capitalism, with its usury, its perverted finance, its wage system—is now rusty and fit only for the scrap-heap. Functional harmony must supplant it.

Julian Huxley also remarks that we must cease to waste our energies, externally as well as internally. External friction, if not something infinitely more tragic, must restrict our lives, unless we realise that functional harmony must also prevail amongst nations and peoples.

Alas! How far this carries us beyond the limited and distorted visions of our industrial and political leaders. And yet they must come to it. The obstacles on the road to it are really less terrifying than the morass into which they daily plunge, inviting us to admire their courage and prescience.

Post Office and Stock Exchange

Now, since harmony is the very essence of func-

tion, it follows that discord in the pursuit of function—in plain English, amongst the workers—cannot be tolerated. Nature is democratic; function, its instrument, must also be democratic. In other words, since all functions are essential, if not equally important, there must be a fundamental equality throughout any functional society. This equality is based on its functional utility and not on its monetary rewards. The stock-broking fraternity no doubt obtain, if they do not earn, large incomes. But how helpless are they without prompt and efficient postal delivery and collection, upon the telegraph and telephone? Whatever the amounts in profits and salaries to Capel Court or the weekly pay of the postal service, who can doubt that, functionally considered, the postal service is infinitely more valuable than the Stock Exchange?

Without, however, making invidious comparisons, it becomes evident that in considering the work of the world, or of our own country, if we are to achieve functional harmony, there must be a drastic transvaluation of all existing economic values, and, as we shall discover, of social and ethical values also. Viewed functionally and apart from a thousand other incongruities and misdirected efforts, the condemnation of the capitalist system is found in the degrading class struggle essential to its continuance. It also follows that to put a commodity valuation upon labour, the depository of function, is to create discordance and inequality, when function demands harmony and equality.

Thus we discover that by applying a functional, and no longer a financial, valuation upon the work of our hands and brains, we infuse existing Socialist doctrines with a new and inspiring concept.

III

THE ETHICS OF FUNCTION

IF we can now envisage all functions proceeding harmoniously to the common weal, every function autonomous and democratic, yet always co-ordinated with the others, an industrial revolution looms up before us. We shall see in the sphere of work new methods and new principles supplanting the old. For example, capitalism disappears, for it is obviously incompatible with industrial democracy. Finance, the main instrument of capitalism, if it does not actually disappear, is at least reduced to the minor function of accountancy. Skill, knowledge, experience—the handmaidens of function—rule the roost, where formerly the manager represented his own and others' capital. And, since all credit is determined by functional efficiency (even when the efficiency is misdirected), the various functional groups or National Guilds can easily organise credit amongst themselves, probably based on an annual industrial budget. Thus credit supplants capital. There will be no more need for capital in shipbuilding, or coal-mining, or any other industry than there is to-day in the Post Office.

An Ethical Revolution

Now we cannot experience an industrial revolution without a corresponding change in our personal habits and conduct. This need not, and perhaps does not, imply a similar change in religious faith. For all I know the Christian may still cherish or even strengthen his spiritual convictions; but in our daily relations with each other, in our purposes and motives, a profound transvaluation is inevitable. How often, for example, have we heard the comment that this or that capitalist method or action is "not ethical." Remarks of that sort are, I imagine, frequent at meetings of Rotary clubs. That means that there are religious men who, with trivial reservations, can reconcile their religion with our present economic system. Let us pray for them! Nevertheless, we shall have to adapt ourselves to new moral conditions. What will they be?

Before that question can be answered we must first understand the relation of man to his function and the relation of both to the higher purposes of life.

Suppose we are in a ship overtaken by a tornado. Suppose the owner is on board, and, distracted by the possible loss of his property, interferes with the navigation. The captain sternly orders him to go below. The owner appeals to passengers and crew. "Gentlemen," he says, "this is my ship; can't I do what I like with my own?" Passengers and crew promptly stand by the captain, and the owner is unceremoniously suppressed. Why? Because the captain's function is seamanship; in the circum-

stances nothing else matters. This is what is meant by function superseding subjective rights. It is "the primacy of things," to use the philosophic term.

Once ashore, captain, owner, crew and passengers are quit of their functional loyalty to seaman-ship, and are free to proceed on their lawful occasions. In other words, the function is strictly limited by the terms of its commission. Nothing, not even finance, must be allowed to interfere, thwart or frustrate function in action. And whilst in action it demands the unquestioning loyalty of all concerned. We see a new discipline deriving from an authority higher than mere money or property.

The Higher Purpose

This is a dramatic way of stating what in a functional society would be mere commonplace. Just as at sea we depend upon the function of seaman-ship, so on land we depend upon a thousand functions to supply us with the tens of thousands of things which our civilisation demands. And, just as at sea, seamanship controls, so on land the functions must control, each within its own definite sphere of action. And afterwards? The answer is clear: function is not an end in itself, but the means to the end. The end, of course—it is so evident I am almost ashamed to state it—is the greater glory of man, the triumph of the person and the divinity within him. The justification for the functional control of purely selfish interests and rights is that it is the one sure instrument for the

liberation of mankind. A liberation, be it noted, that is now within our grasp, since we have conquered economic scarcity. The existing economic system (even if it assume the form of State Socialism) stands in the way of our transition to assured abundance.

Certain ethical conclusions flow from this. The first is obvious: in a functional society, in which equality is predicated, the vast majority of the nation, known as the wage-earners, must be released from the vile system of valuing and paying for their labour on a commodity basis. It is, in fact, a system of servitude, creating a class struggle repugnant to functional theory and practice. Whatever differences in remuneration may persist, or whatever technical hierarchy may be evolved, the equality of industrial partnership must be established. For it is only in that functional equality that human dignity and self-respect can be attained. The ethical point is really found in the destruction of the wage mentality, which at present unhappily dominates master and man alike. It is the unconscious cause of present discontents.

The New Values

The ethical student of the future will discover new social values apart from wage abolition. A new panorama of life will enchant him. He will see man loyal to function because function is his instrument of liberation. But any ethical code would call upon man to declare the purpose of his liberation. "What would you do with your enfranchised life?" There are those who take a

cynical view. They will say that riches will only bring a refined philosophy of the pig-trough. Damned fools! History tells too much of human arrogance and vainglory, too much of the gaudy glitter of Court life, too much of martial pomp and circumstance; but it also tells of patient research, of persistent groping for the good, the true and the beautiful. "We needs must love the highest when we see it," sang the Victorian poet. "And I, if I be lifted up, will draw all men unto me," is a saying ascribed to Christ. There cannot be the least doubt that good taste will grow by what it feeds on. Thus, in an age of abundance, we have every reason to expect an altogether higher form of life, bringing with it new conceptions of truth and beauty, with a revolutionised code of social conduct.

IV

THE FUNCTIONAL STRUCTURE

HAVING now briefly considered the meaning and logic of function, with a passing glance at its ethical implications, we can with some assurance proceed to the industrial and social structure that function demands. Observe: industrial *and* social. For there would be little purpose in organising a vast system of wealth production without its correlative, social structure. We produce wealth to consume it, and not to hoard it. And the acid test of civilised progress is the spirit and purpose of distribution and consumption. It would be insensate folly to produce merely to accumulate without regard to our cultural or physical or intellectual health. In addition to wavery and other economic brutalities, we can indict modern capitalism for its æsthetic *gaucheries*, its wicked indifference to the beauties and graces of life. We are probably the richest country in the world (as the world counts riches); but, while we have a Board of Trade, we have no Ministry of Fine Arts. A functional society presupposes an educated community, all its children (there would be no privileged class) having free access to the universities up to the age of twenty-

one. And that is ten years short of the ancient Greek ideal.

National Guilds

In the sphere of production, the functional unit is obviously the National Guild. And the final functional authority is the House of Industry, which becomes an Estate of the Realm. Just as the governing body of each National Guild is representative of all its working groups, so the House of Industry is composed of representatives from the National Guilds. In numbers it should about equal the House of Commons. The internal structure of each National Guild is determined by the nature of the function. Some Guilds cover the whole country, are national; others, such as textiles, are local; others, such as coal, are both local and national. Elasticity must be the keynote of Guild organisation.

While there are twenty major functions, implying twenty National Guilds, there are, of course, many thousands of minor functions, each with its niche in its appropriate Guild. Every trade, craft, mystery or occupation carried on for the public welfare, and not for selfish or anti-social purposes, is by definition a function.

The movement for National Guilds was originally based on the trade unions. That is substantially the case to-day; but there have been developments both in theory and fact. In theory, function is now the justification for National Guilds, whereas originally it was based upon the change of *status*, the obvious sequel to a labour monopoly secured by

blackleg-proof unions. In fact, there have been several important developments: (*a*) the conquest of economic scarcity; (*b*) the growth of mass production, with its consequent increase of repetitive occupations; (*c*) a flood of light has been thrown upon banking and finance, followed by a clearer understanding of credit, as distinct from capital, as a factor in production and distribution; and (*d*) a more exhaustive inquiry into the principles and policy of compensation.

The Technician

Behind much of this we discern the work of the scientist, the inventor and the technician. The first two would, on the whole, fare badly without the co-operation of the technician, who is frequently all three in his own person. For our present purpose we here distinguish the technician from the mechanic, with the reservation that there are many technicians occupying posts obtained through family or social influence, and many craftsmen more skilled than the technicians who direct them. And, further, the technician is almost helpless without the craftsman.

Of the enormous power for good or ill of this group there can be no question. They are, at this moment of writing, playing a responsible, if not a dominant, part in preparing for another war. They are also responsible for anti-social mechanisms of one kind or another—gambling machines, for example. They do it, not because they like or approve, but because it pays.

Nevertheless, the technical professions are not

too happy. To begin with, the universities, particularly the recent foundations, are pouring scientifically trained men into industry. Their scarcity value has gone. Again, many of their previous sources of income—commissions on introducing capital or new inventions—have dried up. They are more and more going on regular salaries. The younger technicians are ripe for a new order of industry. It is this group of workers to whom function appeals. They would infinitely prefer to work wholeheartedly for their functional unit than be, as to-day, mere instruments of profiteering. A *rapprochement* between the trade unions and the professional associations is neither incongruous nor impossible. At present they both lack sagacious leadership.

Maintenance

To mention the inclusion of the scientist, the inventor and the technician in the Guild organisation is to recall the argument for functional equality. However brilliant and essential these men or women may be, they can be neither more nor less than fellow partners with all the other workers. Each and all they are industrial citizens of the Guilds as they are political citizens of the State.

It must be a great deal more than a formal equality. They are on the strength for life. In work, in reserve (now known as unemployment), in sickness and old age, their maintenance on full pay must be assured. Not for nothing have we conquered economic scarcity. Let the dead past bury its dead; shall we insult old age with a pension or cut the

pay of the sick when possibly they need it most? We shall have escaped for ever from the wage mentality.

Of the relations between the Guilds and their relations to the State and the community we must write later. Of finance, too, we must seriously consider whether it has any functional utility, and if so, what? Meantime, there is the momentous problem of the cultural structure without which our industrial organisation would be largely in vain. That absorbing subject naturally follows.

V

THE CULTURAL STRUCTURE

IN a memorandum issued by the House of Industry League to the Non-Exploitation Conference, the following appears: "Although the House of Industry League is primarily concerned with economic problems, it realises that the functional principle is equally applicable to our cultural life. It would therefore, welcome the institution of a House of Culture. Apart from the fact that culture should march with economic development, it is humiliating to find that Great Britain relatively lags behind other countries in art and literature, if not in science. Pure science, which is the source of applied science, education, medicine, the fine arts—all these higher activities of human genius and effort are, in the life of the community, beyond price. To exploit these outpourings of the human spirit comes perilously near to the sin against the Holy Ghost. Nor need we forget that, unless our economic life is directed by the higher life expressed in culture, we indeed labour in vain. Accordingly, the House of Industry League visualizes the economic chamber as the national instrument of production, and the cultural chamber as the vast spending department of an enlightened people."

Before we can rationally consider this proposal we must have some idea of its magnitude. Yes, and behind its magnitude, of its splendour.

Let us first look at the national organisation of pure science. Obviously we mainly depend upon pure science for our applied science. It is always possible that discoveries may be made by blind experiment—Faraday was primarily an experimentalist—but, broadly stated, and especially in chemistry, we industrially rely upon pure science. It is then of prime importance that science shall pursue its researches unrestricted by money or interests, or even religion. The amount we spend on science is considerable. At all our universities, ancient and modern, there are large scientific foundations. There is no need to depreciate the scientific work done. On the contrary, Great Britain has made great contributions to the world's knowledge. But there is probably not a single professor or teacher who would not declare that science suffers from inadequate means. We might, however, be told that there is a shortage of promising students. Perhaps; but only the merest fringe of our young men and women have had, as yet, a shadow of a chance to prove themselves. Democracy—and only democracy—has infinite human reserves. If we quadrupled our present expenditure on science the benefits would be incalculable, while the cost to each citizen would be about the price of a new hat.

Knowledge and Health

We see that the universities, through pure

science, are linked up with industry, which cultivates applied science. In like manner the universities are linked up with the community through education and medicine. The knowledge, such as it is, which the teacher is compelled to dole out to the unfortunate pupil in an elementary school, derives from our so-called "seats of learning." The doctor, however empirical his practice, began with science derived from the universities. In short, apparently remote from our daily lives, university learning enters, by proxy, into every household. It is high time that the generality of the population grasped the significance of this.

Let us consider the teacher in an elementary school. If he has the slightest pedagogic sense he will declare that education is the last thing his masters want. What they demand for the pupils, and get, is instruction. Education, in its true sense, is reserved for the middle and upper classes. It is not a case so much of precise knowledge as atmosphere. Our teacher will further declare that if the teaching professions were a self-governing profession—a National Guild, in short—we should be an educated people in another generation. Put at the disposal of a National Guild of Teachers the sums now spent by Whitehall and the local authorities, plus what is spent by the parents, and education, as distinct from instruction, will soon be universal.

Passing from mind to body, from education to medicine, we may say of the doctor, that, although his training is more expensive and his emoluments cover a wider range, his professional *status* differs

but little from that of the teacher. He is subject to greater temptations, disguised profiteering amongst them. Like the teacher, he is in constant need of further study and training. The general practitioner quickly falls behind unless he makes special efforts to keep up to date. Unless he does so, like his patient, he is the victim of the specialist. It is not, therefore, surprising that a growing number of doctors favour transforming the profession into a public service. But of what avail unless it be self-governing? A doctor occupying a responsible position recently declared that a National Medical Guild could do better for the country for £250,000,000, than now is done at a cost double that amount.

The Foundations of Culture

“A sound mind in a sound body” is a proverb that has persisted for a thousand years. Without it we cannot hope to be a cultured people. In our House of Culture, education and medicine must play a predominant part, not only because of their social importance, but because of the magnitude of their organisation. Between them they might conceivably spend £750,000,000 a year, nearly the amount of our present State Budget. And we can see at a glance what a vital part the universities must play in the co-ordination of these essential functions.

But there are others. Architecture, for example. The maintenance of the architect would probably fall on the Building Guild; but when we remember that the whole of this country needs re-planning

and re-building, the architect's influence must be cultural as well as technical. We may also inquire what kind of architecture we should have without new conceptions of art, both in colour and outline. Nor must we, for a single instant, forget literature, which is now so contemptuously ignored or commercialised. Yet—but let us take heart of grace—Milton's sonnets are remembered, while Sir Thomas Gresham is forgotten. Our love of beauty survives.

Thus, we have the picture of the House of Industry responsible for wealth production, and the House of Culture responsible for our education, our health, our communal amenities, the nurse of our arts and literature, our ambassador to the World of Culture.

What shall be the relation of these two Estates of the Realm to the House of Commons, the citadel of citizenship?

VI

THE CONSTITUTIONAL TRINITY

So now we can see the sovereign House of Commons, the ultimate authority of citizenship, devolving upon the House of Industry the co-ordinated industrial functions, and upon the House of Culture the cultural functions. The question instantly arises: How are these three Estates of the Realm related?

There are two cardinal considerations: (*a*) the authority of the Commons, and through them of the State; and (*b*) the obvious fact, whereas both State and House of Culture are spending bodies, it is the House of Industry that creates the wealth the others consume. The logic of this is that the State Exchequer must look to the House of Industry both for State expenditure and the requirements of the House of Culture. At the first blush, being still obsessed with a capitalist mentality, we might imagine that real power rests with the House of Industry. And so it would if that mentality persisted; but we are already agreed, not only upon the fundamental equality of all functions, but also that function is not an end in itself, but the means to the end. Naturally we will insist upon efficient machinery; but what concerns us is the

harvest and its equitable distribution. If the House of Industry were to exploit its monopoly of production, it would be proof of recidivism, a falling back into obsolete capitalism. Such a concept is, of course, absurd; *ex hypothesi*, each producer is also a consumer and primarily interested in production, that he can increase consumption both in quantity and quality. In a state of scarcity we look with anxiety to production. Not now, however, with scarcity overcome, we think, at long last, in terms of consumption. Production becomes our willing servant. Is it not one of the most amazing of moral phenomena that capitalism is still permitted to deny supplies to natural demand?

Eminent Domain

Let us return to the relations of these three Estates of the Realm. Whatever the archaic or legal jargon in which it is clothed, the substantial truth is that the House of Commons, as the national trustee, inherits and defines "eminent domain." The English-speaking peoples (due largely to their Puritan strain) have developed individual liberty to a higher degree than others; nevertheless, in the ultimate analysis and in given circumstances, the individual's life and property are subject to the dangers and urgencies of the community. No question, then, can arise as to the sovereign power of the Commons. Citizenship is not only our common denominator, it is our shield and buckler.

How then are we to reconcile the exercise of citizenship, in its myriad forms, by the House of Commons, with the democratic and autonomous

House of Industry? Let us assume that the House of Industry passes some measure it deems necessary (its procedure would probably be similar to the House of Commons), the next stage would be to obtain the consent of the Commons. It is suggested that the measure should lie on the table of the Commons for a prescribed period. The Commons might pass it without discussion, and in nine cases out of ten probably would. The tenth case, however, might raise far-reaching problems of public policy. Citizen rights might be invaded; large expenditure affecting the Treasury threatened; and a sharp division of opinion with the House of Culture indicated. The proposal is that the Commons, following the precedent of the Church Discipline Act, should either accept or reject, but not amend.

Functional Problems Demand Functional Solutions

The reason for this is not far to seek. Any amendment to a functional measure is either functional in itself or affects function. The Commons are obviously not competent to amend an industrial measure which is almost certainly the result of considerable functional discussion, and, finally, of industrial balance and calculation. But they are clearly competent to reject on grounds of public policy. They might reject without reason given; they might reject by a reasoned amendment; a Commons Committee might be appointed to confer with a Committee of the House of Industry. In problems such as this the British genius is supreme.

We can easily visualise the Commons, in their own way, saying to the House of Industry: "We cannot accept this measure in its present form for the following reasons. . . . We know that our rejection may cause serious difficulties, which we regret. It is for you, however, to find a way out consistent with functional harmony. Overcome our reasons for rejection and we shall be glad."

The situation here presented suggests two Chambers definitely separated, but such need not be the case. There might be, for example, a joint Legislative Committee, which could and would smooth out possible constitutional difficulties. Then again there should be formal *liaison* between the three Estates, possibly through Cabinet representation. And there are a dozen sound reasons why the Treasury should be represented upon the governing bodies of both the Houses of Industry and Culture.

There is yet another proposal coming from another quarter. "Why not," it is asked, "enlarge the Privy Council by adding to it distinguished men and women from every walk of life, and so constituting a Senate? This Senate might act as the recognised Moderator in the inception and co-ordination of national legislative functions."

It is highly probable that the Commons would be most intrigued with proposed measures from the House of Culture. When we remember that both education and medicine enter more consciously into our daily lives than highly complicated economic problems, we may be sure that the House of Commons would be quick to react to cultural

legislation. If to education and medicine we add a Ministry of Fine Arts, we may assume that they would be more deeply concerned than with industrial legislation.

The essential thing at this stage is to grasp the urgency of separating the industrial functions from our political activities.

VII

THE WORKER AND THE FUNCTION

EXCEPT for a passing reference, in a previous chapter, to the person and the divinity within him, we have hitherto dealt only with the theory of function and the organisation through which it must express itself. However impressive all this may be, it literally matters nothing unless it opens the door to a richer and fuller life for the worker. Function remains an abstract thing, a concept of life, until it is actuated by human effort and conscious purpose.

Forty or fifty years ago we heard a great deal—indeed, far too much—of the contrast or conflict between Socialism and Individualism. Herbert Spencer, the philosopher, who ought to have known better, wasted time and argument upon it. In those early days I resolutely declined to be drawn into so fruitless a controversy. It was plain to me that the individual was suppressed and restricted as much in commerce and industry as under State Socialism. I was satisfied that the whole argument begged the question. Nevertheless, the problem lingered in my mind, and was a factor in driving me to attack the wage system *as an enslaving system*. Twenty

years ago I saw the indefinite continuation of wavery under State Socialism; I see it still. There can be no escape from wavery except by the change of *status* which follows the definite and conscious refusal to sell labour as a commodity. For a man's work, be it never so lowly, is part of himself, and in consequence he sells part of himself when he sells his labour at a price. That, of course, is the wage contract.

The Change of Status

Now a change of *status* may and does mean many things, but above all it implies a change from servitude to partnership. If a man does not work for a wage he becomes, in some sense hereafter to be defined, a partner: exercises a legal and recognised share in control. From being cabined, cribbed and confined in an economic system that lives, and can only live, by a class struggle, he emerges into the freedom and personal expansion which is found in the fellowship of equals. The truth of this has not yet penetrated the minds of the wage-earners. They still hug the delusion that freedom is only found in the political franchise. Political democracy is good and necessary; but democracy is equally essential in factory and workshop. Personality and wavery are mutually repugnant. Capitalism is only interested in the wage-earner's personality so far as it improves the quality of the labour commodity.

It is significant that the demand for wage abolition and the concept of function appeared almost simultaneously in economic thought. Piety must

surely regard this as providential! For we now know that the two predominant qualities of function are equality and harmony. Probably the two ideas spring from the same source.

If we think seriously of this astonishing coincidence we realise an historic event. Function declares that it can rid the world of scarcity with its attendant miseries. But it must work in conditions of harmony and equality. Labour, now conscious of its economic strength, declares that it, too, must have equality and harmony. It now knows that the wage relationship, sedulously maintained by competitive methods, is spiritually and materially devitalising: now understands as never before the horrors of man's exploitation by man. The approaching marriage of Function with Labour is clearly indicated.

The New Discipline

In plain terms, what does this mean? It means, of course, the disappearance of the master class. Where all are partners there can be no masters. Under existing conditions, when A.B. accepts a wage he also accepts a master. Never again!

No masters! Who or what takes their place? There can be only one answer: loyalty to function. Our problem is one of democratic organisation to render function effective and fruitful. Function, in fact, becomes the new master. A new master that demands harmony and shrinks from discord: sees in the humblest work a dignity and personal worth equal to the most exalted. Thus personality comes into its own.

A.B. no longer touches his cap to his master. He is a member of his Guild, which gives him freedom and the security without which there can be no freedom. His spirit, like his *status*, is also changed. He works in no acquisitive spirit. Loyalty is now the key note of his industrial life. Through loyalty he realises his true self, to discover in others social unity and civic strength.

In former days men were proud of their function, resenting all infringements or intrusions upon it. It was the same in the craft spirit of the Guilds. A new and enlightened pride in function infinitely more widely based must come again.

New Values

The marriage of Function with Labour brings in its train new concepts of life and new values in conduct. This was realised by de Maeztu, who rightly asserted that we must have a definite table of values to uphold the functional principle. This is how he puts it:

- (i) The final or supreme values are moral satisfaction, scientific discovery and artistic creation.
- (ii) The instrument to achieve this is man, with his associations and institutions.
- (iii) The instrumental values whereby man may achieve the great purpose are the economic values, such as power and wealth.

Here is de Maeztu's comment: "The reason why it is impossible for me to accept any other scale of values, or to change the order of this scale, is not

difficult to explain. It is thought out in such a way that the first category of values includes the second and the third; the second includes the third, but not the first; the third does not include the first or second. It is not possible for men to realise morality, science and beauty if there are no men and if men do not possess such economic values as are necessary for their subsistence."

Here we have a view of life which is surely profoundly true. How tragically far apart from the motives and actions of men in existing circumstances! It is our task, in functional harmony, to supplant the third category, which is now unhappily the master passion of Mankind, by un-resting search for the good, the true and the beautiful. It is only in the union of Function with Labour that the acquisitive brutalities of modern life can be swept away.

VIII

FUNCTIONAL CO-ORDINATION

WE now see that, as in the biological so in the economic life, harmony is the first essential in function. Equally this is true of the workers, who to-day are the first to suffer the discordance, moral and industrial, of the class struggle and the relentless competition of wages. When, therefore, function supplants capitalism, the first objective must be co-ordination. Any defect in co-ordination spells functional frustration. More to the point: all and any selfish interests, known as subjective rights, must be cashiered. No nonsense about that!

The general outline of the functional organisation has already been sketched; can we be sure that its various parts will function smoothly? To co-ordinate twenty or twenty-five National Guilds, affecting twenty million men and women workers, to transform their workshop habits to change their purpose: function demands it; the workers desire it. It seems a stupendous undertaking; actually, if the workers will it, it merely becomes a problem of willing regimentation. Why should they not be willing? They have nothing to lose but wavery.

With the principles governing the relations between the Houses of Commons, Industry and Culture we have already dealt. If adopted, there is

no reason why harmony should not prevail between these Estates of the Realm. Nor, as we shall see, need any dangerous discord occur between the National Guilds or the Houses of Industry and Culture. The fact, attested by experience, is that friction is more frequent in the lower than in the higher ranks. This may be explained, at least partly, by the intensity of the industrial struggle, which the lower we go the more acute it becomes—partly also due to ignorance. But where function rules, these factors disappear, for the reason that functional harmony is impossible without absolute personal security. And since we predicate wage abolition, with its logical sequel of partnership, it follows that, once we are in the Guild we are there for life.

Guild Relations

In considering the relations between the National Guilds we must keep constantly in mind a cardinal fact: no question of profit can arise. It is fundamental that all goods brought shall be at bare cost. To charge a single farthing over cost would be profit, and that would be inadmissible. From beginning to end all dealings must be on a strictly functional basis. And function knows nothing of profit. It is concerned only with quantity and quality. Into that cost must enter all Guild commitments—taxation, capital outlay, permanent pay and compensation. Beyond that nothing. The cost can be determined by the Guild accountant, possibly in co-operation with a Board of Accountancy appointed by the House of Industry.

Herein disappears a prolific cause of friction—price! How many thousand times every hour of each working day does some buyer feel aggrieved at the price he is charged. For that matter, there are at least ten million wage-earners who feel equally aggrieved at the price they are paid for their labour commodity. And more fools they! Let us ponder a functional society where labour has no price and where commodities are sold at a cost which cannot be questioned.

When, therefore, a producing Guild, through the usual machinery, meets a consuming Guild, the main questions are simplified. As to quality, what grades? As to quantity, how much at each delivery?

We are well on the way to production and distribution without friction: the two processes, which are really one, are harmonised.

Nevertheless, in a vast industrial complex such as ours there are innumerable problems common to all the Guilds. Any Guild might perhaps decide on one or many of these problems without giving due weight to the opinions or needs of the other Guilds. To meet any such *contretemps* it is proposed that every Guild should have representatives—functional ambassadors—upon every other Guild. This obviously conduces to harmony, any possible source of friction being, by mutual goodwill, removed on the instant.

Internal Problems

To co-ordinate the internal affairs of the Guild is, in many ways, more difficult than to harmonise

inter-Guild relations. For the problems, though smaller, are infinitely more numerous, intricate and personal. Any trade union official will understand that. By way of analogy, he will tell you that he spends far more time and experiences greater trouble in solving the internal problems of his union than in preparing his case, say, for a demarcation dispute with another union or a resolution for the Trades Union Congress.

To organise and co-ordinate a National Guild, with a potential membership of a million, were surely a stupendous task. It means (or it means nothing) to create a million new personal relationships. Remember that the wage *nexus* is broken; the workers have become partners; they can no longer be ordered about or exploited. The whole million must be consulted, and the vast majority, if not all, must enter willingly into the new organisation. After all, why not?

There is not one single man or woman, functionally adapted, who does not stand to gain unheard-of benefits. To begin with, bang goes the wage envelope. No nice calculation down to the last penny, no scratching of the head trying to remember "time lost" or a lag in piece rates. Instead a Guild cheque book. All that is needed is a little petty cash in the pocket; everything else can be paid by cheque. During unemployment, too, the cheques can still be drawn. And when the years have silvered the hair and grandchildren gather round, there is still the cheque book, still the credit at the Guild Bank. Grandad is no longer a burden on the family. His grandchildren know that! The scarcity

basis has gone ; production and distribution surpass our dreams.

Thus the Guild, built up on its functional contribution to the community, can be organised in an atmosphere of trust and confidence. That does not mean that organisation and co-ordination will proceed without encountering ten thousand theoretical and personal problems. They can all be happily solved in a decade.

Not the least of these problems will be representation upon the national and district governing bodies. Is it to be by counting noses? Is it to be by groups? And if by groups, what shall be the *quota* of each group? Difficult? Yes, but the essence of it is a prevailing sense of functional and personal harmony.

IX

FUNCTIONAL FINANCE AND CREDIT

THE banking system of this country has obtained such a grip upon capital, finance and currency, it is hardly surprising that men think we cannot get on without it.

What is this thing, whose market value is about £225,000,000, that has its tentacles on nearly every activity in the world?

Its mere capital values does not explain it. It would be easy to pick out twenty or twenty-five manufacturing and trading concerns with a larger aggregate of capital. Yet, paradoxical though it seems, the larger and more prosperous the business the greater the store it sets upon banking.

As is usual, the simple explanation is the true one. Just as law is said to be the palladium of liberty, so banking is the citadel of capitalism. We may go further and declare that the functional value, if any, of modern capital is expressed in banking. It is the banks that guard the interests of capital—by political pressure if hard put to it: maintain the market value of capital, largely by means of the Joint Stock Acts: raise or depress prices as best suits the book of the large investor:

by the price mechanism, wangle (it is the best word) the purchasing power of money. Without doubt capitalism finds the banking system invaluable.

Technically considered, banking, finance and money are separate activities. The distinction between finance (as now understood) and banking is in form maintained. The financial houses in the City of London are not the banks. In like manner, the Mint issues money. But all financial transactions, whether the issue of capital or loans, or even bill-discounting, are to-day impotent without the co-operation of banks, whilst the universal habit of paying by cheque instead of by money leaves the Mint in obscurity. It is, of course, theoretically correct to declare that the banks could carry on without finance. Thus the National Guilds would unquestionably act as bankers, but would not be interested in finance, since capital would be superseded by credit. The issue of money is a problem in itself and might become a State function. But these distinctions are too fine for practical consideration. Even if finance is in form distinct from banking, the broad fact remains that the majority of bank directors are industrial magnates or their nominees. And since finance is a dominant factor in modern capitalism, no injustice is done in assuming an organic community of interest between banking and finance.

What really emerges is the ever-widening gap between finance or capital and the functional processes which yield, or can yield, an output in commodities greatly exceeding commercial anticipa-

tions, with embarrassing effects upon prices. Nor is there the least doubt that production can now rise in a constantly decreasing ratio to capital outlay. In other words, function grows increasingly independent of capital.

This divergence between capital and actual production began when the first manager said: "This ought to be done, but the shareholders' interests must be considered." At this unconscious but historic moment the banks sided with finance against function. The end is not yet.

Real Credit

Our criticism of banking, finance and currency is simply to apply the functional test. What public purpose do they serve or subserve. It is not disputed that in former days banking and finance did, in fact, pursue a function of some, perhaps even of great, value. But a utility in one generation may become a futility in the next. My own belief is that capital still further diverged from function when it capitalised earning capacity *in additional to material assets*. The point is fundamental and significant. To capitalise profits *as such* is to create a profiteering class definitely separated from any active function and making a claim upon industry or commerce for something which is not real but fortuitous. Thus, when the banks advance credit on fortuitous profit, however large, they may be, and probably are, withholding credit from some undertaking of great functional value, but yielding less profits. We are long past the day when bankers and financiers, as such, would consider supporting

some institution of social, and therefore of functional, value. But the day has come when they will readily advance credit on greyhound racing shares. Our civilisation has reached this point: hospitals rely upon charity; gambling goes with calm assurance to the bank.

Now, the answer of function to this dubious and artificial finance is to disclaim all responsibility for any commitment which does not minister to function. It will always pay for or compensate on the basis of material value. Beyond that not a penny. If Shylock demands his legal due, then function reminds him that it can do without him; that what labour has made it can make again. In that retort lies the truth of it.

Guild Credit

The truth, subject to one condition: function, actuated by enlightened Labour, must control finance, and not, as now, be controlled by it. They say that money talks; the time is ripe for function to talk; and to back up its talk with action.

Let us see the bearing of this on Guild organisation. We shall understand the argument better if we keep in mind a truth that is consistently and purposely ignored. The huge edifice of credit erected by the banks is, in the last analysis, founded on the work that men do in farms and factories.

Is it therefore incredible that the Guilds, possessing or controlling the foundations of credit, should promptly decide to control their own finance and issue their own credit? They would be great fools if they did not.

Subject then to the principle of functional control, our banking technique must be adapted to the new conditions. In the large sense, this means a new economy based on credit and the gradual liquidation of all capital charges.

Even then there remain difficult problems. Shall the issue of money be entrusted to the Guild banks or be a reserved function of State? We must remember that, whilst inter-Guild credit is essential to production, producers and consumers are equally concerned with a banking and monetary system, from which the element of profit has been eliminated.

The Bank of England, too, is a problem in itself. Its future will almost certainly be bound up with the State and with foreign commitments. Whatever the future of banking we shall certainly have, in our support, the most efficient personnel in the world.

The basic fact must be that wealth production and distribution shall be quit of financial domination. Finance, within its legal entrenchments, is the concrete obstacle to industrial democracy. The spiritual obstacle is the wage mentality.

X

PUBLIC POLICY

THERE is an unseen, intangible thing, the prerogative of the House of Commons, known as public policy. What is it? Unseen yet felt, intangible yet real, it is the eternal Delphic Oracle before which kings and rulers, soldiers and statesmen have knelt for thousands of years. *Quo vadis?* they have asked. Prophets, augurs, soothsayers, interpreters of dreams, priests and charlatans have made answer. And the world is as it is.

Whither?

In the turmoil of East and West what shall we do?

Matthew Arnold wrote of "the stream of tendency." Can we interpret it and not be confounded?

The answer, sometimes right and sometimes wrong, is expressed in public policy. The wrong answer brings loss and tragedy; the right answer marks human gain, and perhaps racial advance.

With the whole world now crowding in upon us, to decide upon a policy and pursue it is a momentous task. But the more complex the problem the greater the need to simplify our political life; to ease it of its complications; to put its economic

activities upon a truly functional basis; to see to it that our intellectual and cultural faculties shall be so nurtured that they will effectually respond in every time of need and crisis.

The surprising levity with which, in former days, national leaders have confronted internal and external dangers of great magnitude has often been the theme of historians, authors and playwrights. The same levity or obtuseness is found to-day amongst our political leaders. They know not, or, knowing, dare not. I recently asked a group of Members of Parliament if they had the time to do what was demanded of them. They agreed that even seventy-two hours to the day would not suffice. "Then why not devolve?" I asked. They shrank from it. They were of those who

"Grope for the old accustomed stone
And weep to find it overthrown."

Nevertheless, if statesmanship is to evolve a sound public policy, it must escape from the complexities and urgencies that now surround it and do not belong to it. It must devolve; must throw off the burdens and harassments that beset it; must decide the national fate, in small things and great, unhampered by mountainous details. There is no conceivable devolution except on functional lines.

Not the least of the obstacles in the way of function is the insensate greed of the average politician for power; for power he knows not how to apply, and even if he knew could not. This dis-

eased itch for power must, sooner or later, bring us to sore straits, if not to appalling tragedy. The world is waiting for a new scheme of life, for a new economy; and it looks to us to lead it.

International

If, however, we determine that the susceptibilities and jealousies of the politicians must be overcome, and the House of Industry founded on functional principles, every British statesman would find his hand enormously strengthened in his dealings with other Governments. In practically all diplomatic discussions there is always the economic element, overt or covert. As things are now, our diplomatists consult the profiteers or their banking nominees, and not the actual functional factors. It is never a question of honest barter, a beneficial exchange of commodities, but nice calculations of profit and loss cynically flavoured with tariffs. Without the least exaggeration that is now how international diplomacy proceeds. With us it is further complicated by the intervention of our self-governing Dominions. These international conventions frequently remind me of the Rogues' Kitchen.

With the House of Industry functioning in its appointed sphere, where by hypothesis the producing and distributing elements are harmonised, the Foreign Office finds its work both simplified and strengthened. No longer has the Minister mainly concerned to consult conflicting interests, quietly gauging their respective commercial powers; his problem ceases to be commercial and becomes

economic. The Economic Chamber, the House of Industry, undisturbed by selfish profiteering, will know precisely what to do, and, moreover, will have the power to do it. Public policy then becomes clear, coherent and consistent.

Vastly more important is the international influence and consequence of the House of Industry. A nation whose economic life is co-ordinated, harmonised, will speedily outstrip all the other nations. What then can they do but follow our example? Declare war? Absurd. Even if they did, we are functionally better organised than they, and function is as powerful in war as in peace. No! Functional organisation is our best guarantee of peace.

The preservation of peace, precious as it is, is, after all, a negation—the negation of war. Infinitely more important is the constructive work which consciously bridges the gap between the conquest of scarcity and the realization of plenty, of material and cultural abundance out of which must come the spiritual reconciliation of the world. In the light of public policy consider what that portends!

Internal

Whilst public policy in foreign affairs is apt to be tenuous and inconsequent, there is no reason why, in home affairs, it should not be definite and continuous. To-day that is difficult, if not impossible. Public policy is the plaything of innumerable interests. Have we ever asked ourselves why this apparently innocent word now bears such a sinister meaning? Why should we not have interests? Books,

music, games, travel— isn't it all innocent and jolly? Of course! And yet there are "the interests." The assumption once was that the moneyed and propertied interests were identical with the national interests. But not now. When John Smith and Co., Ltd., or the trade association to which they belong, press the Government for an increased import duty on this or that, they are thinking in terms of profits and dividends. As we all know, they do not say to the Prime Minister that they want more money—that would be a *faux pas*—they solemnly declare that the interests of the country demand it. And they all shake their heads as good patriots do. Only the Archbishop of Canterbury believes them. It is one of the accepted hypocrisies of capitalist politics. When the House of Industry is constituted, all that disappears. Public policy is no longer dominated by private interests, by non-functional or even anti-functional groups; it can be pursued with a single eye to the public welfare.

Since public policy is necessarily guided by public opinion, the organs that create or influence public opinion must come under scrutiny. The freedom of the Press must be guarded; but is the Press really free? How far is it the more or less willing instrument of the advertising and financial "interests"? But wait! With the House of Industry and the House of Culture what becomes of the advertising and financial interests? There is not a serious journalist who would not welcome the return of a Press which freely speaks its mind and also opens the door to others to speak freely. The very existence of the so-called "Press Lords" is a

damning criticism upon our alleged political and intellectual freedom. No doubt the Publishing and Printing Guilds will know how to enlarge our lives in the realms of thought and of opinion.

The Essentials

This brings me to the end of a slender and inadequate survey of the greatest issue now confronting western civilisation. I assert with all emphasis that, unless our statesmen—if we have any—in the immediate future put an end to the pretence that we can continue on the old commercial lines when we have conquered economic scarcity, nothing remains but a revolution or a slow descent into spiritual and social degeneration. Particularly does this apply to our Labour leaders, most of whom betray an astonishing complacency, whilst others appear to be heading for mild dictatorship. It is these embryo dictators who most resent any charge of Fascism, but who are sitting on the throttle of the machinery of Labour opinion.

Let me then sum up.

(i) Scarcity is no longer an economic problem. We have at our disposal enough, and more than enough, of everything we need—food, raw materials, men and machinery.

(ii) This condition of affairs is incompatible with the continuance of a wage class. Whatever the other evil implications, there is now no longer any economic necessity to compel men and women to sell their labour as a commodity and at a price based on purely commercial considerations.

(iii) Wage abolition can only mean a new and

higher *status* for all the workers. It means, in fact, the unification of all the workers, whether scientific, technical or manual.

(iv) The conquest of scarcity has been accomplished by the functional processes. Function, thwarted and retarded by selfish interests, has done it.

(v) Since Function predicates harmony throughout industry, it follows that all subjective rights must yield to functional control.

(vi) Devolution and co-ordination, both in industry and culture, are essential to the effective adoption of the functional principle.

The rest is courage.

SUPPLEMENT

A SHORT CATECHISM OF NATIONAL GUILDS:

WHAT are the causes of the industrial unrest?

They are mainly three: the increasing pressure of the wage system upon the proletariat; their resistance to that pressure; and their desire to be emancipated from the wage system that produces it.

Who are the proletariat?

The proletariat or working classes consist of those persons, numbering four-fifths of the population, who, having no property, must live by hiring out their labour-power.

What are wages?

Wages are the price paid in the labour-market for proletarian labour reckoned as a commodity.

How are wages fixed?

Wages are fixed in the same manner as prices in general, by the law of supply and demand.

What determines the demand for Labour?

The demand for labour is determined by its necessity in production, that is, by the use capitalists can make of it for the purpose of profit.

What determines the supply of Labour?

The supply of Labour is limited only by the

number of the proletariat capable of yielding labour-power.

What is the wage system?

The wage system or (capitalist production) is the system under which the owners of capital buy labour-power as a commodity and after employing it—that is, directing its application to raw materials—appropriate its products, which they then sell. The difference between the selling price of these products and the cost of producing them is surplus value, the obtaining of which, in the form of rent, interest or profit, is the object of capitalist production.

How is the increasing pressure of the wage system upon the proletariat shown?

By the fall in real wages and by the “speeding up” of labour in the workshop.

What are real wages?

Real wages as distinguished from nominal or money wages are the amount of commodities actually purchasable by a nominal wage.

What is meant by speeding-up?

Speeding-up is the name given to the various means adopted by capitalists for extracting more labour-power from workmen.

What means do the workmen use to resist the pressure of the wage system?

Two means—commonly called economic and political action.

What is economic action?

Economic action is the collective action of workmen operating by means of trade unions directly upon their employers.

What is political action?

Political action is the action of the proletariat, mainly by means of their unions, operating on their employers through the instrumentality of Parliament and other public bodies.

Besides being a movement of resistance to the pressure of the wage system, what other end is sought by these two means?

The common object of both economic and political action is to raise wages.

What effect have economic and political action respectively in raising wages?

Neither economic nor political action has any, or more than an apparent, effect in raising wages.

Why is this?

Wages being fixed by the supply and demand, and capitalists determining demand and nature determining supply, it follows that neither demand nor supply is under the control of the workmen.

How do capitalists control the demand for labour?

Capitalists control the demand for labour by various means; in general by reducing its necessity in production—as by its more economic (that is, sparing) use, by increasing its efficiency, and by substituting machinery for it.

Cannot trade unions determine the supply of labour?

Trade unions cannot determine the total or general supply of labour; they can only determine a particular supply.

Cannot wages be raised then by this means?

By controlling a particular supply of labour, a trade union can raise the rate of wages of its own members, but not the wages of the proletariat in general and per unit.

What is the meaning of these various terms?

The rate of wages is the price paid per man employed. Wages in general is the total sum of wages paid to the proletariat class. The wage-unit is the amount each proletariat man, woman and child would receive if the total wages were divided equally among them.

If trade union or economic action cannot raise the wage-unit but only the wage-rates of particular sections of workmen, cannot Parliament or political action raise wages?

Parliament cannot raise wages in general, because Parliament cannot compel employers to increase their demand for wages nor prevent them from reducing their demand. A high minimum wage, for example, would only stimulate employers to adopt more labour-saving devices.

If wages cannot be raised either by economic or by political action, can they be prevented from falling?

Wages must tend always to fall, since the object of capitalist production being profit, all employers must seek to reduce costs, the chief of which is the cost of labour, or wages.

Is there not a limit below which wages cannot fall?

None.

But can wages fall below the subsistence level of the proletariat?

Yes, they both can, do, and will continue to do so. At this moment the total wages paid to the proletariat would not, even if equally divided among them, provide sufficient to keep them all in health.

Then how do the proletariat as a whole continue to live?

By the additions to their total wages of the gifts of charity.

What forms of charity?

The charitable supplements of the wages of the proletariat are (*a*) private and personal, as in tips, patronage, gifts, etc.; (*b*) semi-public, Christian, etc., by means of charitable organisations (of which there are a thousand in London alone); (*c*) State charity in the form of free schooling, feeding, pensions, workhouses, hospitals, industrial and health insurance.

What must be the end of this degradation of wages?

As charity supplements and supplants wages, the freedom of the workmen to spend on their own initiative will be more and more curtailed. Who pays the fiddler will call the tune; and, in the end, the proletariat will be no better than kept slaves.

But is this culmination inevitable?

Provided that the wage system remains, the servile state is inevitable.

Apart from reducing the proletariat to slavery, what other objects are there to the wage system?

There are moral, economic and practical objects as well to the wage system.

What is the moral objection?

The moral and philosophical objection to the wage system is that it makes of one class of men merely a means to the ends of another class.

What are the economic objections?

The wage system limits useful production by limiting the purchasing power of the proletariat; it wastes production by competition, necessitating advertising, salesmen, duplications, etc., and by stimulating the production of foolish luxuries; it coarsens production by creating an extensive cheap and nasty market.

What are the social objections to the wage system?

The wage system debases the major part of society by mean poverty, overwork and insecurity; and corrupts the minority by luxury, idleness and brutality. It directs production to profit instead of utility and beauty.

What are the practical objections?

The main practical objection to the wage system is that it cannot last.

How and by what means can the wage system be abolished?

The wage system can be abolished by one of two means, a worse and a better.

What is the worse means of abolishing the wage system?

The worse means is by the re-institution in an improved form of chattel-slavery under the direction of capitalists.

By what means could this be made possible?

The restoration of chattel-slavery may be made

possible by (a) the formation of great capitalist trusts which in return for unconditional life service will undertake to provide the proletariat class with security for life; or (b) by the institution of state capitalism (otherwise called Collectivism) which will under the same.

Which is the better means of abolishing the wage system?

The better means is what is known as Emancipation. It consists in the establishment of National Industrial Guilds.

What is a Guild?

A Guild is a self-governing brotherhood of producers having a complete monopoly of the labour-power of their industry.

What is a National Guild?

A National Guild is such a Guild chartered by the State to carry on an industry nationally.

By what means can National Guilds be formed?

National Guilds can be formed by the co-operation of men of political, moral and social intelligence with the existing trade unions.

What is the difference between a trade union and a Guild?

Unlike a Guild, a trade union does not exist, and is not organised to carry on an industry but to keep up the wages of its members; it includes only the wage-earners of its industry, and excludes the salariat; in consequence, it has not a complete monopoly of the labour-power necessary to its industry.

How can a trade union become a Guild?

A trade union can become a Guild only by a series

of steps, of which the first is to make itself blackleg-proof, and the second is to be prepared then to demand, not higher wages, but superior status.

What is implied by superior status?

Superior status for the proletariat would mean that they were ceasing to sell their labour as a commodity in the market and were becoming partners in the direction and control of their industry.

Would not effective resistance be offered by the capitalists?

The capitalists would resist, but their resistance would not be effective if blacklegs could not be obtained.

Could not the State with its Army break the attempt of the proletariat to emancipate itself?

No, for the Army is useless against folded arms and loaded pipes.

Would not the salariat side with the capitalists?

At first, yes; but the interests of the salariat being with the industry, if the union could hold up industry, the salariat would have no choice but co-operating with the union.

If this should appear probable, what would the capitalists be likely to do?

So soon as the union is practically blackleg-proof, the capitalists of the industry will approach its leaders with offers of profit-sharing and co-partnership, and in two successive forms.

What are these two forms?

The first form is profit-sharing and co-partnership with the men, not collectively as a union, but individually by units.

Is there any objection to this form?

Yes, for every man so singled out is spiritually transferred from the side of Labour to the side of capital. His concern is no longer to abolish the wage system for himself, his fellows and the nation at large, but to obtain all the profit he can extract out of it.

What is the probable second form of capitalists' offer?

The second form will be offered as a rule only when the second form has been rejected by the men. The capitalists will offer partnership to the union as a union.

Are there any objections to this form?

There are several. (1) The union would remain a union of wage-earners. (2) Relations between itself and the salariat and capitalists would be unstable, since in the same industry there cannot be two masters, and one of the parties would constantly be attempting to encroach on the privileges of the other. (3) And if they combine, the greatest objection of all would arise.

What is it?

Together they would form a trust, including the monopoly of capital with the monopoly of labour, by means of which they could exploit society without check.

What could be done to prevent the formation of such an anti-national trust?

Provided that while the trade unions were winning to their emancipation, the intelligent public were with them, at this point the public, through its organ the State, might substitute itself for the capitalists.

What steps could the State take for this purpose?

Its first steps should be to "buy out" the capitalists of an industry by offering them a reasonable sum, or better, by guaranteeing them an income for a period of years. Its next step should be, while retaining nominal possession of the so-acquired capital, to charter the union (now become a Guild by the inclusion of the salariat) to carry on the industry on terms mutually fair and favourable.

What, generally, would such terms be?

In return for a charter guaranteeing the Guild the privileges of national monopoly and industrial self-government, the Guild would undertake certain responsibilities, relating to quality and quantity of industry—and also on behalf of its own members, other Guilds, the public at large and the State itself.

Has such an arrangement ever been known in history?

Not exactly after this pattern, perhaps, but arrangements of the same character have been made between the State and political, professional and industrial organisations.

Name any political parallel.

Home Rule in the Dominions subject to the suzerainty of the Crown; the chartered companies of Rhodesia and British East Africa.

What professional precedents are there?

The legal, medical and ecclesiastical professions in England have each a charter from the State guaranteeing them certain privileges in return for the acceptance of certain responsibilities.

What industrial precedents are there?

The nearest and most recent is the Canal Commission entrusted by the American State with the construction of the Panama Canal.

What forms would the Guilds take?

The Guilds would fall into three main orders—state or civil Guilds; professional Guilds; and National or Industrial Guilds.

What are State Guilds?

State guilds would consist of the existing Civil Services, the Army, the Navy, the Post Office, etc.

What are professional Guilds?

The professional Guilds consist of the existing professions already nationally chartered.

What are the National Industrial Guilds?

The National Guilds include the various existing industries mainly as already outlined in amalgamated or national trade unions.

Would everybody belong to one or other of these Guilds?

Outside the Civil Services, the professions, and the National Industrial Guilds would be a number of occupations insusceptible of organisation; journalism, art, literature, etc.

How would the members of these callings live?

They would live as they do now, by their wits.

Leaving aside the civil and professional Guilds, of the two parties to the contract or charter establishing National Guilds, would not one or the other prove the more powerful in the long run; and, if so, what would result?

If the State became more powerful than the Guild, Collectivism would result. If the Guild over-ruled the State, Syndicalism would be established.

What is to prevent one or the other result?

The necessity of each party to the other, and the relative equality of their powers.

What is the necessity of the Guild to the State?

The Guild possesses a monopoly of the labour and skill of its own industry.

What is the necessity of the State to the Guild?

Without the State as the organ of the whole the association of all associations, each of the Guilds would be an unco-ordinated unit. And as the Manchester doctrine of *laissez faire* applied to the individual broke down and required State action to regulate it, so the same doctrine applied to groups would break down unless controlled by an organ representing the whole.

What sanction would the Guild have for its just claims if they were disputed?

The power to strike.

What is the sanction of the State?

The control of State Guilds.

What are the relations into which a Guild might enter?

They are four; relations with the State, with its own members, with other Guilds, and with the public.

What would be the relations of the Guild with the State?

On the one side the State would let on a renewable lease the initial capital required by the Guild

on its formation. On the other side, the Guild would undertake responsibilities to the State, its members, other Guilds, and the public.

What would be the responsibilities of the Guild to the State directly?

They would include an annual contribution to the national budget in lieu of rent; formal admission of the suzerainty of the State; the right of the State to be represented on its councils; the discharge of the duties of the industry; and the maintenance and improvement of the capital and industry committed to its care.

What would be the responsibilities of a Guild to its members?

These responsibilities would include provision for them in sickness and in health, in employment and in unemployment; the provision of conditions and means of carrying on their craft, and to acquire and employ their skill in it; of training for prospective members; and of opportunity for every member to hold any position in the Guild for which he is fitted.

What are the Guilds' responsibilities to other Guilds?

These could be best defined by an assembly of Guilds in occasional or permanent conference. Having, under the supremacy of the State, the care of national industry in their hands, the associated Guilds will require of each component Guild a measure of common action.

What would be the responsibilities of a Guild to the public?

Among others, efficient, fair and general service;

guaranteed workmanship and materials; a price, determined by cost and not by profit.

By what means would disputes be settled as regards the four relations into which a Guild may enter?

Excluding criminal and such civil cases as properly belong to law in general (for each Guild member would also be a citizen) the means of settling disputes with the State have already been defined.

How would members' disputes be settled?

Members would have the right of trial and appeal by a series of Guild courts, mounting through their own Guild congress up to the House of Industry.

How would disputes with other Guilds be settled?

By joint conference, reference to the House of Industry and by final appeal to the State in Guild council.

How would disputes with the public be settled?

By public opinion or by the State.

Besides abolishing the wage system and thereby saving the proletariat from a worse slavery, what other advantages has the National Guild system?

The chief is the liberation of spiritual energy that would spring from the establishment of human equality. All other advantages are included in that.

Are there any disadvantages?

Many disadvantages can be and will be urged against the National Guild system, but only by those who fail to realise the horrors of wage servitude and the inevitability of its transformation into something much worse (the Servile State) or much better.

What is our duty?

Each as best he can, and in his own most convenient place, we should educate ourselves and others in the principles and practice of the National Guilds.

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