J. A. HOBSON

FUNCTIONAL SOCIALISM

LONDON
STANLEY NOTT

In this book, Mr. S. G. Hobson, the father of Guild Socialism, and author of several books on the subject, deals with the development of the Guild idea by the recognition of function as the operative principle in economic life. This book is the first of its kind, and marks the theoretical and practical advent of the functional principle. It will doubtless involve the author in many controversies; but those interested in new ideas, particularly in regard to the replanning of Great Britain and the World, will be compelled to read this book.

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BOOKS BY S. G. HOBSON

National Guilds

National Guilds and the State

Guild Principles in Peace and War

The House of Industry

S. G. HOBSON

FUNCTIONAL SOCIALISM

LONDON

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To

VALERIE COOPER

who inspired this book

CONTENTS

CHAPTER I

GENESIS

Most of these chapters are reproduced from the pages of *New Britain* or its allied publications. This involves a certain repetition, which, I trust, does not spell redundancy. For my part, so vital is the problem of function in industry—and indeed in life as a whole—that I regard repetition as a virtue. There is, at least, this to be said: those who read these contributions in their original clothing are the most insistent upon their republication in book form.

Nor is any apology needed in emphasizing at this moment the urgency of the functional principle. Whether in industry, politics or the cultural life, Western Europe and America appear to have reached a dead-end. Our capitalist civilization shows many symptoms of paralysis. Whichever way it turns, within its own ambit, it encounters frustration or, at most, transient success. Trade is sometimes better and sometimes worse, but unemployment, part employment or actual poverty persist. Our intellectual and moral resources are depleted; we look around and there seems no way out. This is the time when cranks and charlatans reap a rich harvest. No saving principle, no basic formula, has yet found general

acceptance; so we swallow one patent medicine after another. Needless to say, our last state is worse than the first.

Since politics is the art of life, we naturally look to our political leaders for light and guidance. Never, since the days of the Renaissance, has there been such an expectant feeling for a new era. The anomalies of our existing social and economic system puzzle and bewilder us. Social extravagance and economic waste go hand in hand. If our capital is to win big dividends, we must invest it in the luxury trades or in amusements. At the moment of writing there is some revival in our staple industries; but it brings a poor return compared with cinemas and the West End distributive trades. Foodstuffs are still a drug on the market and are frequently destroyed or withheld to maintain prices and profits. This particular kind of criminal waste has become so common that it escapes comment. With the depressed areas still with us, any withdrawal of food, clothing or household necessities must be described as criminal. At the recent Trades Union Congress one of the delegates remarked that he had been unemployed for nine years and had not bought a suit of clothes for six years. Is there not then an urgent need for a new orientation in our political philosophy? Assuredly; but where can we turn to find it?

I can understand, with some impatience, that the relatively comfortable classes are content to muddle along with the economic system substantially as our fathers left it. The shoe, of course, pinches here and

there and accordingly we meet here and there various reformist proposals—the inevitable plasters to cure cancerous growths that root themselves in economic maladjustments. But there is no new vision. Our possessing classes, more now than ever before, draw their incomes from the Stock Exchange and no longer from the parental farms, fields and factories. Their property to-day consists largely, if not mainly, of "scrip". Socially and functionally they are divorced from economic work. When economic reality comes to grips with these paper claims, their owners will be shocked, unless to equity we add social compassion.

Whilst we can appreciate in some degree the conservatism of the rich, the tenacity of the acquisitive: can even tolerantly read their class philosophies, obligingly supplied by Oxford and Cambridge: can understand the motives of their politics: what light or guidance comes from our Labour leaders? It must surely be one of the major mysteries of this period that organized Labour, confronted with monstrous conditions, fully aware of the causes of poverty, bearing in its train malnutrition of masses of workers, their families and dependents, were content to play conventional politics: seemed to enjoy jingling political coins on the parliamentary counter: were jealous of parliamentary decorum, maintaining at all costs the tradition of good manners: apparently saw nothing beyond the orbit of political action: pursued mild reformism and shivered at the least hint of any revolution, however peaceful and fruitful.

Yet I gladly affirm my confidence in their good-will and good-faith. Even if they are in Parliament because they like it, getting there to achieve a legitimate and honourable ambition, theirs is not the primrose path. Never can it be said that they are sinning against the light. The tragedy of it is that they walk in darkness. They have absorbed the parliamentary belief that the House of Commons must not only be omnipotent but universally intrusive—its fingers in every pie, its nose in everything. Thus, to our Labour leaders, to separate economics from politics is anathema, a grave derogation of the Commons' rights. Centuries of parliamentary habit and custom are in their bones. That a new world waits fulfilment, a world calling for functional devolution, seems to them a challenge to their ancient rights, if not indeed a revolt against Providence. It is this ingrained reverence for Parliament that has thrown back Labour upon an obsolete Liberalism, urging it at all costs to contain industrial legislation within the existing parliamentary framework.

Nevertheless, Labour must learn the lesson of functional devolution. It is the bare truth, easily demonstrated, that unless it quickly understands the implications of the approaching era of function—understands and acts upon that knowledge—its days, even as a political force, are numbered.

This coming year brings to me an ominous day-the fiftieth anniversary of my Socialist activities. In 1887, a youth of 17, I mounted a chair at a street

corner in Cardiff and gave ingenuous and halting support to the Socialist faith. *O sancta simplicitas!* In those far-off days, our faith was really founded upon a sublime confidence in the integrity of the Civil Service. Hence the origin of State Socialism. To this was added Municipal Socialism. These two went very well in double harness. About 1910, my creed underwent a sea-change. Without consciously changing my trust in the Civil Service, I realized that, however perfect, it was totally inadequate to govern or direct our vast industrial system. The British Syndicalists, then led by Mr. Tom Mann, had come to the same conclusion. But whereas they envisaged political as well as industrial control, I conceived the idea of bridging State Socialism and Syndicalism by the institution of National Guilds. And, greatly daring, I wrote a book in support of this thesis. Thus was born the movement known as Guild Socialism.

Whatever the logical or practical defects of the Guild idea may have been, it certainly changed the current of Socialist thought, bringing into perspective, however remote, the concept of Industrial Democracy: of an industrial Parliament functioning on its own basis and subject only to the Commons on large issues of public policy.

That this conception of Industrial Democracy cut deeply into the consciousness of the Labour and Socialist movement there can be no doubt. State Socialism was at a discount; we heard more of Workers' Control. To-day the industrial aspect of

the Labour Party has receded from view—an anomalous development in a movement which, *ex hypothesi*, is fundamentally functional.

There are plausible, if not sound, reasons for Labour's reversion to reformist politics. I will mention two, the one strictly political, the other economic. Perhaps the second explains the first. We know that in times of depression Trade Unionism is the first to suffer. Members lapse, funds are depleted; the depression becomes psychological. In such circumstances, Labour ceases to be aggressive and is thrown back on defence. This has obviously been its plight during the past five years. That it has so successfully stood the strain proves the toughness of its fibre. But such conditions induce opportunism, upon which reformism thrives. A plain case of cause and effect. But to this must be added a political fact. Under the leadership of MacDonald and Henderson, the Labour Party, with the possibilities of a Labour Government well in view, more and more accommodated itself to the Liberal refugees who had fled from the Liberal *débâcle*. Being men of political knowledge and experience, these distinguished refugees soon occupied positions of influence in their new spiritual home. In this connection, it were well to remember that both MacDonald and Henderson were themselves, *au fond*, Liberals. Henderson had, in fact, for many years been a Liberal agent, his religious affiliations all tending to Liberalism. One of the curiosities of modern political history is the persistent belief that

MacDonald has, at any time, been a Socialist. It was precisely because he was a Liberal masquerading in Socialist clothes that so many of us declined to be associated with him. His final defection in 1931 was only surprising because it surprised so many. He had more dupes than we thought. In any event, conventional politics were to both men as breath to their nostrils. And conventional or reformist politics are tragically inadequate to clarify the existing social and economic confusions.

The foregoing facts partly explain why the functional aspect of Labour's activities has receded into the unconscious. But there is yet another reason: of function itself, Labour, like the rest of mankind, is unconscious.

That sounds cryptic: let me explain.

Our original presentation of National Guilds was mainly mechanistic. It was a scheme of organization, which we regarded as the logical answer both to State Socialism and Syndicalism. On looking back, it is evident that we had not yet evolved the fundamental principle. We were vaguely conscious of it; it awaited realization. Like other pioneers, we saw through a glass darkly. Pioneering involves a blind pilgrimage inspired equally by vision and intuition. We were not different from the others. In the succeeding pages, I have explained how de Mæztu came to our rescue. I wrote *National Guilds* in 1912 and 1913. It was, I think, in 1916 that de Mæztu wrote *Authority, Liberty, Function*. Had we met him earlier, there would have been no "Guild Socialism".

It would have been "Functional Socialism". It has taken twenty tragic years to establish the doctrine on its true foundation.

Now at this point the practical man, whatever his denomination, may with justice enquire not only what is the significance of function but also what are its practical implications.

We must first have a definition. The word itself is in constant use both in mathematics and biology. That need not concern us here. For the purpose of this argument, function is action, controlled or regulated, in pursuit of any social or economic purpose. Put simply, function is the actual work done by men and women when applied to the common weal. The functional principle means that, since we depend upon function for our very lives, function in its own sphere must prevail. It must in fact prevail over all and any subjective rights, whether hereditary, financial or, within certain limits, political. Thus, if the work of the world is to be done without interference or frustration, our economic organization must be functional. This necessarily involves us in an inquiry into functional values. Has finance, for example, any functional value and, if so, what? Is it, as some allege, mere accountancy? And, should that be proved, where does accountancy stand in the functional hierarchy? The same question must be put, say, to advertising. It must be put to a hundred thousand occupations which to-day preen themselves upon the generic title "overheads". Perhaps, after all, they are "underheads". In like manner, we must

look into the credentials of the technical and professional associations. No light task this, but unquestionably fruitful. Nor must we omit the deeper issue: what is the true purpose of industry? Is it to supply our needs or merely to earn dividends?

Our answer, then, to the practical man is that, if he has been engaged in useful work, function removes from his shoulders the burden of non-functional charges and so enables him, in co-operation with his fellows, to become master of his own economic destiny. That, in itself, would be worth a life-time's struggle; but when we think of the spiritual and cultural possibilities that lie beyond the economic solution, does he not realize that we shall be on the verge of a new era?

There is yet another answer to the practical man: an answer that begins with a question to him. Do you really desire, we may ask, to live your life in a mad struggle with insecurity or perhaps with poverty, with all their entailed misery? Poverty may be absolute or relative. Legally considered, absolute poverty has been abolished; we have certainly travelled far from the celebrated Poor Law Report of 1834. We are cursed to-day with relative poverty—the sickening lack of material necessities with its consequent spiritual dearth. Function, sustained by science, knowledge and experience, calmly contemptuous of financial shifts and stratagems, declares that economic scarcity has been overcome; that with subjective rights consigned to their father, the Devil, the way is clear for reasonable abundance.

And if our practical man should happen to be a wage-earner, our answer is so much the easier. Function would instantly determine the wage contract; the wage system would disappear; a change of *status* would follow. The emergence of the wage-earner from wagedom might in itself be deemed to be a new era. Almost; but not quite; for the new era must come with the birth-pangs of a vastly different conception of life and its purpose.

Believing, as I most emphatically do, that we cannot rise to a higher civilization without a change of heart as well as a change in our economic system, I am driven to the conclusion that functional devolution must equally apply to our cultural life. If, in the economic sphere, production must be the servant of social need and no longer of finance, with its fantastic jumble of charges, profits and dividends, so must our cultural elements minister to our spiritual needs. There is, of course, a long range of cultural activities difficult to co-ordinate, but at least we have the foundation of a cultural chamber in the social organization of education, medicine and the arts. It is not without significance that, in this country, the word "culture" is regarded with an amused lifting of the eyebrows, with a slight tinge of contempt. Perhaps it were nearer the mark to say that any claim to culture is regarded as a pose. It began, I imagine, in a reaction from Matthew Arnold, to be subsequently accentuated by Oscar Wilde. Nor need it be questioned that too many of our cultured folk betray a sort of spiritual snobbery. Nevertheless, culture

must live down its unhappy reputation; for, after all, it is the right word. The present antipathy will disappear when culture becomes our common heritage —a heritage of leisure, in which the human being shall know beauty and truth.

The logic of functional devolution tends to the ultimate institution of the tripartite or threefold state—the House of Commons, the House of Industry and the House of Culture. Being myself a natural conservative, disliking change for change's sake, I was not a little disquieted when this conclusion was forced upon me. But, on consideration, I saw that it involved little more than the healthy transformation of a State already threefold, for that is what the British Constitution is to-day. We have the Crown, the Lords and the Commons. But the Crown has now changed its *métier*. It has become, legally and in increasing practice, the connecting link, essentially a symbol, common to Great Britain and the Dominions. The Lords are now by common consent moribund. They merely await translation to the Elysian Fields, where they can discuss *noblesse oblige*, which so many of them forgot when on earth. Moreover it is easy to argue that, in fact though not in form, they have been for centuries the Economic Chamber of the Realm. Through many generations, they have kept watch and ward over the economic system which made them what they were. What they were; but what they have ceased to be. Their substitution, therefore, by a living reality, the House of Industry, is in the tradition. The British Constitution

would not be weakened or infringed; on the contrary, it would be immeasurably strengthened.

Thus, if we have eyes to see, function is the saving principle. Nature does not thwart function; it deals severely with the elements that, in any way, obtrude on function. We go to great lengths to preserve and strengthen the functions of the human body. Is it not equally important to select and then build up the functions necessary to a sound and healthy social system? It follows, I think, that any function, once recognized and instituted, must, within its own ambit, be autonomous. Our existing political system jumbles all the functions in a vast and confused complex. Hence retardation, frustration and constant maladjustment. With the tragic facts staring at us, is it not our bounden and urgent business to put our house into functional order and incidentally lead the world in ways of peace?

In our individual and social life, there are three constant factors: the person, the value and the thing. Our functional society protects and develops the person in the House of Commons; it evolves values in its House of Culture; the primacy of things can and must be asserted in the House of Industry. For it is only in the primacy of this thing we call function that our personalities and values can be exalted and enriched.

Hence this book!

CHAPTER II

ON SWEEPING OUR OWN DOORSTEP

I HOLD to the simple and natural truth that, whatever the terms upon which we live with our neighbours, our first task is to sweep clean our own doorstep. To organize our economic life, with the civic life dependent upon it, is not only essential to our national health, it happens that other peoples look to us to maintain a high standard of life towards which they strive. We may affirm with confidence that any slackening of this standard spells abdication. Ours is still the historic rôle to lead. In the industrial chaos in which the world finds itself, to resign that leadership would be pusillanimous.

Please observe that this chaos is commercial and not economic. It is now common ground that Great Britain, if not the whole of Western Europe, is passing from scarcity to potential plenty. The trouble is that owing to maldistribution, our plenty remains an unconsumed glut. Our business, urgent, imperative, is to create purchasing power and bring it to a parity with productive capacity. This problem can be solved at home and does not depend upon international arrangements. It is, of course, eternally true that nations or peoples are necessary to each

other. As we shall see, on the cultural or spiritual plane this is the acme of wisdom; but to plead international necessity on the material plane is a counsel of despair or sheer intellectual sloth. It may in fact be doubted if there is such a thing as an international economy. The feasible economic unit must be the group, community or nation with its own characteristic economic life. In the ultimate analysis, the economic unit is the Smith family sitting round its own fireside.

The silent transition from economic scarcity to plenty, vastly significant though it be, is concurrent with another fundamental change in our social order. It is astonishing how persistently we all ignore the ever-growing magnitude of function as the most vital factor in our economic life. Ramiro de Maeztu has shown us how profoundly important has been the change from the authoritarianism of the eighteenth century to the libertarianism of the nineteenth, both with their fly-blown theory of subjective rights. We now see these subjective rights being slowly but inevitably broken to pieces upon the granite of function.

SOCIAL VALUES

No deep philosophic insight is needed to grasp the distinction between the principles of subjective right and function, even though their implications may be more difficult to follow. In the one case, an inherent right is claimed to dictate the conditions under which men work; in the other, function is im-

personal, is a thing round which associations of men —professional, technical, manual—cluster. Personal rights recede before "the primacy of things". Duty—itself an indefinite function—is greater than the individual; function, in its wide sweep, is greater than subjective right. But it speedily becomes evident that, not only must we realize the primacy of function, we must also realize that one function is socially more valuable than another, and that in the national task of co-ordinating our functional activities, we cannot proceed until we have evolved what de Maeztu terms "a definite table of values to uphold the functional doctrine". He places them in this order:

(1) The final or supreme values are moral satisfaction, scientific discovery and artistic creation.

(2) The instrumental value, *par excellence*, is man and his associations and institutions.

(3) The instrumental values for the instrument man are those which may be called by the name of economic values: power, wealth, pleasure, etc.

de Maeztu proceeds: "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 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 realize morality, science and beauty if there are no men, and if men do not possess such economic values as are necessary for their subsis-

tence. On the other hand, there may be men who do not care for the good, the true and the beautiful. We all know cases of men or human societies who could if they wished, or if they were forced, devote themselves to increasing or preserving the amount of goodness or truth or beauty there is in the world; but who devote themselves exclusively to augmenting their power or their wealth or their pleasures. And experience of the factory system during the nineteenth century has proved that some human societies may devote themselves to increasing wealth at the expense of the lives of their members." Finally, he denounces capitalism because it places the economic value, which belongs to the third category, above the second, which is the value of man. "But I repeat that the fundamental reason of my scale is that when it proclaims as supreme values the good, the true and the beautiful it does include and protect man and his economic values, although it may limit in man the free expansion of what is bad in human nature—lust and pride."

Let us now see whether, in the light of the functional principle, we cannot draw nearer to the heart of our troubles. We witness subjective rights withering away before the stern necessities of functional life. The thing that must be done—function—must not be stayed, impeded or frustrated by personal interests, by ignorance nor by the traditional Liberalism of the last century. But it also follows that function must be co-ordinated, must be given organized power, must have free-

play. That means the prompt separation of all the economic functions from the confusions of non-functional politics, largely poisoned by the old conception of subjective rights. We must, in short, organize our economic life upon a functional basis, bearing always in mind, not only de Maeztu's categories, but the economic task of co-ordinating production with a sane system of distribution based on economic plenty.

FUNCTION IS DEMOCRATIC

Before proceeding further, it is imperative to face a stupendous fact not usually mentioned amongst the intelligentsia who proclaim their various panaceas. It is this: the ultimate control of functional values can only be found in the fifteen million manual and brain workers who, day in, day out, in season and out of season, keep the industrial machine going. It is so easy to suggest that by a mere turn of the hand, a touch of financial magic, or what not, we can resolve our difficulties. Sheer delusion! Function, like knowledge, is democratic and it is in the wise direction of our industrial democracy that we shall win through to economic salvation. A dangerous fallacy largely prevails to-day. It is the assumption that, because Labour, both politically and industrially, is badly led, it can be ignored. With nearly fifty years' intimate association with the Socialist and Labour Movement, I can affirm with conviction that no great economic or political revolution is possible without the assent of the rank and

file. I see it frequently stated or implied, for example, that labour need not even be consulted in giving effect to various proposals, to which so many men and women of good-will devote themselves. But the truth had better be honestly faced: in these democratic days, particularly when democratic principles are invading factory and workshop, you cannot impose these economic changes from above; you must set out to convince the millions whose lives are affected.

The logic of all this is that function, by the instrumentality of the functionaries, must govern itself and no longer be at the mercy either of the politician or the non-functional employer. Incidentally, we may note that the worst of these non-functional employers are those whose only claim to control is their financial power. I have therefore proposed in a little book, *The House of Industry*, the creation of a representative industrial authority with full powers to control and co-ordinate the whole of our industrial life—a purely functional authority. My purpose here, however, is not to argue in detail the case for the House of Industry but rather to suggest that, in approaching our economic problems with the eye of function, we are finding the true way out of chaos.

FUNCTIONAL CONTROL OF FINANCE

Since I have mentioned the financial employer, and since it is otherwise of first importance, let us begin with finance. Who can deny that the financial interests dominate both our political and industrial

life? The question we must truly answer at our peril is plainly this: is finance of the same functional value as the creation and distribution of wealth? The answer is plain: finance has no functional value apart from industry. The credit which organized finance exploits is in reality the work of men's hands and is the sequel and not the origin of wealth production. If it be the sequel, a by-product, so to speak, of industry, then it follows that finance must be controlled by industry and not the reverse, as is the case to-day. Observe how finance belongs to de Maeztu's third category and observe further how closely he comes to the kernel when he writes of societies "who devote themselves exclusively to augmenting their power or their wealth or their pleasures". Some of our money reformers, one notes, are perpetually wriggling on the horns of this dilemma. They aver that finance has wrongly usurped power; but they think the way out is to continue to let finance govern, only with a different objective. From the functional point of view this attitude is inadmissible. In no conceivable circumstances should finance govern industry and through industry our working lives. On the contrary, function affirms, all finance is a minor department in our national economy, a mere system of accountancy. When the cashier takes to dictating policy, we may as well prepare for the Bankruptcy Court.

Our functional authority would therefore make short work of the existing claims of Threadneedle Street. It would find that any system which makes

currency its main asset is contrary to sound policy, is in restraint of trade, and might reasonably be treated as a criminal conspiracy. Function would not be slow to declare that currency must always be in an agreed ratio to production, and would inaugurate a new system of currency, which must not, of course, be mistaken for a new system of finance.

In like manner, our functional authority would promptly devise the national dividend, now advocated by the Social Creditors, but for a generation an item in the Socialist programme and historically deriving from Adam Smith. But, equally on functional grounds, it would reject any claims for social credit to be issued over and above the so-called "just price".

Without labouring this point further, I hope it is clear that, in the application of the functional principle, we reach the true measure of all financial claims. There is an amazing passage in the Report of the Macmillan Committee which has been ominously ignored. "One of our most valuable sources of income, indeed one of our most important export industries, is the practice of international banking and associated services. Along with our shipping and our staple export industries this has been for a long period past one of our main sources of wealth." When we remember that over a long period of time, the Bank of England has been paying for our imports with gold, whilst our export trades and shipping were languishing, the enormity of this declaration by a body of men charged to enquire not only

into finance but into industry has surely been seldom equalled. Imagine how a properly constituted functional authority would have dealt with such an international situation.

FUNCTION AND UNEMPLOYMENT

If function points the true solution of finance and credit, it solves the problem of wages and unemployment with equal authority. Economically considered what do we demand of function? That with the least possible expenditure of labour, it shall produce enough and to spare for the whole community. This, of course, includes what we require to exchange for food and raw materials and for all our foreign commitments. Having reached the age of economic plenty, the problem becomes one of transforming it into communal plenty. Function must therefore actually increase production, but distribute the product theoretically amongst its own functionaries, which would mean in practice amongst the community. Observe, please, that the maintenance of the unemployed, rightly understood, is an economic and not a political responsibility. Therefore, every worker must be attached to his own particular function—in plain English, to his trade, craft or occupation—and so long as he is available for duty, must draw his pay—no longer a wage—whether at work or in reserve.

Again remembering that we are approaching plenty, the question becomes one of employment rather than unemployment. Function, once in the

saddle, is equal to either contingency and will itself decide how and when its labour force shall be employed or unemployed.

We cannot go back in history, even if we would; but surely our experience of insuring unemployment under political direction teaches us the futility of confusing economic functions with our political life. In any event, can we not say with perfect truth that unemployment as we know it to-day marks the moral and economic bankruptcy of capitalism? It has by its mechanic skill created leisure, a gift from the gods, and treated it as though it were a plague. A functional society would make leisure the handmaiden of culture.

It is my conviction, then, that, to clean our own doorstep, we must resolutely co-ordinate our functional forces. It is easy enough to make a fetish of function; but it is surely foolish, in an industrial country like ours, which obviously depends for its very existence upon the efficient functioning of all its parts, not to enable function to govern itself within its own recognized limits.

THE FINAL PURPOSE

Finally, let me revert to de Maeztu's first category: the final or supreme values are moral satisfaction, scientific discovery and artistic creation. That substantially is what I personally accept; but I would prefer to adopt my own vocabulary. As I see it, the withdrawal of the economic functions from political life means the complete trans-valuation of

politics. It means a new conception of citizenship. It must call into political life, not the men with financial or industrial interests, but the men who can contribute to our spiritual or cultural development. Is not education both a spiritual (of or pertaining to the spirit) and cultural task? Public health, too. The arts and sciences. And, at this moment, foreign and colonial policy. Personally, I do not doubt that a functional authority, call it the House of Industry or what you will, would easily arrange our foreign exchanges whether of goods or credit; but vastly more important, it would remove all cause for international jealousies and so all fear of war. That would enable an enlightened diplomacy to drink deep of the world's culture, and so by the exchange of vitalizing ideas enrich mankind. That is why I believe that the segregation of the economic functions means the creation of the spiritual State, in which men and women, unhampered by economic confusion and waste, can achieve their cultural destiny.

CHAPTER III

STATUS

As far into the past as the memory of man runneth, to the days of the most rudimentary forms of society, and in all civilizations, the active spirits have sought escape from *status*, from that fixed and seemingly unchangeable relation of man to man, imposed either by custom or by law. Indeed, what is statutory law if it be not the constant readaptation of *status* to new conditions? For, even though it apparently deals with rules and principles, mainly relating to property, it is a command to every individual at his peril to fit himself into the legal framework ordained by authority. The effect of this is that *status* becomes a class definition. It finds clearest expression in military peoples: becomes obligatory to the point of death in war: persists in the memory or threat of war. Even in the East, where the war mentality is largely superseded by the caste system, itself an obvious form of *status*, there have been those who dreamed of caste or *status* as a factor in the struggle for equality and fellowship.

MODERN HIERARCHIES

In our own day and generation State service is

organized on the basis of *status*. Each civil servant is meticulously classed and graded, the upper division being almost closed to the lower. All hierarchies are founded on *status*. The whole structure of the churches, more particularly the national church, is hierarchical. Without inquiring too closely into what does not concern us, we may reasonably suspect that appointments in the ecclesiastical hierarchy evoke sentiments, if not criticisms, that are not always precisely Christian.

It is, however, in our economic life that *status* is at once most visible and most virulent. For *status* is so essential to capitalist organization that any fundamental change in our spiritual or social conception of *status* would inevitably and speedily disintegrate the system and compel a new way of economic life. The truth of this is surely beyond argument. For whilst we may recognize that Capitalism makes possible a certain mobility in the transfer and change of *status*, the broad fact remains that the vast majority of the workers are condemned to wage servitude—the lowest form of *status*. It might perhaps be said that slavery ranks lower than wage servitude. Not so; for slavery has long since been proved to be uneconomic. The essential difference lies in this: that whilst the slave-owner must buy and maintain the body of the slave, the capitalist employer buys only the labour power inherent in the body of the wage-earner. If he can substitute wage labour by machine power, the wage-earner may rot, body and bones, so far as the employer, *qua* employer, is

concerned. What the employer does in his capacity as citizen or neighbour to relieve the distress caused by his action as employer is one of the paradoxes of modern civilization.

AMELIORATION WITHIN THE WAGE-SYSTEM

At this point we must carefully guard against reasoning in a vicious circle. It is true that the wage contract (and, in consequence, the wage *status*) is enforced by the economic power of the possessing classes. Therefore it would seem to follow that the only way out of wage servitude is by the progressive increase of economic power won by the wage-earner in the class struggle. This not only seems to be true, but is true. The armoury of the wage-earner in the class struggle is envisaged in trade union organization and political action. In this struggle all men and women of goodwill must surely enlist on the side of Labour. But it is equally true that the great majority of trade union and political workers are still largely dominated by an ideology that accepts the wage-system and seeks only its amelioration. We see this even in Soviet Russia, where "personalization" is now the favourite slogan, with no thought of wage abolition.

SNOBBERIES, OLD AND NEW

The reason why men of mettle throughout all history have tried to escape from *status* is found, on analysis, to be, not an objection to *status per se*, but rather to the universal misconception of the rationale

of *status*, which, even now, is built on a wrong foundation. It is evident that what men do, what the community calls upon them to do, constitutes true *status*. To that there can be no objection; on the contrary, it is essential to a well-ordered society. Doctor, scientist, mason, scavenger, tinker, tailor, soldier, sailor—all must play their part in the social orchestra. All these occupations are equally honourable and, economic conditions apart, should be of equal *status*. William Morris saw that when in *News from Nowhere* he gave his dustman the finest raiment and great social consideration. Ruskin expressed the same idea differently: whatever our job, we must do it at our peril and without regard to payment. This is poles apart from the professional and financial snobbery of modern life. We discover, in fact, that money determines *status*; that we are governed by money. A century or more ago, next to royalty, the landowner, even if impoverished, had the highest *status*; to-day he is supplanted by the banker and profiteer. Not forgetting the priest, the lawyer, the teacher, and the officer class, we find that all the social grades are determined by financial standing and not by functional usefulness. One *status*, the wage-earner's, remains unchanged. He possesses nothing but his labour. Nevertheless he remains the most valuable factor in our national life.

THE NEW BASIS: FUNCTION

From all this it would seem that *status* is not in itself a problem, but an expression of the conditions

subsisting in any given period. As the old conventions give place to new, so *status* changes. Therefore, let us reorganize our economic system and *status* can take care of itself. But wait! It is not so easy as that. Before the generality of mankind plunges into a revolution, peaceful or otherwise, we may be sure that a new and more equitable *status* must be definitely projected. And, since we reject finance as the determining factor, what principle must we accept to constitute *status* in our new order of society? The truth slipped out a few lines higher up. *Status* in the new order must grow out of functional utility. Neither money nor social standing, but loyalty to function, will mark our *status* in future society. Our present range of social grades is the *hereditas damnosa* from the libertarian age now fast fading away. Nor will *status* be forced upon us by dire necessity. *Status* will be won in equality and fellowship: will not be imposed by finance or dictatorship: will be something all can willingly seek, and not, as in the dark past, be something from which they would escape.

In this field of thought, our journey is but begun. For we cannot visualize *status* unless we grasp its relation to function. To function, be it observed, and not finance. It is to a functional society we must look for easement from economic maladjustments and present discontents. We must accordingly discuss and determine the principles of function. Should we fail in this, we may not only find ourselves upon the economic rocks but lose our spiritual significance in the Western World.

CHAPTER IV

FUNCTION

I

In considering the relation of *status* to function, we must remember a cardinal fact. All our "trades, crafts, mysteries and degrees", in which each individual, by choice, chance, or compulsion finds his *status*, must be largely transformed, some developed, others abolished, as we move from financial to functional control. The reasons for this are obvious. Finance creates its own administrative and executive machinery, not for functional reasons, as it ought, but to pay dividends and maintain capital values as expressed in stocks and shares. This prime necessity in a capitalist system dominates production and distribution. So much so, indeed, that production is frequently restricted because there is no effective demand, even though there is a natural demand equal to full production. A shipload of fish is thrown into the sea because the demand is not effective; yet the natural demand for fish in the impoverished sections of our population remains unsatisfied. The functional attitude towards this particular problem would be to satisfy the natural demand. If a functionally-organized authority, having control of its own credit,

were in power, the problem of an ample supply of food would occasion little if any difficulty. Function will be compelled to recast values, and, in the process, to transform *status*. The *status* of the technician and craftsman would rise, or at least be more secure; the *status* of our whole financial organization would fall, or at least be less regarded.

At this time of day, we must surely all be convinced that wealth is the creation of hand and brain and not of money and credit. Our economic strength, therefore, rests upon our functional capacity, in which finance must inevitably be a minor factor: must be regarded as the accountancy department, obeying the industrial policy decided by the economic authority. As things are, the banker is a *croupier* at the gaming table, with an illicit control of the gaming house. The predominance over industry of the money changers, particularly since the War, has blurred the national vision to the realities of life. So subtly has this mastery been achieved that we accept financial control, not only as inevitable, but as natural and desirable. It is a tragic delusion. Our sight—and worse, our insight—is refracted in an atmosphere of false values and glittering half-truths. Our urgent need is to learn to look at our social and economic life with the simple directness we look at mountain or stream. In this age of stupid complexities and empty conventions, the simple outlook becomes invaluable.

Let us apply this simple outlook to the Banks. The national wealth is not stored in their vaults. That

is in the bone, muscle, brain, and character of our people. The Banks possess about ten thousand premises, half of them redundant, about a quarter of a million pieces of office furniture, one hundred tons of ledgers, ten tons of slips of paper with signatures scrawled upon them. *Et voila tout!* The Bank Directors do not lunch on gold or sip the thin wine of promissory notes; their food comes from the baker, the butcher, the fruiterer. They are clothed by the tailor; they travel on train or motor, the work of the engineer. They live in houses, the work of the builder; they sleep on beds, the work of the upholsterer. Function nurses them, supplies their needs and, in due course, buries them. If, as is supposed, all these industrial processes are kept alive by the banks, then we may be sure that the country is bankrupt or suffering from some malignant disease. When the moneylender comes in at the door, solvency flies out of the window. Yet this improvident condition is regarded by the mass of the population as a sure indication of wealth and prosperity. Our standard of value is financial and not functional. There is, of course, the usual snag in such simple reasoning. The banks have become possessed of—or at least control—that vast pool of financial credit which is the work of the community; which is valueless without the co-operation of the community. A functional society could drain that pool in a single day and then create another fifty times greater. There is a world of difference between credit measured by bank values and credits based on functional values.

We need not further labour the distinction between the artificial life engendered in a community steeped in financial methods and valuations and the normal life which function predicates. Yet, whilst we all understand the language—or the jargon—of finance, how many of us understand the meaning of function? Or the profound importance of function in economic reorganization? Not only profound, but urgent; for unless we learn to eschew the false doctrines of a perverted finance and work faithfully for a new order built on a sane and functional economy, who can guarantee a stable order of society even in the next generation ?

Now, in this connection, what do we mean by function? The dictionary defines it as "activity proper to anything, mode of action by which it fulfils its purpose". It has, of course, certain minor ceremonial meanings. For our immediate purpose, it is the activity, the mode of action, best calculated to do our national work. This means, or otherwise it is meaningless, that nothing must stand in the way, impede or frustrate the activities that fulfil our national purpose. By inference, that the minor interests, finance or profiteering, must be put in their appropriate grades, must serve function and not dominate it. As the argument proceeds, we shall probably read into function a meaning and significance undreamt of in the philosophy of the *Oxford Dictionary*; but taking the definition at its face value, it is to be noted that function is a thing and not a person; is a process of creation or achievement.

Viewed in this light, it takes precedence over any individual. A.B. cannot stand aside and say: "This does not suit me; I'll do it differently". He will find himself under the *force majeure* of something vastly greater than himself.

We are here confronted with what de Mæztu calls "the primacy of things". At the first glance, this seems a harsh doctrine. But, if we reflect, we instantly remember that all—or nearly all—our loyalties are to things and not to persons. The Christian is loyal to his church, which is a thing, the loyalist to the throne, which is a thing, the politician to his doctrines, which are abstract things, the worker to his trade union, which is a thing, even the footballer, the cricketer, the tennis player are loyal to their clubs, which are things, or to their games, which also are things. If then we see in function a saving principle, an activity to gain our ends, why deny our loyalty? In reality, of course, the principle wins our intellectual assent, whilst our loyalty goes to the groups or associations whose *raison d'être* derives from the function.

To the question whether this is some new principle, the answer is that it is as old as organized religion and certainly as old as the mediæval guilds. From the beginning, the priest has declared his loyalty to the Church, whose function was to save or cure souls. The power of salvation rested upon the inspiration, the authority or sanction of the Church: the priest was the functionary who served the function. At whatever cost—death, exile, torture, im-

prisonment—the supreme function of the Church must be served. That is certainly the functional spirit. The guilds come nearer to our purpose. They were unquestionably functional bodies. Each guild was attached to some particular function—masons, carpenters, smiths, armourers, staplers, bootmakers, tailors. Their function was their foundation; they existed so long as they were loyal; they gradually shrank and finally dissolved because they followed and served other gods. The political and financial distractions of the period destroyed too many of them and so left the loyal remainder helpless. It would be foolish to draw any close resemblance between the guilds of yesterday and any functional society to-day. The guilds took their guidance and colour from the philosophy, sentiments and circumstances of their own times. They had masters, journeymen and apprentices. If they were concerned with quality, they were equally concerned with profits. Nor were they united; on the contrary they competed with each other and were not above intrigues to destroy or absorb each other. They were guildsmen but not guileless. Nevertheless, the spirit of functional loyalty, of honest craftsmenship, of sturdy self-respect, survived them. It became a tradition which persisted well into the first half of the nineteenth century. And that tradition was in part revived by the craft unions.

Whilst it was inevitable that, in an industrial country like Great Britain, function should express and sometimes assert itself—generally through the

trade unions or professional associations—it was certain that the advent of finance-capital would render it impotent. This was done partly by the sheer weight of associated finance and credit and partly by strictly maintaining the higher *status* of the technicians over the lower *status* of the wage-earners. But the wheel has gone full circle. We now witness the extraordinary phenomenon of the professional technicians demanding dominance and control over every industrial process. A technocracy; an exchange of King Log for King Stork. The mass of the workers, themselves technicians and craftsmen, would certainly have something to say about the *status* of these industrial aspirants.

The real difficulty we encounter in urging the functional principle is that the word "function" repels. It has a cold, scientific air. Yet it was in frequent use in Elizabethan days. Coriolanus, we may remember, pushes away the cook and shouts:

> Follow your function, go
> And batten on cold bits.

A warmer word might more speedily win allegiance. Perhaps the *mot juste* will come some day in a flash of inspiration. Meantime, we must examine function's scale of values and plan our functional society.

II

FUNCTION IN THE FLESH

Our difficulty in dealing with an abstract idea, like

function, is to clothe it with flesh and blood. When we see it permeating the community as an active principle we can understand it better. Let us then see function in the person of John Smith. He is a decent member of society, tolerant, without political bias. He is a competent man at his job; he wants things well done; he resents slacking or carelessness. Above all, he is irritated by the restraints of those unseen forces that frequently prevent him from working, when he knows that the things he makes are not only useful but wanted. He reasons with himself or with his mates that there is something seriously wrong when the market is glutted at a moment when the community is in need of the glutted commodities. You cannot convince him that production is for profit and not primarily for use. You cannot convince him that there are "subjective rights" which must be honoured before he is allowed to make what the public needs. Being peaceful and law-abiding, he accepts the situation; nevertheless, he is not convinced. "There's something wrong somewhere," he says to himself or his mates. And being themselves practical men they say, "Hear! Hear!" At this stage, John Smith personifies frustrated function.

Next, let us suppose that the powers-that-be say to John Smith: "We now realize that the old system is hopelessly wrong; subjective rights must yield to the prime necessity of creating and distributing wealth, and since you are the only man who can do it, go to it." John Smith has received a mandate on

behalf of function. He is authorized to sweep from his path all the obstacles that prevent the efficient discharge of function. Finance, profiteering, dividend-mongering, sinecures, family rights and influences—all must obey. They will not be unfairly treated—there's enough for all—but function, once on its way, knows neither Jew nor Gentile, rich nor poor, bond nor free.

Having received its mandate, function must proceed to organize itself for the great adventure. But how and to what end?

The organization of all the functional elements would not, need not, prove intolerably difficult. There must be a close combination of the trade unions and the professional associations. At a pinch, the trade unions could do without their professional brothers; but that would be a monstrous waste of good human material. Here, no doubt, endless questions of *status* would arise, with *amour-propre* occasionally raising its sickly countenance in pained protest to the ribald gods.

The functional *personnel* being now in operative formation, the stern question, "to what end?" must be answered. Assuredly not to continue capitalist production. That is already discredited; a new departure is imperative. It is patent that a new scale of human and economic values must be charted; nothing less than a new orientation of economic policy would satisfy us.

Let me then, at the risk of damnable iteration, repeat the scale of values quoted in a previous chapter.

(i) The final or supreme values are moral satisfaction, scientific discovery and artistic creation.

(ii) The instrumental value *par excellence* is man and his associations and institutions.

(iii) The instrumental values for the instrument man are those which may be called by the name of economic values: power, wealth, pleasure, etc.

With all possible emphasis, I assert that this is the only scale of values conceivable in a civilized society. The only alternatives, in greater or less degree, is the philosophy of the pig-trough. If only the two generations that knew Carlyle, Ruskin and William Morris had listened and understood! And so, as is the way of history, we return to our prophets, but with added experience, increased knowledge; with a new vision and a new psychology. And with our post-war achievement—the conquest of economic scarcity.

The question "to what end?" is now in a fair way to be answered. Imagine the functional authority confronted with this scale of values. What would be their response? They would probably start from the bottom and work upwards. They would say that, so far as the instrumental values were concerned, these came under their jurisdiction; that they could supply the community with all the material things envisaged in the third category, twice or three times as much to secure an ample exchange for imported goods and for the enrichment of the world. Incidentally they might remark that if other countries exchanged their goods on the same basis, war would finally disappear.

In regard to the second category—man and his associations—that would require some caution in answering. So far as man is of strictly instrumental value and his associations purely functional, they could safely undertake that all through his working days, in health and sickness, in old age, no worker need fear material distress. The functional associations would, in the first instance, be his protection; but the associations would be supported by the entire credit of the economic authority. But, in so far as man to be perfect must needs be cultured, those responsible for the first category must supply the cultural food.

As for the final or supreme values, these must be the care of the political and cultural authorities. In short, for the general body of mankind in their capacity as citizens.

The House of Industry, thus put to the test, discovers that its rôle is confined to the economic sphere. In its blunt way, it says to the citizen authority that, just as the economic values have been transformed beyond recognition, so too must the political and cultural bodies induce a change of heart and move with a faith, truly the substance of things hoped for, towards a cultural or spiritual life.

And that brings us to the more concrete and immediate problems of function.

III

THE MEANING OF SPIRITUAL

No functional society can institute itself. It must

have legal sanction, and therefore must be constituted by Parliament. This is not only a legal truism; it instantly touches the deeper issues of human society. Why must our functional organization depend upon Parliament for its legal existence? Because the means, however vitally important, are secondary to the end. Our economic organization is not an end in itself; it is a means to an end. To what end? A cultured citizenship, to be ultimately expressed by the House of Commons. The Bible has long since distinguished between bread and the word of God. However shadowy may be the theology, even the religious habits, built on that aphorism, the truth of it is that the material things, including their production and distribution, are and must always be subsidiary to the affairs of the spirit. If this be not so, why then should men of spirit fash themselves making more efficient an already efficient nursery for vulgarians?

Since the word "spiritual" must frequently creep into all discussions wherein the functional life is brought into contrast with the political, this seems the moment to make my meaning clear. I happen to have had some share in saving the word from its former purely Christian connotation. General Booth once asked: "Why should the Devil have all the best tunes?" We may also ask: "Why should the Church have all the best words?" More than twenty years ago, I deliberately and habitually used this beautiful word in its secular sense. For example:

> My dictionary in part yields the definition I seek: "of or pertaining to the intellectual and higher endowments of the mind". Yet I would add to that. The pure intelligence does not suffice; it must be fused with those emotional faculties that flower from the stems of faith and conscience. It is in the fusion or interplay of those qualities that a certain temper of mind is struck, which, given ample room in the body politic, is precious to the community . . .
>
> It is my belief that a civilized people, unless its finer purposes are to be thwarted at every turn, must not only provide the means for the expression of its spiritual impulses, but endow them with the only sovereignty worth considering—the sovereignty of mind over matter, the enthronement of reason. It is by some such logic that I declare, without hesitation, for the sovereignty of the State, the spiritual State. For upon what is sovereignty based if not upon authority? And how, amidst the clash of the social forces, can authority survive, unless it be the final court of appeal in the sphere of reason? . . . The spiritual State is not the emanation of a dream; it is the pre-requisite to social reorganization. For if, on the Guild hypothesis, the economic functions are assigned to the National Guilds, it follows that the State must either secure allegiance to its spiritual *status* or lapse into desuetude: must be the expression of citizenship on a higher plane, or citizenship will lose itself in the distractions of wealth production, the spiritual heritage of the centuries lost for ever in the triumph of the material forces.

So much, then, for the modern meaning of the word "spiritual"—"of or pertaining to the intellec-

tual and higher endowments of the mind". The picture, however, is incomplete unless we realize the practical effects upon life of the spiritual State economically supported by a functional organization. Again, unblushingly, I quote myself:—

> The reactions of the spiritual State upon the life of the community are of immense speculative interest. Assuming the release of the political activities from economic entanglements, that, subject to public policy, State affairs can be arranged on a basis of pure reason, is not the way opened to new conceptions of communal and private life? Shall we not then discover new canons and principles in our relations to each other? Can we not predict with confidence that the habit of reason will induce refinements of thought and conduct? It is, of course, unthinkable that any nation, the British least of all, can maintain a State organization, set free to judge great issues on their merits, without vitally affecting the economic life of the Guilds. The man who in his capacity of citizen is trained to decide on the intrinsic right or wrong of a public question is the same man who, as a Guildsman, must, according to his function, decide industrial policy with its inevitable economic effects. Even though he decide these dual problems on different assumptions, he retains but one habit of mind. The one brain reaches a political or an industrial decision: reaches each decision in a different atmosphere and in different association: is one man with one brain functioning in politics or in the Guilds. He is not two, but one. Why, then, it may be asked, these fine distinctions between the political and economic activities, why all this elaboration of the spiritual State?

I answer that I am not predicating an immediate or even an ultimate reign of reason. Life is too difficult and complex. But the very complexities that surround us at every turn compel us to seek some method of systematizing our problems: urgently demand the appropriate *media* in which we shall express our wills and aspirations. Above all, that we must ever distinguish between the economic means and the spiritual ends.

> Means and ends necessarily react upon each other, even though they are in different categories of thought and action. The tragedy of modern life is that the great mass of mankind is preoccupied with the means of life and not with its purpose.

There is, in this connection, a point of view not to be ignored. It might be termed the idealization of the real. It assumes that we find our spiritual satisfaction, the kindling of the imagination and the intellectual life, in the work we do. Kipling was its prophet:—

> For still the Lord is Lord of might:
> In deeds, in deeds, he takes delight;
> The plough, the spear, the laden barks,
> The field, the founded city marks.

This, of course, is materialism alluringly depicted. We should, indeed, do injustice to the practical genius of the British race not to recognize that a people that has girdled the globe with material marvels, with a literature and a jurisprudence grown out of these achievements, is a people instinct with faith and spiritual power. But it is precisely because of these qualities that we must beware. Preoccupation with

work of such magnitude may—and does—fill our minds, blunting and blurring those apperceptions which are the real source of the spiritual life. If, during the last half-century, we had had a reasonably sane economy upon which to base our life and in the political sphere had developed a spiritually minded community, what blunders we would have avoided, from what monstrous calamities we had been saved! It is only in the spiritual co-ordination of our national and international life that economic growths, now desperately struggling for a futile dominance, can be brought to a true sense of service.

We can now perhaps see a future functional society *vis-à-vis* the spiritual State. Our immediate problem, therefore, is to set about getting it, first by planning it, and then, by political pressure, to bring it into being.

Strange though it may seem to men of formal mind, it is an historic fact that, throughout our constitutional history, we have always had a functional authority. The House of Lords. If we look beneath the surface, disregarding political *clichés*, it is certain that the Lords, down to recent days, have been predominantly the defenders of property, first of land, then of banking, next of industry. Whatever our political predilections, we must recognize that activities in relation to property, particularly banking and industry, are essentially functional. In the days when we were mainly an agricultural country, the House of Lords was mainly composed of landowners and agriculturists. A few lawyers and bishops were

thrown in; but as they were invariably "sound on the goose", their presence supplied an intellectual screen to cover a mass of ignorance and prejudice. Did not a former archbishop, only thirty years ago, defend the importation of Chinese labour into South Africa as "a regrettable necessity"? The lawyers, too, have not been slow carefully to guard property rights in new legislation.

It is significant that attacks upon the House of Lords have almost invariably been based on political and not economic grounds. It has been interference with political measures that has caused political storms. Almost unconsciously great masses of voters have said to the Lords: "You stick to your job; leave politics alone". In a blind and blundering way the House of Lords has been our economic chamber.

Its economic rôle has, in recent years, largely been superseded by more powerful industrial and financial bodies—trusts, combines, professional, industrial, and commercial associations and the like. But the Lords are still on guard, to restrain, delay, modify or defeat dangerous measures. The growing impotence of the House of Lords has already alarmed its friends, who would strengthen its influence by a large accession of new blood. Lord Lymington, for example, who is not without considerable support. He would reduce the hereditary members to one hundred, selected by themselves. Then, in addition to the lawyers, the medical profession. Next the educational leaders. And so to business. Twenty financiers, including the Governor of the Bank of England, the

five chairmen of the Big Five, representatives from the industrial trusts, the Stock Exchange, and the insurance companies. Next, the great captains of industry, but double the numbers of the financiers. All these to be chosen by their own groups and associations. Finally the Labour elements, chosen by the trade unions, to be double the number of industrial magnates; but, of course, in a hopeless minority in the House as a whole. In vain is that net spread before the Labour birds.

We note two facts. First, the significance of this proposal, coming from a High Tory. And, secondly, the blindness of conventional politicians to the essential truth that function knows neither class nor privilege: is as democratic as knowledge itself.

Assuming the necessity for a functional authority, does not Fate point its finger to a complete transformation of this obsolete and at best quasi-functional body into a definitely democratic House of Industry?

IV

THE NEW EQUALITY

That there is a sound philosophic basis for the functional conception of national life is now evident. To give it concrete shape is not easy.

When we start to plan out our organization, we are at once compelled to decide on what working principle to proceed. There are many who think that, since technical efficiency and skill are the flower and

fruit of function, the best way is to establish some kind of technocracy—industrial government by technicians. On reflection, we discover that technical knowledge, skill or experience is by no means confined to the *intelligentsia*. On the contrary, skill, invention, ingenuity, knowledge and experience are widely diffused throughout the whole working population. The theorists of Great George Street are helpless without expert craftsmanship in the shops. The same truth applies to scientific research. If you doubt it, inquire at the National Physical Laboratory. Moreover, we cannot appraise functional standing in terms of percentage or degrees. Functional skill, yesterday valueless, is found invaluable to-day.

Since we cannot with equity grade our functional workers, except for efficiency and convenience, plainly we must proceed on lines of equality. For special work perhaps special consideration; but, fundamentally, equality. In short, economic democracy. We suffer to-day from a wrong conception of democracy. We assume that it has proved a failure in politics, and therefore is fast becoming obsolete. In reality, however, the failure of democracy in politics—so far as it is demonstrably a failure—can be traced to the intrusion of economic problems into the alien sphere of politics, thereby creating mutual impotence. The solution is found, not in the negation of democracy, but in its wise extension into our economic life. Not less, but more; the cure for democracy is more democracy. It grew out of

Christianity; it will flourish, to our enrichment, in function. But we must keep steadily in view the larger meaning of democracy, not confusing the basic principle with existing methods. Democracy means government by assent, with the requisite organization to secure and protect that assent. Democratic ends can be secured by other means than counting noses at occasional elections. Democracy may indeed defeat itself by sheer clumsiness in insisting upon primitive methods of election, in circumstances obviously requiring a more developed, more sophisticated, form. Thus, a functional group may be swamped by a mass vote of other and larger groups when it is of vital consequence that this particular group should, through its elected representative, speak in any functional assembly. Democracy is, in fact, best served in its functional organization by recognizing groups as units, providing the groups, in their turn, choose their representatives by democratic methods.

We can now resume at the point where we discovered that the House of Lords, having been throughout our constitutional history, in essence, though not in form, a functional Chamber, had been superseded by trusts, combines, and professional associations, and that, in consequence, the time had come to transform it into a House of Industry. It is not essential to functional theory that this particular constitutional change should be enacted; but it is probable that the practical genius of the British people, instinctively obedient to historic continuity,

will, sooner or later, restrict the House of Commons to political work and its second Chamber to exclusively functional work. Further, that when the two clash, the final word must rest with the Commons. Whether as a substitute for the House of Lords or with a new identity, it is certain that, to save our skins, we must without delay create a representative economic authority.

If now we can distinguish in our own minds between the political and economic, can theoretically disentangle the work of politics, with its primary spiritual purpose, from the work of the functional Chamber, with its strictly economic mandate; if, further, we are clear that the democratic principle must, in spirit if not in present form, be the basis of organization, then little more remains but to sketch the elevation and leave the interior arrangements to the experts.

In recent years, there have been several attempts to organize an industrial Parliament or National Economic Council or Economic General Staff—all three have had their currency; but they have always, consciously or unconsciously, been preoccupied with some practical *concordat* between employers and employed. The wage-system has always been present in the minds of those concerned: has always poisoned their discussions, rendering their decisions futile.

Do we not now realize that there can be no economic planning, no consistency in industrial progress, until Labour has been called into council on terms of equality and not with wage *stigmata* on its

brain and hands? In the meantime, Parliament is gradually losing control over the large industrial interests without constituting a corresponding economic authority. This has not escaped the eyes of the more astute trade union leaders. A. A. Purcell and A. M. Wall, for example. They write in their Foreword to *The House of Industry:*

> We frankly admit that in our discussion of the idea of a Parliament of Industry, or National Economic Council, Parliamentary ideology has confused its advocates and influenced their vocabulary. Control of industry, the planning, co-ordination, and regulation of economic affairs, cannot be dealt with even by analogy on Parliamentary lines. . . . It is still true to say that, in the minds of many trade unionists, the project of setting up anything in the nature of an Industrial Council or Parliament of Industry is linked up with the problem of relationship between employers and workers. . . . Yet with so little wisdom and foresight do the politicians manage their own affairs, including the defence of Parliamentary institutions, that they are actively engaged at this moment (1931) in legislating away their control over industry. We need only instance the creation of the Electricity Commission and the proposed new authority for the passenger transport system of London as illustrations of this tendency on the part of Parliament to give away its control of economic affairs. These new bodies are the illegitimate children of Parliamentary Socialism, which bears so little resemblance to Socialism as almost to deserve the name of State Capitalism. Almost, but not quite: for real State Capitalism would not tolerate the emergence of

independent concerns, free from all control, answerable to no Minister and therefore not answerable to Parliament in matters of policy and administration.

These experienced men recognize that the House of Industry is the way out of existing confusions:

Parliament is alternately engaged in asserting its supremacy over these independent bodies which have acquired power to decide the course of industrial evolution, and in creating new independent bodies invested with extraordinary authority to be exercised without reference to Parliament at all. This contradiction is inherent in the present system of parliamentary government, with its two party confrontation and its amateurish economic and industrial experience. And the House of Industry alone is capable of straightening out this conflict of tendency. It will maintain the supremacy of Parliament, when Parliament is reformed, by the transformation of the House of Lords into a second chamber charged with responsibility for economic planning and the co-ordination and regulation of industry; it will bring under a properly constituted authority the various organs of economic governance and foster their development in harmony with a clear-cut and coherent policy of economic and industrial reorganization; it will assign to each of them its place in the general scheme; and it will relieve the political parties of their jealous suspicions of anything and everything which encroaches upon the sovereignty of Parliament and the integrity of Government resting upon the people's will.

These views are doubtless in advance of the Labour politicians or the rank and file; they are

nevertheless significant and important. But the Left has no monopoly of the creed that Parliament as now constituted cannot control economic developments or guard against existing dangers and urgencies. Mr. Harold Macmillan, M.P., is of the Right. He too has been interesting himself in this category of problems. From his book *Reconstruction* I quote:

> Production cannot be planned in relation to estimated demand while industries are organized on competitive lines. *In present circumstances* [the italics are his] there are *no channels through which any economic policy at all can be effectively administered throughout the field of productive effort.* It is for this reason that I regard it as a matter of primary importance to produce an orderly structure in each of our national industries amenable to the authority of a representative directorate conducting the industries as self-governing units in accordance with the circumstances of the modern world.

Mr. Macmillan has been driven to this declaration by fear of economic disruption. He sees economic nationalism destroying the balance of the previous international economy.

> Nations changed from being merely political and cultural entities; and economic nationalism became the dominating influence in their councils. . . . Prices break under the strain of the fierce necessity to keep the machines running and unload their output on the market. Costs of production are cut to a minimum. The more backward nations with a lower standard of life undercut the more highly developed. The machines which enabled

man to conquer scarcity now threaten to plunge him deeper and deeper into poverty.

To some of us this appears to be the *reductio ad absurdum* of Capitalism. Not so Mr. Macmillan. As we shall see, he borrows the clothes of function to revive the old system. A new façade to a decaying institution.

V

QUEEN VICTORIA IS DEAD

We left Mr. Harold Macmillan, M.P., disturbed, if not distressed, by the shrinkage and disorganization of our trade. He does not realize that, even though the patient may have bright intervals, the present economic system is suffering from creeping paralysis. Broadly stated, he proposes for each industry or group of industries a National Industrial Council, "to encourage and assist the efficient coordination of purchasing, production, marketing, and research; on lines that would enable each industry to evolve towards the highest possible unity of policy and the necessary degree of centralization of control". Secondly, he advocates an Investment and Development Board, to be composed of representatives from the Tariff Advisory Committee, the National Industrial Councils, and the Bankers' Industrial Development Trust *with powers and functions enlarged*. He thus offers his public a book on "Reconstruction", which, on examination, is found to be a purely commercial reorganization. He writes of a

"representative" National Council; it is only representative of the commercial elements. At a moment when we are suffering from a bloated finance which dominates and bids fair to destroy us, he proposes to enlarge its powers and functions. The vast working class, itself a depository of function, is excluded from these Councils. Mr. Macmillan separates the sheep from the goats. He proposes a parallel alignment. "At every point from the workshop or factory to the National Council there would be a body representing the management and a body representing the workers." The connection between the two bodies, short of some polite discussions on policy, would be wage negotiations. Mr. Macmillan lines up the forces for an accentuated class struggle.

CAUGHT UP IN THE WAGE SYSTEM

His proposal is a striking instance of calculated simplicity. It is done so considerately, so sympathetically. He must be a friendly sort of man. But . . .

> In the event of labour and management in any industry failing to reach agreement, the dispute would be submitted to the Economic Council (upon which Labour is excluded) for inquiry and recommendations. Until this inquiry has been held and the Economic Council's recommendations published, no interruption of employment would be permitted either by the declaration of strike or lock-out.

Try how he may, Mr. Macmillan cannot escape from the wage system:

The wages of any section of workers must not be allowed to fall in such a way as to injure market stability, nor must they be allowed to rise so high as to inflict injury on the standard of life of other sections of workers, as consumers. It is not suggested that wages can or should be equal in all industries, but it is suggested that a system of wage negotiation should be devised which will enable us to ensure that they are equitable.

Here is the commodity valuation of labour, stark naked and unashamed. Mr. Macmillan, in the guise of a friendly observer, carries the competitive price of labour a step further. There is to be competition, not only with the commercial market, but with the other labour elements. The wage rate in one industry must, to some extent, determine the wage rates in others. Mr. Macmillan need not be alarmed. Wages are based on subsistence, plus certain additions that accrue by reason of skill or organization. He provides for a subsistence rate, slightly modified to ensure a minimum purchasing power; otherwise, no change.

The general conclusions reached by Mr. Macmillan are not disappointing, because they are precisely what we would expect. They are, of course, significant. They are the views and proposals that now come, in various forms, from a younger school of Toryism, having a reputation for intelligent sympathy with labour. In reality, what they want is the continuance of the existing financial, non-functional, system. They know they cannot secure this unless they can keep labour in bondage with less irksome

chains. They are, in fact, *en garde*. Mr. Macmillan again:

> The world is equipped to produce more than the world markets will absorb. This statement is a self-evident truth. But there are two observations which have to be made. In the first place, it is an economically ridiculous and a politically dangerous state of affairs. It is ridiculous because millions of people are enduring poverty and hardship as an apparent consequence of potential plenty. It is dangerous because an intelligent populace will not suffer permanently under so painful a paradox. The danger is not that they will destroy merely the system which creates poverty amidst plenty, but that they will be driven in desperation to destroy much that is valuable as well. Until we take action to deal with the economic evil the political danger will exist. We are to-day preparing the ground for violence. We are feeding fanatical revolutionary movements with the material they require.

THE VICTORIAN CONCEPTION

It apparently does not occur to Mr. Macmillan that, if the material were not there, there would be no revolutionists, reasonable or fanatic. The question is how far can he stem the revolutionary flow by buttressing our present commercial system and extending the powers and functions of finance? He sees life in the light of commerce and not economy, of well-founded finance, and with no conception of function. In the world struggle between function which liberates and finance which enslaves, he is definitely on the side of finance. The conquest

of finance by function is, to him, an affrighting revolution. It is to commerce and finance he assigns the management of industry; labour is an intractable factor calling for special treatment outside the framework of management. Parallel, if you like; but emphatically outside the manager's room. Apart from its internal purchasing power, labour—the source of function—is an unmitigated nuisance. Beyond that minimum purchasing power—labour's modest charge upon production and distribution—commerce and finance are divinely ordained to pouch the plunder.

This Victorian conception of our national economy assumes that commerce and finance are functionally of such supreme value that, between them, they are entitled to manage our economic affairs. Indeed, it would be nearer the truth to affirm that functional value is unknown to its philosophy. What counts is not service but possession; service is the handmaid to possession. But when function looks at our merchants and financiers, it shrugs its shoulders and declares that, functionally considered, the buying and selling of goods is of low *status*, whilst bankers cannot be rated higher than cashiers or accountants. As for the dividends earned by commercial methods, function simply asks what functional value do they bring to the common fund. Mr. Macmillan has assumed far too much. He assumes that reconstruction comes through the counting house: that whatever changes may come in our industrial structure are "to assist the efficient co-ordination of

purchasing, production, marketing and research": that a commercial ideology must prevail. This carries us further from, and not nearer to, a new society, with its vision of all our functional units co-ordinated to produce and distribute wealth on lines of natural and not "effective" demand; a society easily capable of issuing and accepting credits in recognized *ratio* to production, of which distribution is an integral part. A new society alert to the larger cultural possibilities in politics, after function takes control of our economic organization.

With this sharp contrast between the Libertarian and Functional schools of thought, we draw to our conclusion. The argument may be briefly summarized:

(i) We have passed through both an Authoritarian and Libertarian period; we have reached the age of Function.

(ii) Function is the activity or mode of action by which a people fulfils its purpose. By hypothesis, the purpose is, by economic development unrestricted by subjective rights, to establish State and individual upon a sound economic foundation.

(iii) This purpose takes priority over all subjective rights. The function is greater than the person, demanding loyalty from the person.

(iv) Function is here limited to the economic sphere.

(v) The citizen in his political capacity can and must ultimately direct economic policy; but its execution must be functional.

(vi) To that end, a functional or economic authority must be constituted. It is suggested as politically desirable that the present House of Lords be superseded by an economic authority which might be known as the House of Industry.

(vii) This House of Industry must be composed of members democratically elected by the organized industries. Every member must have a functional qualification.

(viii) The economic authority must, in all its ramifications, be finally responsible for the maintenance, in health, illness, or old age, of every worker.

(ix) Functional organization involves the abolition of the wage system. Every worker goes on permanent pay.

(x) Functional control implies workers' control. The worker is the instrument of function.

(xi) Efficiency is secured by the recognition of groups, having functional value and definite identity. Representation derives from groups.

With such a synopsis, our Macmillans may see red revolution and the breaking up of laws. In reality, however, function is already upon us, nascent, not consciously organized, blindly asserting its power, frequently to our undoing. We must now give it formal recognition and finally establish it as the dominant principle in the economic sphere. Function thus formulated can systematically work out its own scale of values and urgencies.

To achieve this purpose is a stupendous task; the burden cast upon our post-war generation and call-

ing for enthusiasm and sacrifice. Above all, for faith. As we proceed, we shall witness the gradual cleansing of the political system and the preparation for its supreme mission of cultural development and spiritual enlightenment.

CHAPTER V

TAXATION

I

THE GROUP OR THE PERSON

The relations between the sovereign State and its individual citizens are largely, but not entirely, governed by the common law and by taxation. Our rights as citizens must continue to be defined by common law (which recognizes habits and customs), but as we achieve the functional organization of society it needs little or no imagination to foresee fundamental changes in Chancery law and notably in taxation. Function would certainly prove abortive unless it comes prepared with a new scheme of taxation. Since, by hypothesis, the function, in the economic sphere, is greater than the individual, so it must follow that the State must look to function to supply its needs. On this principle, personal taxation tends to diminish, perhaps ultimately to disappear, the burden of taxation falling upon the functional or economic authority. The method of "the precept", which the educational authorities formerly presented to the local councils, must be re-adopted and re-adapted by the State in its dealings with the economic authority. Budgetary requirements having

been decided by the House of Commons, a precept will be issued by the Chancellor directly upon the Economic Authority or upon the several functional bodies, whichever policy may decide or convenience dictate.

As the average man, sometimes with restricted vision but generally with sound sense, likes to know what his personal liability, in tax or rates, is likely to be when new policies are adumbrated, it is incumbent upon all the advocates of far-reaching changes frankly to face the cost as expressed in taxation. I have noticed, not without amusement, that many replanning proposals conveniently omit any reference to the national exchequer. We are apt, too, to forget that taxation is closely bound up with our political history. Let us then refresh our memories.

THE PRINCIPLES OF MODERN TAXATION

The crucial moment in the development of taxation was, of course, the struggle and final triumph of the principle that there shall be no taxation without representation. Pym, Hampden, and the others settled that issue. The principles of modern taxation we owe to Adam Smith, with variations from Bentham and Mill. Smith elaborated four classic maxims. Shortly put they were:

(1) The subjects of a State ought to contribute towards the support of the Government in proportion to their respective abilities.

(2) Taxes should be certain and not arbitrary.

(3) Taxes should be levied at the time it is most convenient for the contributor to pay them.

(4) A tax must be so paid as to take out and keep out of the payers' pockets the least possible amount over the net return to the Treasury. In other words, a tax that costs too much to collect is a bad tax. This is obviously the exact opposite to the Chinese "squeeze"; but it was really directed against the farming of taxes.

We must not delve into the unending controversy upon direct and indirect taxation. Those who are interested will find it in Mill. Adam Smith's maxims were generally accepted down to 1914, when the war left *bouleversé* all our preconceived principles and predilections.

From the Victorian period two facts emerged. First, that taxation was based on the individual; but, secondly, however much in theory the State considered the individual as the unit of taxation, aiming at personal equity, the practical best to be attained was by taxing *classes* in the aggregate. The problem was to determine what kind of tax presses least hardly on the different classes known to society (the wage-earner having little or no *status* in this connection) whilst in the case of a tax or impost laid impartially on all, the burden was eased by graduation, abatement, proportionate percentage, or some other equitable adjustment. Gladstone, for example, in renewing the income tax, in 1860, exempted all incomes below £100 (thereby excluding the vast majority of the wage-earners) and taxed higher incomes on the

excess above £60. Bentham first suggested that we should leave untaxed a minimum income sufficient to provide the necessaries of life. Mill, in a famous passage, admitted that these taxes which theoretically violated the maxim of equality were none the less justly imposed. The point to be noted is that classes and not individuals tended more and more to become the units of assessment.

CAN TENDENTIOUS TAXATION BE DEFENDED?

Whilst theoretically the sole *raison d'être* of taxation is to supply the State with money, it has been frequently used to serve political or moral purposes. Thus our whole system of excise is not only to find money for the Exchequer, but also to limit the consumption of alcohol. When we drink, we pay more to the Exchequer than we do to the brewer or distiller. Personally that leaves me cold; but when tobacco comes into the same pernicious category, I will, when I find time and opportunity, lead an insurrection. More definitely political is taxation on land, which may and does vary according to current political reactions. It may be doubted whether tendentious taxation can ever be defended. The temptation is ever present. Thus, in socialist circles, one hears the threat "to tax so and so or this and that out of existence". Is it honest politics, for example, legally to permit an economic system that yields large salaries or dividends and then apply punitive taxation? Is this not giving with one hand and taking with the other? Can it be defended either in morals

or policy? The fact is that this tendency in politics is the illegitimate child of Radicalism and State Socialism. It certainly indicates the intellectual bankruptcy of both. If large incomes are legally to be permitted, the system that produces large incomes has equal sanction. If, however, large incomes are to be the object of definite bias in taxation, then the economic system cannot be defended. The argument seems to run that, whilst the State cannot directly intervene in industry, it can mark its approval or disapproval by discrimination in taxation. This is obviously a departure from the fiscal canons to which we have adhered for a century or more. The answer of any functional authority would be that it can arrange salaries and incomes on an equitable basis and will the Treasury kindly attend to its own business? The plain duty of any Socialist Government would, therefore, be to provide the constitutional machinery for a functional economy and not to worry and irritate by tendentious taxation, which can only be defined as "willing to wound, but yet afraid to strike."

We must not, however, interpret our fiscal canons too absolutely. The taxation of industry, for example, calls for treatment fundamentally different from land and rent. I cannot, as yet, picture to myself any functional organization that controls all our land and, therefore, controls rent. Agriculture is obviously functional; but ground rents in our big cities are a different problem, essentially political and only economic in a secondary sense. Leasehold rents, for

example, might easily be drowned in a flood of monetary inflation. If large rent payments remain outside the jurisdiction of the economic authority, they can only be dealt with as a political problem. There is the case of unoccupied land or houses evading rates yet deliberately being held for a rise. There are, in fact, dozens of borderline cases, not definitely functional and yet of real social consequence. There is a body of literature and propaganda, largely the creation of Henry George, which looks to taxation to accomplish its purpose. If Parliament creates a functional authority, endowing it with full economic rights, I am certainly not such a rigid doctrinaire as to insist upon the sanctity of fiscal canons, now a century old, in their application to the new conditions. On the contrary, no case against tendentious taxation could then be sustained.

Taxation clearly brings State and Function into sharp contrast. Just as it became necessary to regard classes, rather than individuals, as the units of assessment, perhaps we can now see these propertied classes disappearing and functional units taking their place in the affection of the Chancellor of the Exchequer. But we have only forged the first link in a long chain of causation. We shall discover that, whilst the Treasury has much to tax outside function, the great bulk of taxation must inevitably be found by the economic authority. That in its turn means taxation at the source of production. For it is conceivable—and indeed probable—that all capital charges will enter into cost accordingly so that there

may be no surplus to tax. Function will not know its business if it does not reduce existing share prices to their true value. The Stock Exchange will find life depressing, but not dull. If this be so, then a considerable section of overhead charges will either be wiped out or their equivalent absorbed into a higher and more general standard of life.

Our next task is to picture the new methods of State maintenance in a functional society.

II

THE STATE IS THE FIRST CHARGE

The upkeep and general maintenance of a State that has had the wisdom and prudence to separate its economic functions from its political life must inevitably lead to greatly increased expenditure, not balanced by the decrease in armaments. Our cultural activities must expand beyond all knowledge. If our existing Budget is, say, £750,000,000, we must prepare for at least £1,000,000,000 in the new dispensation. I make allowance for the stupendous burden of debt interest and sinking fund and even then have no fear of vast expenditure on education, science, art, housing, replanning, transport, and a thousand other things. Still, I may be wrong. Our Budget, 1913–1914, was only £163,000,000, compared with £784,000,000 in 1918–1919, the last year of the War. Never mind! Whatever the amount greater or smaller, we can manage it—ten times over, if needs be.

FUNCTION AND FINANCE

Since, however, taxation assumes an altogether different form in a functional society, the economic group superseding the individual, we are at once confronted with the problems how to pay the taxation. That necessitates as simple as possible an explanation of the attitude of function to finance.

We shall save ourselves trouble and misunderstanding if we declare that function will never sit on a dual throne with finance. Function knows from long experience that finance is, functionally considered, of minor importance. If we could imagine ten degrees in function, finance's *status* would rank about five or six. The best minds are wasted on finance. The cashier's job is mechanical and not intellectual. He is a recorder; not a controller. He must do what he is told. The banking system must become the accountancy department of the nation. It may tender advice, if asked; otherwise the control of money, currency, and credit must rest with the economic authority, in co-operation with the State.

IMMORALITIES OF CAPITALISM

Heaven forfend that I should find myself involved in the interminable discussions now proceeding on the subject of money. We may hope that perhaps — possibly — somehow — some day — who knows—an improved banking technique may be evolved. One notices that most of these discussions are within the framework of the existing system.

So much the worse for them! I must, however, content myself with briefly stating what are the financial *desiderata* in a functional society.

(i) As stated, function must control finance. All financial control is, in itself, an act of bankruptcy.

(ii) Money must only have a token value. The two glaring immoralities of Capitalism are the commodity valuation of labour and the commodity value of money.

(iii) A joint State and Economic Commission must be empowered to issue money or currency in agreed ratio to production. The Commission must also define, in such ways as it may deem fit, the terms, conditions or restrictions of all currency issues.

(iv) This same Commission might take control of the Bank of England for purposes of international exchange.

What new banking technique would emerge out of all this, I do not know. Neither do the money reformers. The essential thing is functional or economic control: the expression of values in terms of commodities instead of the subjugation of commodity values to financial interests, which are obviously based on the commodity valuation of money.

CONTROLLED IMPORTS AND EXPORTS

The bearing of this upon the corporate taxation here suggested is obvious. The economic authority, directly or through its component parts, would support the State by a new system both of currency and controlled commodities. For a moment we must

return to what I have called tendentious taxation. One aspect of this is the duties levied on imported goods to protect the British producer. But, on the functional hypothesis, all this would disappear, because the purchase, or refusal to purchase, could, without difficulty, be enforced by the economic authority. Moreover, it would insist upon freedom and elasticity in the international market. In January, it might want no imports in a given category; in July it might arrange a large exchange of its own products for those kept out in January. We have only to examine the Irish *imbroglio* to see how easily function could have settled it.

DOING AWAY WITH INCOME TAX

The more, then, we examine the present Budget, the more do we find it an *olla podrida* of diverse elements, partly genuine taxation, partly political, partly economic. The cool eye of function would survey it and quickly give it a consistency unknown in its history. For the whole of the functional work envisaged in any Budget would naturally pass to the economic authority—armaments, housing, public works, and ten thousand other details, not forgetting new furniture for schools. Thus, function would pay a large part of its *quota*, not in money, but in goods and services. Much, however, would necessarily be paid in an approved currency—salaries for civil servants and pay for soldiers and sailors. Pay, please note, not wages. Thus, the estimates for the coming Budget would not be confined to a little circle of Treasury

officials; the functional groups must be called into consultation. This, in its turn, would rob the Budget of its silly and portentous secrecy, no harm accruing, as there would be nothing for the speculators to speculate upon.

In a functional Budget, it is a moral certainty that income tax would disappear. The tax must fall upon the economic groups and the amount of the tax, charged at the source, would enter into cost. Four years ago I wrote this:

> "The question is why should not all taxation be included in working costs and so finally enter into a national total turnover? Drawing a bow at a venture (for I have no means of correctly estimating the total figures) I shall be near the mark in stating that the Budget of £800,000,000 would represent a decimal of 1 per cent of our national turnover."

THE SOVIET BUDGET

On this assumption, I advocated the payment of the Budget on a turnover tax, thus practically wiping out the bulk of personal taxation. I was heartily laughed at for my pains. But others were working on the same idea. Russia, to wit. In the Soviet Budget estimate for 1934 I find that the Turnover Tax is incomparably the largest source of income: in roubles 29,227,790,000. Consider that! Put the rouble at one shilling: nearly £1,500,000,000! In addition to this Turnover Tax, there is a special Merchandise Fund of over £30,000,000, whilst other socialized industries yield £76,000,000. The

circumstances as between Great Britain and Russia are not comparable; but is it not abundantly evident that a functional society can meet its Budget requirements far more easily than a predominantly financial society like Great Britain? Out of the total Russian revenue of 48,879,416,000 roubles, the personal income tax amounts only to 207,000,000 roubles.

NO MORE WAR

With conscious play and interplay between the State and the economic authority, scores of difficult international problems can be solved in amity and equity. If the root cause of modern war be primarily economic, then war is indefinitely held off if modern nations are equipped with economic authorities. They would become a great enginery for peace and mutual economic expansion. In any event, there can be no question of the vast economic advance we ourselves would make when, at long last, we pay court to function and not to finance. It is in new principles of taxation that our first fruitful efforts must be made. We must not visualize the economic authority as struggling for economic power at the expense of the State. That way madness would lie. It is in the mutual cooperation of the spiritual and material forces, each conscious of the other's possibilities and policies, that we can move forward from economic strength to wider and higher activities that now transcend the imagination.

CHAPTER VI

GENIUS

If now we can glimpse, no doubt vaguely, the constitution of a functional society, with its formal relations to the State, partly defined through the mechanism of taxation, we may inquire what provision is made, within the functional boundaries, for men of genius, artists, craftsmen, for men and women who prefer to live on their wits or their special endowments? If we are, one and all, to be subject to mass or group control, if genius will not or cannot be graciously recognized, then we may assume a fatal defect in the functional principle.

The problem of first distinguishing genius and then giving it sympathy and support has been present to all communities for thousands of years. As "genius to madness is allied," it is not surprising that, at all times, our ancestors ignorantly missed priceless things by mistaking the one for the other. For genius does not run in harness. One thinks of Fra Lippo Lippi:

> Don't you think they're the likeliest to know,
> They with their Latin? So, I swallow my rage,
> Clench my teeth, suck my lips in tight, and paint
> To please them—sometimes do and sometimes don't.

For genius, tragedy; for us others, incalculable loss. On our conscience are ten thousand other poignant tragedies all down the history of science, art, literature and industry. Our own Victorian fathers, in the matter of finding and succouring genius, showed impenetrable stupidity. They complacently smiled at the invectives of Carlyle, Matthew Arnold, and Ruskin, regarding the gibes of Heine as very bad manners. Philistinism triumphant! In contrast, the functional hypothesis is that culture and industry must march in step. What, therefore, was perhaps excusable in our beefy ancestors who worshipped "common sense" may become a crime—or a blunder that is worse than a crime—in our new dispensation. We may indeed seriously inquire whether a functional organization is conceivable, not to say possible, unless inspired by a culture unknown even thirty years ago; but if the new order at first fails to nourish genius, the existing order will not have the tiniest pebble to throw at it. To-day, our best literature is so thoroughly commercialized that the best minds shrink from making contributions, which, when made, are, as often as not, rejected; in art, the Royal Academy is still supreme: in Fleet Street it is not ideas that are wanted, but—*ad captandum vulgus*—aids to circulation. Disheartening though all that is, it is in industry that inventive genius suffers most. A large proportion of good inventions are rejected—or bought and killed—not on their merits, but because they cut at the roots of vast financial interests. Others of value are shamelessly exploited, the in-

ventor's share being frequently negligible. Every patent agent can tell queer stories about valuable patents.

The attitude of Function towards invention is, however, fundamentally different from Capitalism, in that every patent or new process that improves or cheapens production, or dispenses with labour, strengthens the economic position of the whole community, and, in the true sense of the word, saves labour, to labour's gain, and not, as before, to labour's loss. The whole problem was fully discussed in all its bearings by the National Guild writers twenty years ago. At the risk of being tedious or too obvious, I may with advantage recall some of the old arguments.

Sometimes an absolutely novel invention crosses the industrial horizon. It is a sport, the emanation of some unique experience, some happy inspiration. In the main, however, inventions are the logical outcome of earlier inventive or constructive work. These inventions are only partially novel: the new invention is only another detail in a prolonged process. We all know how many alleged new inventions fail to secure patents on grounds of anticipation or prior combination. In general, all new inventions are merely the development of a continuous practice and the new invention therefore is a social product. That is not a denial of suitable rewards for ingenuity: but a medical discovery is equally an invention, the reward of research or observation. The doctor, however, is compelled to disclose the essential facts of

his discovery to his profession; he is explicitly forbidden to patent a new medical process or to keep private its chemical formulæ. Whence the difference? The doctor belongs to a liberal profession; he is a gentleman by Act of Parliament. His duty is to his profession or function. It is only by the co-operative efforts of all its members that the science of medicine can advance. Moreover, the profession will not permit vested interests to grow up within itself. That is why any doctor who advertises is promptly dealt with for "infamous conduct". The only difference, therefore, between the mechanical or commercial inventor and the doctor is that one is a gentleman and the other isn't. Here I quote:

> The reasons that govern medical practice in this respect ought to be equally applicable to the engineer, the chemist or the manufacturer. But their legal *status* [you see we were discussing *status* twenty years ago] is not that of gentlemen; they belong to the army of profiteers, and are accordingly exempt from the obligations imposed upon the liberal professions. In this way does modern capitalism write itself down as self-seeking and ungentlemanly.

Here we discover a curious fact. The medical profession, at least in this regard, definitely adopts functional principles, whilst capitalist industry definitely rejects them.

Before proceeding to another aspect of this problem, we may complete our references to the inventor. Under functional control, the motive to extract rent,

interest and profits disappears, and the sinister group of vultures and harpies who live by squeezing or swindling inventors is dispersed. But function wants the inventor, the man of creative mind: wants him urgently, since economy of labour and new ideas and inventions are the life-blood of all functional bodies. Again I quote from *National Guilds:*

At this point we touch closely upon the psychology of the inventor. To him, the product of his genius (not forgetting that *au fond* it is a social product) is as a new-born child to its mother. He wants time to nurse it, to perfect it, to work out the developments that inevitably flow from it. If such opportunity be afforded him, he is probably perfectly happy. He is, in reality, a creative artist. The instinct to create is in him quite as much as it is in the painter (who is also an inventor), or the writer (who is also an inventor), or the musician (who is also an inventor). In their own interests, therefore, the Guilds must make attractive conditions and a happy atmosphere in which the inventor can work. Having proved his mettle, the inventor can look to the Guild for support, for protection and for material aid. He will be released from the routine of Guild work; he will work in a laboratory where there is no stint; he will, on good cause shown, travel to perfect his knowledge and experience of his particular work, and his position will be one of amenity and distinction.

The craftsman, in his turn, has his problems which also call for understanding. It is obviously more difficult to apply any fixed principles to his case; for, unlike the inventor, he depends upon constant con-

tact with the workshop, both for his tools and his inspiration. There are so many kinds and degrees of craftsmanship that it is not easy to decide where and how A shall have special consideration over B. But it is our business to preserve that skill and craftsmanship which have been the greatest asset of British industry. We are apt to assume too readily that mass production is our destiny. This is far from the realities of our existing system and inconceivable in a functional society. It is true, of course, that mass production of many staple articles is desirable. All repetitive jobs, for example, are best done by machinery; in fact, all work that involves tedium. Nobody wants hand work merely to retain it for the individual worker, and providing it contains within itself no semblance of beauty or pleasure. And there is this to be said about machined decorations: they appeal to light purses. There are thousands of articles, mechanically decorated, which are not sold because they appeal, but because they are cheap. With a substantial rise in the standard of living, bringing with it, let us hope, an ever improving sense of colour and outline, the demand for mechanical production would fall and the demand for craft products increase.

The problem, then, of the craftsman is both internal and external—the internal arrangements to a large extent depending upon the economic and cultural conditions outside. If these external conditions can be observed, functional policy calls for the most liberal arrangements inside the workshop

to meet the demand and to stimulate it. It is still true to affirm that supply creates demand.

The probable development of craftsmanship, under function, will be to train good craftsmen up to the point where the worker shows skill combined with originality and initiative. He may then elect to chance his luck as a free-lance or he may prefer to leave the sale of his work to the selling department. Take the case of a carver in a joinery works. He may show both skill and genius. His work will be talked about, first amongst those around him, and gradually in an ever-widening circle. He is obviously an artist. The task of function is to train him in all the essentials of his occupation and subsequently to encourage him when he is recognized for what he is and what he may be.

The cases here cited are two out of as many thousand. There are over one thousand separate crafts, or specialized occupations, in the East End of London; over a thousand in Birmingham and its environs; over a thousand in Yorkshire and Lancashire. And we have Bristol and the West Country, Wales and Scotland. Great Britain is rich beyond dreams in craftsmanship and technical experience. It is an army of skilled workers who might, with justice and pride, find their motto in Ecclesiastes:

> They shall maintain the fabric of the world,
> And in the handiwork of their craft is their prayer.

In the present posture of our national economy, these men, who are veritably the saviours of their

country, are paced and subjected to ever diminishing returns by the automatic machine, which should be one of their tools, but is, in fact, the instrument of finance to keep down wages and increase profits. Major Douglas in *The Monopoly of Credit* remarks that:

> More and more the position of labour, using the word of course in its widest possible sense, tends to becoming the catalyst in an operation impossible without its presence, but carried on with a decreasing direct contribution from labour itself.

His idea is to transform the workers into shareholders in "Great Britain, Ltd." and subsequently the "British Empire, Ltd." The transition to be "without shock and without any alteration in the existing administration of industry". In such a vital issue it is better to be frank. This is not only nonsense, but dangerous nonsense. Shareholders! How the financial jargon persists! He pictures a financial hegemony "without any alteration in the existing administration of industry".

The functional conception looks in a very different direction. It is not a register of shareholders it wants, but a register of cultured citizens, whose needs are supplied, not "without any alteration in the existing administration of industry", but by a sweeping change in our financial governance to that democratic control of every industrial process, without which there can be no functional freedom.

Moreover, as the standard of life rises as function

asserts its dominance over finance, culture will advance, and, with it, good taste. That means an ever-increasing demand for fine craftsmanship and an equivalent rejection of machined products that now crowd our homes with ugliness, breeding ugly lives and killing our sense of beauty.

Thus we shall discover that function must train its artists and craftsmen, must encourage its inventors, must keep sweet its workshops, and so march in step with the spiritual and cultural life released from the servitude of false financial values.

CHAPTER VII

BRAINS

THE Clown in *Twelfth Night* sapiently remarked that "our skulls Jove cram with brains". On the whole, we have reason to be grateful to Jove for this act of condescension. The results have certainly been variegated; it is indeed a moot point whether the great events of history can be traced to the presence or absence of brains. This is certain: the brains bestowed on each and all of us differ enormously in quality and size. The English are rather particular—and self-conscious—in their use of the word "brains". To the higher reaches of thought they apply the term "intellectual"; they retain the word "brains" for the more concrete and pedestrian affairs of life; but the man who is only smart and quick on the uptake they describe, with a touch of contempt, as "brainy". If we divide the activities and preoccupations of mankind into two large categories, the cultural and the functional, in the main it would be true that function only asks for brains, leaving the intellectual to the cultural, political, and spiritual. The truth of it is that the concrete practical problems do not induce any great intellectual strain.

This distinction is doubtless as arbitrary as it is

arrogant, since I, *moi qui vous parle*, am an intellectual! Nevertheless we may affirm with confidence that most intellectuals are misplaced in industry. Frequently they rise above it. Charles Lamb, we may remember, was a diligent clerk in the East India Office; the anthologist of the *Golden Treasury* was, perhaps appropriately, a clerk in the Bank of England; Edward Clodd, one of the great intellectuals of the last century, was the secretary of an insurance company; John Henry Shorthouse, who wrote *John Inglesant* (a book comparable to *Marius the Epicurean*), was a Quaker manufacturer in Birmingham—bedsteads, I think. Let us hope that his designs did not conduce to nightmare. Ricardo, the economist, was a stockbroker who made an immense fortune; Bastiat was a merchant; Proudhon a master printer; Carey a publisher; J. B. Say, the French economist, was first an insurance broker, and subsequently made a considerable fortune as a cotton spinner. And a cloud of others. These men certainly did not exhaust their mental powers in their trades. Probably they were glad to escape from commercial humdrum to give their intellectual hunger some satisfaction.

On the other hand what are we to say of so-called business brains? I happened recently to glance through a book written by a friend of mine in which there is an interview with Sir Thomas Beecham. Sir Thomas, under expert examination, admitted that he might have been a successful man of business. He was trained to it and rebelled. "For one thing, the

great business men seemed to me to be an illusion. They weren't good business men." Recalling some of the greatest names in modern business, he went on:

> Some of them merely lost all their money, some of them went to gaol. Most of the others were quite unaware how they had managed to make their money and how they contrived to keep it. For one like myself, with a passion for logic, the world of business was far too romantic, too wildly romantic and unreal. No wonder, then, I turned to music—an exact science with severely logical laws.

When, thirty years ago, he went down from Oxford to his home in Lancashire, he not only had a taste for the arts but the conviction that life without the arts was mean and sterile. And that is how Lancashire then was:—

> They tell me that the Northerner is hard. He may be so. But thirty years ago he was worse than that—he was brutally narrow. The typical Northerner never went to the theatre, never went to a concert hall except to hear an oratorio, knew nothing of pictures, and less of books. It was a world I could not live in, and it was a world of business.

That is what business brains had brought Lancashire to, not so very long ago. But Sir Thomas had something else to say:

> Moreover, there was creeping into business at this time something which has now transformed it. Considered as a matter of business, everybody not an idler or

a *rentier* is a business man. For instance, I produce opera and market it. But in almost every industry to-day the producer and even the merchant are of secondary importance. International currency thwarts their efforts and plays pitch-and-toss with their profits. I had a good example of that when I was over in Germany at the time when the mark was moving merrily between 300 to the £ and 300,000.

So the markets disgusted him. "I turned from the foolish haphazard of them to the serene logic of art."

If our business leaders really have brains, how on earth do they permit finance "to play pitch-and-toss with their profits"? The answer is that they prefer the hazards of finance, of the gambling that finance compels or impels, to "the serene logic" of function.

None the less these business men are perpetually complaining that their voice is not sufficiently heard in the counsels of the nation. Some years ago they agitated for a "Business Man's Government". They did not get it; but their silver-voiced champion, whom they implicitly trusted, went to penal servitude and died in penury.

An important fact emerges: business brains and functional brains are fundamentally different. Business brains are, in essence, devoted to the sordid pursuit of profits and so maintain financial control, without which they would immediately be submerged by brains moved by purely functional considerations. This distinction between business and functional brains has yet to be grasped by the labour leaders.

In the joint reports of the General Council of the Trades Union Congress and the Executive of the Labour Party this ominous clause appears:

> Then there is the day-to-day administration of the concern. This is quickly becoming a profession and the persons undertaking the work will have to be trained business administrators.

Everything, of course, turns upon what the writers of this report mean by "trained business administrators". Are these managers, of varying *status*, skilful in so wangling production or distribution that profits are earned? Or is it that the most technically efficient men, whose main purpose is quality, is intended? The Report clearly indicates an acceptance by certain of the Labour leaders of the gap between the workers and the management. Hence the demand for "trained business administrators", apparently appointed by the management, and without any consultation with the workers. These gentlemen met with a sharp rebuff at the Hastings Conference of the Labour Party; but it remains painfully evident that the functional principle has not yet been grasped by the very people whose economic emancipation depends upon it. They must learn, we would hope at not too great a price, that our functional, as distinct from our financial, life is essential to national salvation. Once fully seised of this, they will know with certainty that our functional organization must be a unity and not, as industry is to-day, a duality. Worse, a warring

duality. There can, obviously, be no unity during the continuance of the wage system.

And so we return to our search for brains essential to function. Brains hard to find in a system septic to death with the falsities and cruelties of profiteering.

To appreciate the type of mind requisite to the discharge of functional duties it were well, perhaps, to recall our definition of function. It is the method or process necessary to secure the economic stability of the community. And since this is essential to the well-being of the nation, it follows that function, being the material instrument, must take priority over all other interests. Nothing must stand in its way.

From the ploughing to the harvest, from the shearing to the weaving, from the mining to the foundry, and in all stages to the consumer, it is the things that count far above pieces of money or bits of paper. Function knows only the realities; the forms that surround those realities are of minor significance. Function comes into its kingdom when economic scarcity dies. And dead it surely is.

Yet another aspect of this problem may be noted. There are many trades and occupations of doubtful economic value. Merely because some business brings in a profit, it by no means follows that such a business adds to our economic strength. It may be the exact contrary; the profits thus secured might have been diverted from better uses. Function, with its mandate to ensure and improve our economic position, must scrutinize closely every claim of every

business even to exist. Bond Street may go; or it may be extended to every shopping centre in the country.

Confronted with problems such as these, "business brains" would wilt and shrivel. Obviously a new type of administrator must be called to authority. He will have no interests to serve save only those of his function, to which he will be as faithful as a priest to his church, a soldier to his army, a policeman to his force. He will represent a unity and not a duality. He will be one of a fellowship, chosen by his fellowship, and recalled, if needs must, by the same fellowship. His salary will be reasonable, but not so large as socially to separate him from his colleagues. In addition to an expert knowledge of his work, he must know how to deal with his fellows. He will have responsibility, but he must know how to behave in conference. Not only in conference with his immediate colleagues but with his opposite numbers in a dozen other functional groups. He will establish his position, not by domineering, not by discreet co-operation with the ranks higher up, but by a wise understanding of the possibilities of functional organization.

CHAPTER VIII

MOTIVE

MOTIVE is the urge in us towards what we want. There are many other definitions, doubtless more scholarly or more scientific; but I like my own best. The question is: what do we want? It will be found that the community, through its individual citizens, wants everything, from an occasional "binge" to the satisfaction of high and noble ambition. There is a little, harmless man down the road who dreams of a first prize for pansies at the local flower show. The farmers all round me are given to bloodstock. They conscientiously farm, but they spend time and money on horses and cattle that will some day bring home a blue or yellow ribbon from the "Royal" or the "Bath and West". I know a railway clerk who "scorns delights and lives laborious days" studying finance. He is determined to write a classic on the subject. In my village is a splendidly built young man who means to be the referee at the Cup Final. Another young man I know wants to get into a motor car works. Not for commercial reasons, but because he is fascinated by the mechanism. Myself, when young, was determined to play "soccer" for Ireland and lead a proletarian revolt. I fondly

pictured various capitalist magnates daintily dangling from a row of lamp-posts. Sweetness and light nicely spiced with bloodthirstiness. This latter strain came, I suspect, from *Grimm's Fairy Tales*.

Most of us have mixed motives. Thus, a man may say that the great thing he wants he can't have; therefore he will strive for the next best which he can have, if he bends himself to the task. The finer type aims high and won't lower his target.

> Did not he magnify the mind, show clear
> Just what it all meant?
> He would not discount life, as fools do here,
> Paid by instalment.

It is in these mixed motives, particularly the almost universal willingness to accept the second best, that our rulers, not forgetting literary tapers and tadpoles, find some kind of balance and trend and so order our lives and their circulations. We may be sure, or darkness has for ever closed upon us, that, as we evolve a sane economy, so will our desires and ambitions rise in vision and quality. For the more secure our economic position, the greater the chance of our men and women to realize the best, happily no longer content with the second best. Our hungers, our wishes, our ambitions, are conditioned by the vicissitudes of life. In sheer physical scarcity, human nature may manifest itself in no alluring light; in the plenitude of a common wealth we may discover that man is only a little

lower than the angels and crowned with glory and honour. Whilst we applaud a man who has risen —"risen from the ranks" is the usual phrase—we treat an obviously ambitious man with considerable suspicion. To show ambition is regarded as a mild form of exhibitionism. In history and literature the word takes on an almost sinister meaning, something implacable, without conscience, or consideration, or memory. "Lowliness," said Brutus of Cæsar, "is young ambition's ladder,

> Whereto the climber-upward turns his face;
> But when he once attains the upmost round,
> He then unto the ladder turns his back,
> Looks in the clouds, scorning the base degrees
> By which he did ascend.

On the other hand, an unselfish ambition—Wilberforce and slavery, for example—is not regarded as an ambition, but as a mission. It seems as though a mission comes from God and an ambition from the Devil. We are—forgive us—as quick to thwart the one as the other.

I think it probable that our habit of tripping up the man of ambition or the man with a mission is rooted in the struggle for existence. It is a symptom of scarcity. We fear the ambitious man may lead us into a danger which will hurt us and benefit him, whilst the man with a mission may seriously injure important interests to our loss. All of which, in given circumstances, is true. But the question must be answered whether, in new circumstances, with

scarcity a scare of the past, with our economy and our culture built on a new vision of life, ambition will not itself be purified and all missions confined to the spiritual activities. If a man wants a thing greatly, there need then be no reason why we should not help him. For instead of climbing on our backs to our loss, the man's new achievements, new discoveries, new adventures must all redound to our gain. This is as true in the functional sphere as in the cultural.

From the functional point of view, with things as they are, it is not the ambitious man who is to be feared, but rather the complacent, contented man. The problem is how to stir him into consciousness of life's realities, into some understanding of how near we are to the abyss. It is this quiet man, with a small bank balance, who grows a small family, in a small house, and potatoes and cabbages in a small garden, who is the object of admiration and flattery from the present possessing and ruling classes. And, equally, the quiet man without a bank balance or a house and garden, who feels and does not think his way through life. These are the outer defences of the existing order. To-day, the only ambition worth pursuit is to carry the fiery cross through both suburbia and slumland.

There is another type which must not be overlooked. There are ambitions or desires honourable in themselves which urge on men and women irrespective of their industrial or financial position. But because they have these ambitions, they keep an exceedingly shrewd eye upon their economic interests.

Unlike the small man with the small garden, they are always on the alert. As who would say: "I know the meaning of the economic struggle, and I'll bear my share; but I want music or literature or athletics or travel, or I have a religious mission. To do these things I want all I can get, and I mean to support everything that strengthens the economic position". This type, in fact, represents the majority of the workers, whether in the counting-house or the work-shop. Whilst, therefore, within the functional jurisdiction, the organization of the *personnel* must provide the ladder for all who have ambitions to rise in the functional hierarchy, what ultimately counts most is to provide the means and leisure for all men and women of active mind and habit. An industrious community is a healthy community, but its interests properly extend far beyond workshop and factory. What was written twenty years ago in *National Guilds* is equally true now:

> It is doubtful whether the majority of mankind regard their means of livelihood as the main concern of life. They would fain work that they may live; wagery compels them to live that they may work. The preoccupations, practical and spiritual, of bare subsistence benumb faculties and aspirations of incalculable value. It is impossible to move amongst even the most poorly paid wage-slaves without encountering signs of genius, of thought, of artistic or literary or religious cravings. We have written it before, but it bears constant repetition: the case for democracy is that it is the inexhaustible well from which the nation draws its resources, human,

economic, social, spiritual. All these are comprehended in democracy, and only in democracy. It is the ground out of which fructifies the seed of national life. The case against the wage system is that it starves the ground —"lets it run down" to use an agricultural term. If this be so, does it not follow that any economic reformation of society that gives ample scope to the endlessly varied and kaleidoscopic motives, ambitions, and cravings of the mass rather than of the favoured few will best harmonize with motive, enriching that democracy which is the fountain of national life?

This chapter brings me to the end of the theoretical aspect of function. Theoretical, not philosophic. Yet I would like to leave with my readers a truly philosophic concept. It is Benedetto Croce who has the last word:

Every form of the practical activity, be it as poor and rudimentary as you like (and let as many classes and gradations as you will be formed), presupposes knowledge of some sort. In animals too? will be asked. In animals, too, provided they be, and in so far as they are centres of life, and so of perceptions and of will. This is also true of vegetables and of minerals, always with the above hypothesis. We must banish every form of *aristocracy* from the Philosophy of the Practical, as we have banished it from the Aesthetic, from Logic, from Historic, esteeming it most harmful to the proper understanding of those activities. The aristocratic illusion is closely allied to that one which makes us believe that we, shut up in the egoism of our empirical individuality, are alone aware of the truth, that we alone feel the beautiful, that we alone know how to love. *But reality is democratic.*

CHAPTER IX

LUXURY

I have had occasion to ask whether, in future, Bond Street would be abolished or extended to every town in the kingdom. In other words, how would a functional society deal with the appetitive industries? "Industries" is the right word. I was recently told that the British are now beating both the French and Americans in the manufacture of cosmetics—face powder, lipstick, rouge, and the several gadgets deemed necessary to feminine adornment. It is not for me to inquire why British women should transform their well-complexioned cheeks into spotted chamois leather; the point is that this particular trade runs into many millions and an amazing tonnage. I remember, too, a voyage I once took in a twenty-ton schooner from Vera Cruz to Cartagena. The only British products prominently advertised were somebody's "Old Tom" gin and somebody else's lager beer. They blared their existence at every vantage point down the whole coast. One wonders whether the untutored Carib or Maya pictures Great Britain as a vast brewery and distillery.

Any sanely organized people must, sooner or

later, appraise the economic effects of its luxury trades; but the issue here raised cuts at the roots of national existence. For it is the spiritual quality of life that is imperilled. Our problem, therefore, is not primarily economic, but vitally concerns public policy. And since, by hypothesis, that is an affair of the political chamber, it becomes a political problem of the first magnitude, any political decision reached being loyally accepted by the economic or functional authority. A little serious thought instantly convinces us that the moral import of unrestrained luxury would compel us, as a people, to choose between a life of simplicity, of self-denial, of plain living and high thinking, or a life softened by luxury, by vice, by transient enjoyment. Disregarding Utopia or our occasional urge towards Arcadia we are, even to-day, invited to choose between the vision of Mr. de Valera, who would gladly see Ireland revert to a mediæval simplicity under the religious guidance of Mother Church, and any phase of life we may fancy down to Tyre and Sidon, whose vices were virtues compared with the fruitful land of Scobellum, whose inhabitants "exceeded the cannibals for cruelty, the Persians for pride, the Egyptians for luxury, the Cretans for lying, the Germans for drunkenness, and all nations for a generality of vices."

That evil flows out of unrestrained luxury can hardly be doubted; but we must not assume, without good reason, that luxury is, in itself, a vice and the primrose path to decadence. We are, perhaps, too

apt to judge it summarily because of its historic associations. There are, of course, luxuries and luxuries. I certainly would not condemn a man for preferring a silk to a hair shirt. In my boyhood's days, in the North of Ireland, I had frequently on rising to break the ice in the water-jug; to-day we use warm water and think nothing of it. Life was harder fifty years ago, and no doubt we of that generation were ourselves hardened. But the death-rate was higher. To-day, I find myself enjoying what the gods have bestowed to a degree that must surely disturb my Quaker ancestors, unless, as I hope, they now have more enchanting preoccupations. We can, in fact, go through a whole gamut of modern comforts and luxuries that ease or even enrich life. Our business is so to govern our instincts and appetites that luxury shall not enervate when our destiny calls for physical vigour and moral resilience.

There is, at the present time, an easy optimism in regard to luxury which is surely disquieting. It is based on the growing delusion that this is the age of plenty. Therefore, so runs the argument, why not enjoy the good things that plenty brings? Who are we, again we hear the wearisome chorus, to pick and choose? Let everyone have what he most desires; there's enough for all. Apart from the obvious fact that there is a long distance to traverse between the conquest of economic scarcity and the social distribution of plenty, this bastard Hedonism may easily defeat itself. It pictures our land flowing with milk and honey. That we can have too much of it never

occurs to its advocates. They should remember Friar Laurence's advice to Romeo:

> "These violent delights have violent ends,
> And in their triumph die; like fire and powder,
> Which as they kiss consume; the sweetest honey
> Is loathsome in its own deliciousness,
> And in the taste confounds the appetite."

The more that plenty comes within our grasp, the greater our responsibility that it be well spent. And no small part of that responsibility is that we shall, personally and as a community, always distinguish the essentials of life from its allurements and conventional amenities.

There is one obvious difficulty in discussing luxury: whatever criticisms we make must be directed to the middle and upper classes. To suggest that the wage-earners indulge in any kind of luxury would be gross hypocrisy. Wages are not based on luxury but necessity. Cinemas and other amusements are, in capitalist policy, as necessary as bread and circuses in ancient Rome—they ensure some measure of contentment. Even so, the problem of luxury has its bearing upon working-class life. Ruskin long since remarked upon the disposition of the wage-earners to imitate the habits of the possessing classes. What matters is that a new idealism shall prevail before plenty arrives. If capitalist ideology is in the hearts of the workers, we may be sure that, when opportunity serves, the workers will act upon that ideology and, likely enough, better the

instruction. All the more reason, therefore, for a clear perspective as we move towards economic emancipation. There is a current phrase, "The best is good enough for us." Is the best vulgarity good enough for us?

Without labouring the subject further, we may draw some general conclusions. There are luxuries that create or minister to the baser appetites. They leave a long train of self-indulgences, vicious habits and moral degradation. The sanctuary of life is defiled; nothing remains but to flee from the wrath to come. But there are other luxuries that mark the advance of civilization. The fine arts, for example. In this sense, the connotation of the word changes. A luxury is frequently defined as indulgence in what is unnecessary; but a luxury may be, and frequently is, a beautiful thing whose cost defies our purse. If, with added means, we acquire it, we are richer, and not poorer; we are morally the gainers; our social value is enhanced. And there are luxuries that can only be secured by the community and communally enjoyed. Under our second definition, there are thousands of commodities, the work of artists and craftsmen, which in the new order of society should easily be within the reach of all of us. To-day we regard them as luxuries; to-morrow they are necessities. They may be anything from a picture, a piece of furniture, a book, to a motor-car or a journey round the world. The final test of a luxury is its physical or cultural effect.

We may now inquire what are the probable

political and functional reactions to luxury as a principle and to articles of luxury? Let us first recall the main argument. The political chamber, the House of Commons, being responsible for public policy, can declare and enforce any law touching conduct. The functional chamber, the House of Industry, is responsible for giving economic effect to public policy. If, for example, the House of Commons should declare that any particular commodity is socially undesirable, the House of Industry must withdraw it from the market, whatever the economic disturbance. But we have also discovered that the new political economy must no longer be built upon effective but upon natural demand: upon social and personal needs. In practice this means that our economic programme must first compass the primary needs of the whole community. After that the less urgent needs, and so up the scale to what we would now regard as luxuries. And there is no reason to suppose that the whole programme could not easily be accomplished with ample leisure to spare.

If, now, we regard luxury as a possible political issue, in which the production of articles of luxury is involved, we can see how the political and functional chambers must co-operate. It will be found, I anticipate, that, since the elimination of debasing luxuries and habits is fundamentally a problem of education, and, further, as the British people will never consent to be dragooned, a great moral and intellectual struggle would ensue. Cutting across this struggle, we should encounter in a new aspect the

eternal conflict between Apollo and Dionysos. A new and paradoxical aspect; for we may find the rebellious children of Dionysos imposing order and decency upon the complacent devotees of Apollo. For my part, when this magnificent political question arises, I shall lead a party of one pledged to the Spartan habit and the Stoic mind.

CHAPTER X

CAPITAL

I

THE modern conception of capital, expressing itself universally in terms of money, is too remote from reality, too fantastic, to warrant critical acceptance. The astronomical figures upon which modern Capitalism bases its claims are, on serious examination, found to be an aggregation of false and evanescent values. The fact that most capital values to-day are founded on earning capacity, and not upon any rational or fixed relation to assets, effectually destroys current valuations as a reliable guide to any future compensation when commercial values are absorbed in functional use. It has not yet dawned upon the vast majority of Socialists that capital, as now understood, disappears with the capitalist system. The stupendous amount, expressed in currency, now debited to capital account can have no economic relation to the values created by a functional society from which capital charges have been eliminated. It is the simple truth that our industrial power, released from capital or financial control, is, in any given period—say a year—fully equal to what we call capital expenditure by the issue of

industrial or communal credit and without calling for one penny of capital.

ARTIFICIAL CAPITAL

The wide abyss between existing nominal capital and the functional value of our assets grows ever wider and deeper and is the logical development of finance-capital. I am perhaps alone in my opinion that this is less the child of the great industry than of the joint stock acts. But whether *post hoc* or *propter hoc* matters little; the fact remains that our visible assets are not commensurate with the present sum total of capital stated in terms of money. It is not that our assets have shrunk; capital has expanded on the shifting foundation of earning capacity. We are all familiar with the process. A business upon which £5,000 has been spent—building, machinery, and, perhaps, even goodwill—becomes a great success, earning, say, 100 per cent. When the money market is ripe, the capital expands to £50,000, the value of the assets remaining constant. The most striking instance of this, in recent years, would probably be the torrential watering of cotton capital under the direction of the late James White. He was reputed to be a millionaire; he committed suicide rather than face his creditors. As for capital values in the textile trade, where are they now? Function, of course, cannot recognize any claim for capital in excess of functional or use values.

Unless we grasp the meaning of this refusal to recognize artificial capital values, we shall be caught

and destroyed either on Scylla or Charybdis. In plain terms, either by State Capitalism, disguised as State Socialism, or by Fascism. It is at least curious that these two schools of thought are ominously agreed on the preservation of present capital values. We now know the mechanism of the Italian Corporative State, which has definitely embedded in its constitution the powers and legal rights of capitalism together with the indefinite continuation of the wage system. All the elaborate scheme of corporate representation does not alter that fundamental fact by jot or tittle. In like manner, the Labour Party at the Hastings Conference, almost, if not quite, committed itself to the purchase of bank shares at market prices. It is true that, in response to my protest, Mr. Lansbury, on behalf of the Executive, undertook to reconsider this proposal; but, as it stands, the Labour Party, when it comes into power, is committed to socialize the "Big Five" at market prices. Their present shares, in financial jargon "paid up", stand at the nominal price of £64,715,000, with reserves £44,750,000. But these so-called "paid-up" shares do not represent cash but the price of amalgamations. Probably £25,000,000 would more than cover their original capital. As I write, the market value of those shares is rather less than £220,000,000. With any prospect of State purchase, it would rise to £300,000,000. Imagine the same process of artificial capitalization running all through our industrial system! No functional society would or could recognize any equity in such swollen claims. Should

the Labour Party, with these facts staring it in the face, proceed on the lines indicated, the final judgment will be that it was guilty of levity or cynicism. Nor will all the financial magic in the world dissolve the burden. Finance will be triumphant.

ADAM SMITH AND THE CREATION OF WEALTH

These considerations compel a careful inquiry into the nature of capital. The best definition known to me is Irving Fisher's. Revenue is regarded as a continual flow of services, whilst capital is defined as total wealth existing at one particular moment from which these services flow out. If our capital money and currency accurately represent that total wealth, then we have a complete functional definition. And all that remains is to utilize our total wealth—our real wealth—by the issue of credit precisely adequate to the maintenance of our industrial processes, and never in excess of our total wealth. That and no more. For there is no security in any piece of paper or metal disc which has not its counterpart in material wealth. We can, however, better understand our problem if we go back to the father of political economy. Adam Smith has long since sunk from view behind the mountainous problems of modern industry; but he had the enormous advantage over his successors in that he saw the creation of wealth undistracted by its subsequent extraneous growths: saw wealth in its nudity. He died in 1790, with the great industry looming up before him.

PRIVATE VICES PUBLIC BENEFITS

We might perhaps diverge at this point to note one of the curiosities of economic history, of special interest to those who now stress the advent of the age of plenty. Not only was their general theory of leisure anticipated in the early days of the eighteenth century, but Adam Smith was himself definitely influenced. It is a queer story. In 1714, a doctor named Bernard de Mandeville published a poem under the title of *The Fable of the Bees: or Private Vices Public Benefits*. The main theme was that civilization is the outcome, not of the virtues of mankind, but of the vices; that the desire for well-being, comfort, luxury, and the pleasures of life arises from our natural wants. It is an *apologia* for the natural man and a criticism of the virtuous. The book created a sensation and was seized by order of the French Government, which apparently was composed of virtuous rather than natural men. Obviously a dangerous book if read by the *hoi polloi*. Nevertheless, Smith was greatly impressed and devoted considerable space to de Mandeville in his *Theory of Moral Sentiments*. He reproaches de Mandeville, not for his arguments, but his definitions: denies that tastes and desires are vices: sees nothing blameworthy in such things. In the course of time, Smith, perhaps unconsciously, adopts de Mandeville's main contention. It is personal interest, not a vice if an inferior virtue, that leads society to well-being and prosperity. A nation's wealth, says Adam

Smith, in agreement with de Mandeville, is the result of natural instinct, which may not itself be virtuous but is bestowed upon us by Providence for the realization of ends beyond our ken.

LIBERAL POPE

Now the significance of Adam Smith's conceptions of labour and capital is not that they are of enduring truth but that they were expressed at the formative period of the great industry. We must remember that he was not only the father of political economy but the Pope of the approaching Libertarian age. His disciples are found even to-day; during his own and the next two generations he was the Master. It was Schmoller, I think, who said that, after his death, political economy suffered from anæmia. His contemporaries and successors might criticize this or that, but they were agreed that the main structure stood. In essentials, his is the political economy of the nineteenth century. We all know that his conception of labour is stated in terms that seem hopelessly at variance with his conception of capital. His critics have not been slow to point to what they regard as contradictions. I do not take that view; they are really the logical antinomies inherent in the economic life of his time. The opening sentence of his *Wealth of Nations* is as famous as the opening lines of *Paradise Lost*: "The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consists always either

in the immediate produce of that labour or in what is purchased with that produce from other nations". This has been ten thousand times paraphrased into "labour is the source of wealth". It is human activity and not the natural forces (he is subconsciously replying to the Physiocrats) which produces the mass of commodities consumed every year. Without labour's directing energies the latter would remain useless and fruitless. All work has a claim to be regarded as productive. The nation owes something to everyone who toils. There is no need for the distinction between the sterile and productive classes; only the idle are sterile.

WORKSHOP LESSONS

Did space permit, I might quote scores of passages all in the same vein. He sees wealth ever increasing with the division of labour. The nation is a vast workshop, where the labour of each, however diverse in character, adds to the wealth of all. It is in his first chapter where he pictures this vast workshop in terms of human labour. This division of labour brings in its train the natural combination of economic efforts which produces "the national dividend"—a term now used in a different sense. There is his famous description of the manufacture of pins. He sums up the gains resulting from the division of labour—remember that the book was published in 1776—as (i) the greater dexterity acquired by the workman when kept to a single task; (ii) economy of time achieved in avoiding con-

stant change of occupation; and (iii) the inventions and improvements suggested to men absorbed in one kind of work. A touch here of economic idealism and not without striking instances. Smith knew about Hargreaves and Arkwright, whose spinning jenny (1765) and water frame (1767) were the inventions of practical spinners, whilst James Watt, who patented his steam engine in 1769, actually constructed it in the precincts of Glasgow University. But Smith pondered other aspects of his problem. In Book V he writes:

> The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become.

Our great economist and Libertarian potentate is puzzled. He sees nothing for it but some form of State education: he discovers that industry cannot alone feed the soul. Culture, however rudimentary, is essential to intellectual and moral health. So essential is it that the arch-apostle of *laissez faire* calls in the State!

This is one of the contradictions upon which Adam Smith's critics seized. But there is no contradiction. The complex of the workshop yields many truths: teaches many lessons. It is when we

come to Smith's argument for capital that we discover his helplessness in reconciling the claims of capital and labour.

II

INSTITUTIONS GROW LIKE TOPSY

Having broken away from the class economy of his time, and pictured Great Britain as a vast workshop with labour its dominant factor, having stated this with such sympathy and insight that he was, in a later generation, described as the father of Socialism, we now meet Adam Smith as the apologist of capital. We must understand Smith's approach to these problems. His underlying theory is the spontaneity of economic institutions. They are "not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion". To Smith, therefore, capitalism is not a pre-determined, rational system, but a phenomenon. However true it may be that labour is the source of wealth, that "Labour, therefore, is the real measure of the exchangeable value of all commodities", "the real price of everything, what everything really costs to the man who wants to acquire it, is the time and trouble of acquiring it"—surely Marx might have written this notwithstanding his criticism of it—nevertheless, we must reckon with this phenomenon of capital. It was Smith who first enunciated the theory that capital comes from savings. "The industry of society can augment only in proportion as its capital augments, and its capital

can augment only in proportion to what can gradually be saved out of its revenue." And, forgetting or ignoring his opening affirmation: "capital is the true source of economic life . . . capital fertilizes the earth, whereas the labour of man simply leaves it a weary waste". So we come to his maxim "the general industry of the society never can exceed what the capital of the society can employ". John Stuart Mill condensed this into "Industry is limited by capital".

If, as Smith argued, capital is savings—"the principle which prompts to save is the desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb and never leaves us till we go into the grave"—his opinion of the commercial world of his time was certainly not flattering. The interests of the traders and manufacturers are "never exactly the same with that of the public"; they have "generally an interest to deceive and even to oppress the public, and who accordingly have, on many occasions, both deceived and oppressed it"; "our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people". Yet more significant: "Whenever the legislature attempts to regulate the differences between masters

and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters". The truth is that Smith could not disavow his economic man, however much he disliked him, and however much he responded to the natural man in the *Fable des Abeilles*.

Although never specific as to the proportionate allocation of capital, whether "fixed" or "circulating" (the "constant" or "variable" capital of Marx), we may reasonably infer that by far the larger proportion would be constant. That is capital spent on machinery and equipment. If this be so, then we have a clue to his dictum that "capital limits industry", which otherwise might read "shortage of equipment limits industry". It is certain that never in his wildest dreams did he imagine an industrial system drenched, if not drowned, in finance-capital, as is the case with us. Poor opinion though he held of the capitalists of his day, what scorn would he have poured on a system, impersonal, all pervading and powerful, which now has mankind under its golden heel? Nevertheless, we cannot explain away the apparent contradictions in his views upon labour and capital except upon the hypothesis of a logical antinomy—a clash of two indisputable yet opposing truths. But it is in that clash we see the first faint intimation of a class struggle, culminating in Russia in a class war, in the struggle of economic groups in other countries, perhaps inevitable, assuredly tragic.

From the formative period of the Industrial Revolution, represented by Adam Smith, we must travel with all speed to the middle period, represented by Karl Marx. Only Ricardo intervenes; and we cannot ignore him. Over the general range of economic subjects he does not greatly differ from Smith, and those differences, however important, need not detain us; but Ricardo's law of rent has had far-reaching consequences and they clearly affect our conception of capital. We all know the powerful influence which the Physiocratic doctrine exercised upon Smith—an influence which he found rather disturbing. Upon land and agriculture he was really at one with Quesnay and his followers. Through all his work there is that reverence for land, the very base of the Physiocratic teaching. The land, we may remember, is alleged to possess a quality denied to industry: it brings with it the co-operation of nature. It had become an article of faith, if not of superstition. The idea was certainly comforting to the landlord class, who found in it further proof that they belonged to a superior order. That special touch of Nature's regard made them slightly uppish. Ricardo, an intellectual and financial magnate, with a shrewd eye for reality, shattered the whole fond illusion with savage power. Is rent the consequence of the co-operation, the prodigality, of nature? Nonsense, he replied, rent implies the avarice and not the liberality of nature. The fertility of the earth has nothing to do with rent. In a newly-founded colony, for example, land yields no rent, however fertile, if the quantity of

land be in excess of the demand. "For no one would pay for the use of land when there was an abundant quantity not yet appropriated." Rent appears "when the progress of population calls into cultivation land of an inferior quality or less advantageously situated". He makes a cryptic remark upon rent: "It is a creation of value, not of wealth". But what did he mean by value?

Never in the history of economic doctrine did a theory cause such ferment and anger. The land-owning class, with all its parasitic sycophants, was shocked; it was not heresy, it was blasphemy. I am no Ricardian; I think that Carey, the American economist, at least argues a better case; but from Ricardo descended a progeny of ideas upon land tenure, many still alive and fruitful. James Mill, father of John Stuart Mill, became a convert, subsequently influencing his son. His energies were turned to land nationalization. Henry George went to the same spring and we know how pre-occupied was Marx with Ricardo. Moreover, we may gently remark that, when agriculture enters a functional society, it will be not with a nimbus of physiocratic mumbo-jumbo, but of science and service.

Yet another group—the Socialists in general and the Guild Socialists in particular—went to Ricardo, not for inspiration but for ammunition. For nowhere else is the wage contract described with such stark brutality—so brutal that only a gentle soul could have written it.

Jacques Necker, the rich partner in the house of

Thelusson, French Finance Minister, and father of Madame de Staël, in one of his post-revolution tracts, wrote: "Were it possible to discover a kind of food less agreeable than bread but having double its sustenance, people would then be reduced to eating but once in two days". It would be difficult to state "the bare sustenance" theory with more graphic force; but whereas Necker was hypothetical, Ricardo was realistic. Read this: "The natural price of labour is that price which is necessary to enable the labourers one with another to subsist and to perpetuate their race without either increase or diminution". Ricardo was in frequent correspondence with Malthus, with whom he largely agreed. "There is no means of improving the lot of the worker except by limiting the number of his children. His destiny is in his own hands." Both regretfully admitted that "moral restraint" was not effective; they did not then talk of birth control.

Even though Ricardo blew to atoms the necromantic claims of landlordism, theoretically placing them on the same level as other occupations, he was not forward in pressing home his own logic. He admits—or suggests—that rent is properly a subject for special taxation. But as things were, and likely to remain in his day, the landlord could with impunity exact his rent. And this rent is a matter of indifference to the proletarian, for whilst his money wages may move in sympathy with the price of corn, his real wages remain the same. In effect, Ricardo says: the landlord seizes whatever surplus there may

be over the cost of production, then says to capitalist and worker that they can divide what remains. As to that, wages can only rise at the expense of profits. There is, and must be, a class struggle, which is my inference and not Ricardo's. How does he visualize it? "For as soon as wages should be equal to the whole receipts of the former, there must be an end to accumulation; for no capital can then yield any profit whatever, and no additional labour can be demanded, and consequently population will have reached its highest point." This lame and impotent conclusion reminds us of John Stuart Mill's famous passage in which he pictures the ultimate effect of the law of diminishing returns: "the river of human life will eventually be lost in the sea of stagnation". We of this generation have a more enduring faith; other vistas open before us.

RENT AND ECONOMIC VALUE

Two further issues of gravity flow out of Ricardo. He brings down rent from its mystical eminence to the level of any other economic factor. But does not our whole conception of rent change in consequence? Rightly understood, is it not in fact the economic power, legally enforced, exercised by one man over another? Is not any other economic power, backed by law or custom, equally a rent? I must buy bread; the baker charges a profit. I am in desperate need of an operation; the surgeon charges a fee. If there is an abundance of land, the economic power of rent diminishes, perhaps disappears; if

there is an abundance of bread, the economic power of the baker likewise goes; if surgery is universally at our disposal, the surgeon's fee or rent shrinks to small proportions. With the conquest of scarcity, plenty brings a long train of new economic principles.

Finally, we cannot leave Ricardo without thought of economic value.

When I was a very young man, William Morris said to me in his terse way: "Find out value". A little later, I repeated this to H. M. Hyndman. He stroked his beard for a moment and then said: "Odd, isn't it? that it requires an artist to put his finger on the weak spot in all political economy". Certainly Ricardo knew it. In his correspondence with his friend and disciple, McCulloch, he writes: "I am not satisfied with the explanation which I have given of the principles which regulate value. I wish a more able pen would undertake it". Three years later and two years before his death, to the same correspondent and on the theory of value: "Both of us have failed". The Knights had failed to find the Holy Grail.

Our economists have failed because they could not dissociate value from supply and demand from effective demand. Adam Smith, Ricardo, and Marx, all alike. Condillac, the French philosopher, comes nearest the truth: "But since the value of things is based upon need it is natural that a more keenly felt need should endow things with greater value, while a less urgent need endows them with less. Value increases with scarcity and diminishes with

plenty. In case of plenty it may even disappear; a superabundant good will be valueless if one has no use for it". With scarcity gone, what remains of that definition? The first sentence; for, unlike the other definitions, it comprehends natural as distinct from effective demand.

III

KARL MARX

To gain a true perspective of the growth of economic thought in regard to capitalist development, it may be well to keep in mind some dates. Adam Smith was born in 1723 and died in 1790. The *Wealth of Nations* was published in 1776. Ricardo was born in 1772 and died in 1823. His *Principles of Political Economy* was published in 1817. Karl Marx was born in 1818 and died in 1883. The first volume of *Das Kapital* appeared in 1867, the second and third volumes coming after his death in 1885 and 1894. They were published by Engels. As a matter of interest but of no consequence we may note that both Ricardo and Marx were Jews turned Christian; but the overlapping of the ages of these three is more than interesting: it is significant. For the periods they represented and reflected equally overlapped. And the economic continuity thus implied is, almost with scientific precision, disclosed in their writing. How many are there who realize that Marx's whole argument is grounded upon the classical tradition? We may affirm that had there been

no Ricardo, there would have been no Marx. Since, too, economic development proceeded apace, all unconscious of Marx, it is possible that, had there been no Marx, the Socialist movement would have equally responded, without him, to the needs, necessities and oppressions of the period. As a matter of fact, Marx's analysis of Capitalism, profoundly stirring though it was, had already been, rationally or instinctively, grasped by the working-class movement in Europe and especially in Great Britain. Indeed, the case for State Socialism had been stated by Dupont-White, and Rodbertus had published his theory concerning the development of governmental organs to meet the needs of higher social development. Nevertheless, Marx dominated the minds of vast masses of men, more by his intensity than by his theory. It is not his dialectic that stirs us; we are led captive by a prophet and a seer.

We have it on Biblical authority that, on occasion, "the prophet preacheth lies"—a fact well known in racing circles; accordingly, it were prudent on our part to test the word of the prophet. On the theoretical side, Marx is known to us for his theory of surplus labour and surplus value and for the concentration or appropriation of capital. It is the fashion nowadays to brush aside these theories as long since discarded. For my part, I do not regard them as theories but as statements of economic conditions subsisting in the time of Marx. Without arguing the meaning of "value", surplus value, as Marx used the term, was a fact and not a theory.

As for "surplus labour", it is surely as obvious to-day as it was then. The curious thing about Marx is that he appears to regard the commodity valuation of labour (upon which his argument is based) as inevitable in any economic system. His solution was State Socialism, the continuance of the wage system being predicated.

It is when he discusses capital as such that Marx is most suggestive—and most deceptive. He transforms the old "Wage Fund" into what he calls "variable capital". This variable capital is the financial pool out of which labour is paid. The money that goes into machinery, tools and equipment, he calls "constant capital". He follows Adam Smith in essentials with a change of names. The most devoted follower must recognize that Marx cannot be sure whether the surplus is earned by constant or variable capital, or in what proportions. Since, by hypothesis, constant capital is not absorbed or vitalized by labour, and cannot therefore produce surplus value, plainly the surplus comes from variable capital. His logic, but not his system, depends upon this. But experience has taught that, in modern production, the largest profits go to those who employ most constant capital.

We may well enquire why Marx should stand to be shot at because of this particular interpretation of economic phenomena. None of it is original. As we have seen, his argument on constant and variable capital derives from Adam Smith, even though the developments in capitalist practice had a further

century to their account. Labour as the measure of value was first adumbrated by Smith and reinforced by Ricardo. As for surplus value, we find it better done by Sismondi. Again it is a difference in words. With Sismondi it is "increment value". We find it in full measure in his *Nouveaux Principes*, published in 1819. Sismondi was not even a Socialist. His attitude to the economic problems of his day recall my namesake John A. Hobson as he writes to-day—or rather, yesterday. Here is Sismondi:—

> We have said elsewhere, but think it essential to repeat it, that it is not the perfection of machinery that is the real calamity, but the unjust distribution of the goods produced. The more we are able to increase the quantity of goods with a given quantity of labour, the more ought we to increase our comforts or our leisure. Were the worker his own master, after accomplishing in two hours with a machine a task which formerly took him twelve, he would then desist from toil, unless he had some new need or were able to make use of a larger amount of products.

Nor is Sismondi less outspoken than Marx:

> We might almost say that society lives at the expense of the proletariat, seeing that it curtails the reward of his toil.

And again:

> Spoliation indeed we have, for do we not find the rich robbing the poor? They draw their revenues from the fertile, easily cultivated fields and wallow in their wealth, while the cultivator who created that revenue is dying of hunger, never allowed to enjoy any of it.

There is, however, a vital difference between Sismondi and Marx. The former recognized an equitable division of his "increment value" between labour and capital; Marx, of course, argued that labour alone created value, and that profit and interest must accordingly constitute theft. Sismondi, in the way Liberals always do, thought the differences could be bridged by reason; Marx saw only an "inevitable revolution".

It is not then in his economic theories or *dicta* that we find the true Marx. As an economist he is not original, save only that he adopts the classical economy and turns it, with amazing power and skill, to his own great purpose. Philosophically he stands or falls on the materialist interpretation of history and on the inevitablity of the class war, with its ensuing revolution. A revolution, be it noted, not necessarily accomplished by physical force but unquestionably catastrophic in its nature. We must not confuse inevitability with will power; there is always the moral appeal. The political franchise in England may even peacefully effect the revolution. But whatever the social or political conditions, please let us have no nonsense about "reforms". Every step taken must be a conscious effort to speed the revolution. The one sure thing is that Capitalism contains within itself the germs of its own destruction. In the words of the Communist Manifesto: "What the *bourgeoisie* produces above all, therefore, are its own gravediggers". This is the true Marxian appeal.

In regard to the materialist, or economic, inter-

pretation of history, how does it now stand? What did Marx mean by it? Here is his argument in his own words:

> In the course of their efforts at production, men enter into certain definite and necessary relations which may be wholly independent of their own individual preferences—such industrial ties being, of course, correlative to the state of their productive forces. Taken together, all these links constitute the economic structure of society. In other words, it supplies a basis upon which the legal and political superstructure is raised, and corresponding to it are certain social forms which depend upon the public conscience. The method of producing commodities, speaking generally, fixes the social, political, and intellectual *processus* of life. A man's conscience has less to do with determining his manner of life than has his manner of life with determining the state of his conscience.

Now if that is not true, it is for the churches to answer. With several pertinent observations on other-worldliness by Nietzsche. For my part, when I am asked if economic conditions mould character and shape conduct, I lose patience. My answer is: "Good God! Look around!"

We can now also gauge the substantial truth of Marx's prophecy that revolution was inevitable. At least there is the Soviet revolution. With Lenin's gloss, Russia, so to speak, stands to the credit of Marx. All the Russian Communists say so. But that revolution came in a way never anticipated by Marx. He never forecast a body of desperate men taking

over a bankrupt society and calling it an inevitable social revolution. He pictured a highly organized capitalist society, finally controlled by concentrated capital in a few hands, ripe for expropriation by an organized proletariat. Outside of Russia, however, it is now generally recognized that the "class war" has become a "class struggle". Not of two classes, but many. Whether, some day, some electric spark will suddenly resolve all these struggling classes into their basic affinities remains to be seen. It would be foolish to prophesy. If the broad conception of a functional society, with its new vision and wider sweep, captures our imaginations and loyalties, we may, in this life-time, at last realize Bastiat's dream of the economic harmonies: "The general laws of the social world are in harmony with one another, and in every way tend to the perfection of humanity".

Labriola remarked that "*Das Kapital*, instead of being the prologue to the communal critique, is simply the epilogue of *bourgeois* economics". Sorel says much the same thing: "Marxism is really much more akin to the Manchester doctrine than to the Utopian. We must never forget this". I think the more we dissociate Marx from his economic doctrine, every syllable of it being well within the classical ambit, the more do we realize his magnitude. A *bourgeois* to his finger-tips, a scholar, a master of style, he was profoundly moved by the horrors and miseries of the industrial system. He devoted all his intellectual power and moral indignation to hasten the end. What more could man do? Nor must we

forget that behind his argument of inevitable collapse, his moral purpose shines through his remorseless logic. His was no appeal to the intellectuals, the great ones of the earth; his heart, his sympathies, his service all go, without stint, to the working-class movement. He was not only an economist; he was one of the great prophets of the nineteenth century.

Meantime, a contemporary of Marx, Bruno Hildebrand, the German historico-economist, had the clear vision. There are, he said, three phases of economic development—the period of natural economy, next of money economy, and finally of credit.

And now, what did he mean, what do we mean, by credit?

IV

THE MEANING OF VALUE

From our cursory survey, it is evident that economic doctrine as yet does not understand and therefore cannot define value. Value to all our economists, Marx included, is determined by effective demand. Whatever the measure of value—definitely labour in the Marxian argument—you can only arrive at it through exchange. All the economists, in fact, accept the commercial and not the social meaning of value. Water is a vital necessity to every member of the community. We get as much as we need for about half-a-crown a week. A diamond, which has no social value, may cost £1,000. If we accept exchange as the condition precedent to

value and assuming water to have little or no exchange value, then the only possible conclusion is that economic doctrine is based on false values. If we examine political economy, not to find explanation or justification for present commercial practice, but in search of the permanent economic factors, no light is shed upon the one vital thing—value in relation to life and not to exchange.

That is why, in my view, Condillac's definition is to be commended. "Value," he says, "is not an attribute of matter, but represents our sense of its usefulness, and this utility is relative to our need. It grows or it diminishes according as our need expands or contracts." How does our "need" for bread or water compare with our "need" for diamonds? Might we not affirm that true wealth is the satisfaction of our needs? I wonder if Ruskin thought or knew of Condillac when he drew his famous distinction between wealth and "illth". Observe that a need may meet either effective or natural demand. Our problem—and destiny—is to supply all needs subject to their accepted social value.

It is life or death to any movement aiming at a reconstruction of society to understand the meaning of value. We must assert that, whatever Marx may have written, labour is not the measure of value. It is the source of all wealth—a widely different concept. The classical economists had, of necessity, to bring labour into their estimate of value because they all accepted the commodity valuation of labour. In this respect, Marx was as great a sinner as the others.

Now if we base value on need and not on labour, coupling this with a recognition that labour is the source of wealth, it leads to fruitful conclusions. First, all values are excluded from all idlers, since they do not add to the source of wealth. Secondly, labour is recompensed, not as a commodity, but as an owner. Thirdly, the work of the community creates value only as it supplies our needs irrespective of exchange price. A need may or may not have exchange value; function's problem is to satisfy our needs in the precise order of their utility and urgency.

Without a true appreciation of value, political economy is as a ship without a rudder.

This "transvaluation of values", inevitable if we are not to sink into utter disorder and disintegration, involves a new understanding of capital. You cannot create this new hierarchy of values under Capitalism because they must still be subject to the higgling of the market. Only in function can the new order of society create its new values. It therefore resolves itself into the question: what use has a functional society for capital? We have seen that Adam Smith and his followers assume that capital is the child of savings, of parsimony. They then divide capital into two parts—fixed and circulating; or, as Marx puts it, constant and variable. They further assume that capital is as essential to production as labour. It is as foolish as it is futile to hark back and condemn the former methods by which capital was accumulated. It was actually

accumulated in that particular way because the capitalists had the power to exact from the consumer the amount required to pay profits plus a surplus for new capital. Always it was the consumer who provided all capital for improvements and developments. In more recent times, this is frankly acknowledged in balance sheets, a sum being retained for sinking fund and future expansion. Retained from what? From the price paid by the consumer.

Strictly regarded, it is the consumer—that is the community—who has paid for all capital expansion; and it is the consumer or community to whom all accretions of capital value should belong. The "saving" of the capitalist is found on analysis to be the saving of the consumer. For if the consumer, in the first instance, had not saved enough to buy the commodity, how could the capitalist have saved? The actual process has been that the consumer, like a confiding fool, has merely transferred his savings to somebody else. But in another way, all capital is social capital seized by private persons by virtue of a superior economic position. Rent, in fact.

The curious thing about a capitalist is that he can see his capital destroyed, almost without a murmur, providing the damage is done by a fellow-capitalist. An old business is ruined by a new business started round the corner. Capital built up on a valuable patent may be lost by a newer and a better patent. Or a change of population may put a business *hors de*

combat in a few months. I have been told that several retail businesses have been seriously hurt by the one-way traffic. To the capitalist employer all this is fortune of war. He accepts it with the fortitude of the ancient gladiator when the verdict was thumbs down. But if any non-capitalist development hits him, he is quick to demand compensation. For the moment we merely observe that any change of our economic structure brings with it no legal obligation to compensate.

Even if the consumer has in fact supplied the constant capital, the equities notwithstanding, it belongs to the capitalist. "The law allows it and the court awards it." Indeed, except to arrive at some estimate of any claim that may subsequently be made when function displaces private control, the question is hardly worth pursuing. The principle to be adopted should be that function takes possession of all plant at the cost required to replace it. That effectually gives the *quietus* to any claims of watered capital. I have already noted the growing disposition to issue capital based on earning capacity and not on ascertained assets. I cannot too emphatically declare that any such category of capital must stand or fall on profits and profits only. If a new system be instituted which eliminates profits, all capital based on profits has no claim on the community.

Variable capital calls for little comment. It is really what nowadays we term working capital. Whatever its former *rôle* in our industrial system,

to-day it can be absorbed in credit. Certainly in any highly organized industry, capable of issuing its own credits, the need for this class of capital would be small if not actually non-existent. The Co-operative Movement has reduced it to a minimum and, in consequence, is better able to compete with its over-capitalized competitors. From the functional point of view, the community is primarily concerned with such variable capital as is ancillary to constant capital; but we must remember that variable capital, in the sum total, constitutes a strong bulwark of Capitalism. By definition, all the capital of the banks is variable, as is that of the insurance companies, even though they have stupendous investments in constant capital—land, houses, railways, machinery. Then the vast merchanting concerns work with variable capital, even though many of them have large investments in the factories that supply their shops. I do not know the proportions of constant and variable capital now operating in Great Britain; but if, as we soon must, we regard both industry and finance through the eyes of function, it will be found to what an extent our capital resources have been wasted on undertakings of no social or functional value.

Although there are signs of a business revival in this country, perhaps the precursor of a world recovery on capitalist lines, we may be sure that the worst aspects of the system will continue. We can never again restore unemployment to its former percentage of two to three per cent of the working-

class population. And it is equally certain that the wrong direction given to industrial policy by finance-capital, greedy for quick returns and impatient of long-term investments, must sooner or later work its own destruction. As we have gathered from our survey of economic development, modern capitalism is based on false values. These false values frustrate the economic and ethical claims of social needs.

Are there, then, any signs of Bruno Hildebrand's prophecy coming true? Are we in reality moving from a money economy to a credit economy? There are many such signs. There is a growing resentment in many quarters against the dominance of the banks. Yet our banking system is the best in the world. Nevertheless our monetary system is under scrutiny, both amongst capitalists and workers. The community, too, is showing a growing inclination to claim the pool of credit now in the legal control of the banks, but actually the creation of the workers in every grade of the industrial hierarchy. The absence, too, of any feasible planning, disclosing appalling disorder where order and foresight ought to be, proves the intellectual bankruptcy of Capitalism. Those working for change are seriously handicapped in several ways. The exhaustion, psychological as well as physical, of so ominous a proportion of the workers cannot be too seriously regarded. If our economy had long ago only recognized that value derives from the satisfaction of needs! The chief obstacle to be overcome before we are out of the financial wood is to decide—and give effect to our

decision—that finance must cease to be the master and become the servant of industry. The logic of events points definitely to functional control, particularly if we adopt the new conception of value here adumbrated.

Finally, before we can move into a new era of credit, we must understand what credit is. During recent years, when credit has been discussed from every point of view except of function, I have not yet found any common understanding or definition of credit. It is, apparently, as closed a book to the financial *quidnuncs* as value is to the economists. Many meanings are attached to it. For example, I may gain or lose credit by writing these lines and Heaven knows how my credit would suffer if I did not treat the publishers with ceremonial humility. Credit is good reputation and, coming to the bones of it, trust in ability to pay. It may consist of property or other instrument whereby we obtain money or services, particularly from the bank. But, functionally considered, credit is a contract of which time is the essence. Functional groups, controlling the means of production and distribution—they are not two but one economic process—will, of course, control their own finance and create their own credit. That credit must and can only be a contract in time, the period specifically stated. That is to say, credit supersedes capital. For if, over a given time, any functional group can secure the credit necessary to the efficient conduct of the business, there is obviously no need for capital, which, unlike credit, is

a permanent charge: is, in sober truth, a debit, a liability, and not a credit.

These things will not come of their own accord. There is no inevitability in the destruction or modification of the capitalist system; there is no inevitability in the passage from a money to a credit economy; there is no inevitability in the conquest of scarcity and the advent of plenty. We may, unless we watch and pray, lose what we have gained. All will be frittered away and finally lost unless we have the will to power, coloured with the sure knowledge of the way we would go.

CHAPTER XI

THE REVIVAL OF GUILD SOCIALISM

We shall not understand the meaning of Guild Socialism without some knowledge of the Socialist ferment during the first decade of this century.

The conventional historian will probably be content to refer to that period as one in which Socialism gained ground; but what finally matters, if truth is to be served, is to realize that Socialism, then as now, was not a coherent whole but rather a generic term for theories and agitations of which the only common ground was a desperate desire to change the conditions of the wage-earning classes, from those advocating reformist methods to others who were for open revolution. It would be easy to describe these various movements as they shaded off into each other from the cautious right to the turbulent left; what need now only concern us is that by 1910 there was a definite intellectual cleavage between the sober doctrine of State Socialism and the more menacing demands of Syndicalism. Guild Socialism was the resultant of the friction between these two warring schools of thought—a politico-economic *tertium quid*.

The great mass of British Socialists was largely committed to State Socialism, mainly to the Muni-

cipal School, in which the Fabian Society played a dominant part. It was a doctrine that taught us to rely upon the State for redress; to look to a glorified Civil Service to direct our economic life. The high reputation of the British Civil Service was, in fact, a considerable asset to the State Socialist creed. Practically, this meant bureaucratic administration: theoretically the concentration of sovereignty.

This conception was denounced by the Syndicalists on several counts: the prospect of a monstrously overgrown bureaucracy was repugnant to their democratic beliefs; the reliance upon State control, as distinct from industrial control, was regarded as merely another form of wage-oppression; finally, the politicalism predicated by State Socialism was countered by an appeal to the trade unions to fight on a strictly economic basis. Out of this agitation came "direct action" and the general strike.

By 1910, British Syndicalism—itself a curious Franco-American hybrid—had gathered considerable strength, if not in numbers at least intellectually, amongst the younger school, who derived much inspiration from the Socialist Labour Party in Scotland, from the teachings of Daniel De Leon of America and from Sorel and Berth of France. Practically, this meant a negation of political action; theoretically, a diffusion of sovereignty.

In writing *National Guilds*, the task I undertook was to build a bridge between these two schools of Socialist thought. As I saw it—and still see it—it was beyond question that democracy in industry is

as precious as it is in politics; but I also realized that politics is an essential factor in our national life. The problem therefore was to relate economics to politics in such wise that industry should function on its own foundations, whilst to politics should be assigned the supreme mandate of expressing citizenship in its myriad forms, its rights and privileges, its duties and responsibilities.

Theoretically, I was—and am—convinced that sovereignty is a quality inhering, no doubt in different degrees, in all human societies; that to concentrate it in any one institution is to threaten grave injury to fifty other institutions; that at all hazards the primacy of function must be harmonized with the sovereignty of citizenship.

These problems have now been clarified, if not solved; in 1912, when I put them to the test of cold print, they were vague, difficult and (to most minds) remote. At that time, I was associated with the *New Age*, then under the memorable editorship of A. R. Orage. We discussed the issues involved into the small hours of many nights; gradually our vision cleared and finally we sketched a reasonably clear elevation of our Guild structure. Nevertheless, it was an act of conspicuous courage and faith on his part to publish the book serially. For the *New Age* had a reputation for brilliant common-sense whilst its committal to this propaganda might create an atmosphere of "impossibilism".

In travelling this *via media* between State Socialism and Syndicalism, the path was tortuous and

stony, with low visibility throughout. And I may say that for six months it seemed that I was addressing empty space, no murmur of sympathy or dissent being heard. Then the new gospel took root and grew. Distinguished adherents, like Mrs. Townshend, Cole, Mellor and Reckitt, came to our aid. When war began, Guild Socialism had been accepted in many unexpected quarters. During the war it grew into a living faith. The National Guilds League, largely under the inspiration and guidance of Mrs. Townshend and those three men, by its vigorous propaganda, undoubtedly gave to socialist thought a new vision and a richer content.

In his *History of British Socialism*,* M. Beer devotes some pages to Guild Socialism, describing with accuracy and understanding, the main principles. He says of *National Guilds* that it must be regarded as one of the most important documents of the labour unrest which dominated British home affairs in the years of 1908 to 1913 :

> Its critical apparatus is grounded on the syndicalist form of Marxism, and it is followed up with that relentless logical force which characterises the writings of Karl Marx. Its positive contribution contains several British elements—it envisages the nation rather than a class and it presents an outline of the practical applications of syndicalist ideas to British economic life.

* *History of British Socialism.* M. Beer, Vol. II, pp. 363 to 372. On Syndicalism, Berth, *Les Nouveaux Aspects du Socialisme* ; Sorel, *Reflexions sur la Violence* ; *The Preamble of the I.W.W.*, published by the Socialist Labour Party, Edinburgh; Cole, *Self-Government in Industry*, third edition, pp. 303–321. Sorel insists upon the vital distinction between Anarchism and Syndicalism; but they seem to have a common heritage in Louis Blanc.

This would imply that I had at least done justice to the Syndicalist conception; but the truth is that neither I nor any other socialist writer could consistently "envisage the nation" until the wage-system has been transformed. For the wage-system creates economic and social classes and it was accordingly evident that the class struggle thus engendered must be ended before we could build on national and not on class lines.

Then, as now, there was a constant shirking of the wage problem, stated in terms of the wage contract and not in terms of money. Again I may quote Beer:

> The foundation of social life was labour. Hence it followed that if the conditions that governed labour were evil the whole way of life must needs be evil, and that the real emancipation consisted in replacing these conditions by a new scheme of life. The conditions that had been governing labour formed the wage system, or wagery, which was one of the species of the genus slavery. A struggle for emancipation must therefore aim at the abolition of the wage system. Instead of which the working men frittered away their energies on a struggle for higher wages and for the improvement of the wage system. Even the socialists, whether as members of the Social Democratic Federation or of the Independent Labour Party, had never fought consistently against the wage system.

And again:

> If the working-class desired political power it must acquire economic strength in factory, mine and field.

> Those who owned and controlled the sources of wealth commanded also the labour which produced the wealth, and in commanding labour they controlled the foundations of society and its political superstructure.

These sentences, culled from Beer's abstract of my analysis of the wage system (in *National Guilds* it runs to nearly one hundred pages), indicate clearly enough that it was a condition precedent to any "national" solution that wagery must be transformed into partnership. That is why the Guild Socialists were never tired of urging the trade unionists always to strike for *status*, and never for minor modifications of wage conditions, or trivial additions to wage rates, which could be easily absorbed in higher prices.

For my part, I am still unrepentant. I am as certain now, as twenty years ago, that all our efforts and schemes—industrial, financial or social—are of no avail until the worker controls every process of industry. The National Guild was devised for precisely that purpose. It was evident, then as now, that the way to kill the commodity valuation of labour was for labour, primarily through the trade unions, to secure a monopoly of labour. Hence the Guild Socialists' plea to the workers to form "blackleg proof unions". I add that the wage system is as much a moral as an economic blot upon our civilization. The strange moral blindness of practically the whole community to the wickedness, the degradation, of wagery is not dissimilar from the attitude of the Southern planters to slavery. There is a difference not to the credit of this generation: the planters main-

tained their slaves whether employed or unemployed; modern Capitalism has no interest in the bodies of the wage-earners, but only in the labour commodity. And so our unemployed brothers and sisters go to the scrap-heap. Was it ordained that they should mount Calvary to win for their children an enlightened leisure?

From the foregoing, it is evident that Guild Socialism was not primarily a scheme to rationalize the existing industrial system, but a deliberate effort to place labour, the trustee of function, upon its rightful throne. To that extent, then, our argument has veered towards Syndicalism; but, as we shall soon see, certain definitely socialist factors play their part. But first a few words on the structure and finance of the Guilds. It is interesting to note here that the case for "Workers' Control", now agitating the labour ranks, is largely based on the original Guild idea.

In a little book, *Guild Principles in Peace and War*, I defined a National Guild as a "combination of all labour of every kind, administrative, executive and productive, in any particular industry. It includes all those who work with their brains and those who contribute labour power. Administrators, chemists, skilled and unskilled labour—everybody who can work—all are entitled to membership. Numerically considered, the trade unions must form the bases of these National Guilds; but they, in their turn, must merge into the greater body". That definition still serves. Each industry was to have its National Guild; all the Guilds were to be subject to and represented

upon the National Guild Congress, which was to be the national economic authority. So far as I know, this was the first suggestion made for an economic authority, functioning independently. The idea is now being promulgated from several quarters. I find myself at that time writing this:

> As the Guilds gradually shape themselves into their natural economic forms and groupings, it is certain that many vexed controversies will call for patient and statesmanlike discussion and settlement. The reorganization of industrial society may be planned with Roman precision of thought and a Greek sense of symmetry, but, unless the spirit that directs it is informed with a cultured appreciation of the many and various problems that call for solution, we shall find ourselves in possession of a charter and constitution as perfect as a Central American Republic and with as rotten an administration. The organization of the Guilds is a task for trained craftsmen and industrial thinkers, and not for contented wage slaves. It presupposes an intelligent determination to be quit of the wage system and an understanding that Guild organization is the strong successor to the large industry, now clearly destined to disintegration and decay.

So far as was possible, the potential difficulties and dissension were frankly faced. Thus the weaker Guilds may get the worse of their bargains with the stronger; each Guild may put is own price on it's own labour; the Agricultural Guild, numerically the strongest, will undoubtedly press for equality of pay with the industrial Guilds; the Transport

Guild holds a strong strategic position and may take advantage of it; and so on. The solution is suggested: Guild ambassadors, the Guild equivalent of interlocking directorates. "Nor is there any reason why these Guild ambassadors should not be clothed with large authority to commit their Guilds to proposals that vary existing contracts and understandings. If large changes were proposed, the assent of the other Guilds, through their ambassadors, would be as deliberate as the changes were important. We here hit upon a valuable truth: when bodies between which there is no economic harmony disagree (labour and capitalism under modern industrialism) such disagreement tends towards disintegration; but disagreements between two or more bodies, whose economic interests are fundamentally harmonious, tends towards closer economic integration. Thus dissensions amongst the Guilds would almost certainly create a movement to reduce all such friction to its smallest area, and by goodwill on all sides finally to eliminate it." And the ultimate authority is the National Guild Congress, or, as I have since called it, the House of Industry.

With this fleeting glimpse of Guild organization and its inherent difficulties, we can now consider the Guild theory of finance so far as I was able to sketch it. During the past twenty years there has been an increasing flow of propaganda specially directed to finance and its kindred problems. It may not be without interest to consider what we Guildsmen were thinking in 1913.

Plainly, a sound system of finance was essential to our picture. The conclusion was that the Guilds must be their own bankers, with their own national bank and clearing house. Two practical issues promptly emerged: international exchange and gold. The Guilds must buy from abroad food and raw materials. How were they to pay? With their own goods to the utmost limit and necessarily sold in the currency of their purchasers. As gold was then the universal medium, the Guilds' foreign transactions must be in gold. But gold was simply meaningless in the internal finance of the Guilds. Here I may quote:

> Having abolished wages, and in consequence knocked the bottom out of the fund from which rent, interest and profits are drawn, it becomes evident that labour value has *ipso facto* supplanted gold values. It would therefore be a work of supererogation to persist with a monetary system that has lost all vital relationship to reality. A Guild member obviously does not earn each week £2 15s. 7½d.; such a token or set of tokens would be meaningless. He has in fact earned the average equivalent of twenty-four, thirty-six or forty-eight hours' work, payable by his own and other Guilds and necessarily valued in time or in labour units based upon time. Beyond all doubt his work has ceased to be measured by the Old Lady of Threadneedle Street. She, God be thanked, is dead. The object of measuring the wage slave's labour by gold is that dividends paid out of labour shall be paid in gold. The valuation of labour and the products of labour by a gold standard are obviously the perquisites of the present banking system, and are a

> fruitful cause of tyranny. The system puts a heavy premium upon gold and a tyrannous discount upon labour.

Thus, not yet understanding function and ignorant of conditions, I stated that value is found in labour and not in commodities produced by labour; I brought use value into its true relation to exchange value. Currency and credit must, each in its own sphere, be governed by functional value; the currency having a scientific ratio to production, credit becoming what it was intended to be—a contract primarily in terms of time, the money involved being of secondary importance. And, since *ex hypothesi* we have discarded sterling money, the tokens of exchange between the Guilds and between their members is the "guilder"—a token representing units of labour or units of time, and so accurately recording functional effort.

I have been twitted recently for suggesting that the banks should be the accountancy departments of industry. I am asked why I adopt the vocabulary of Social Credit when I reject it in principle. Social Credit was born in 1920: in 1913, I wrote: "We have postulated that each Guild is its own banker. But just as our present banks have their several branches, so also the Guilds have theirs. These branches would doubtless be the counting-houses of the particular works where the Guild members are employed." Moreover, the pay of the Guildsmen was to be credited to them in the books and drawn upon by cheques. Each Guildsman was auto-

matically a depositor in his own bank. In this way, the Guild Banks would always have a large reserve of credit, in addition to their enormous inter-Guild credit transactions.

All this was written twenty years ago. There has been a spate of books on finance since then. For my sins, I have read scores of them; but the Guild theory of finance, soundly based on functional effort, in my view remains unassailable. All these financial theories assume the continuance of the existing industrial system; they are falsetto voices in a general chorus of despair. The shrill cacophony of our financial *quidnuncs* will gradually be silenced as the re-organization of industry proceeds.

On the economic side there are still two problems of major importance, which must be reserved. They are taxation and compensation. The original proposal was that each Guild should obtain its powers by a State charter, one of the conditions being that they should pay their several quotas to the Budget. It requires but a cursory examination of Guild theory to see that all taxation, direct or indirect, is thrown into the melting pot. Notably income tax, which might be abolished. The financial upkeep of the State must be a first charge upon all Guild operations, whether productive or distributive. In industry, function must pay as well as govern. In like manner, the constitution of a Guild economy must raise ten thousand questions of compensation, based mainly on grounds of social compunction.

We may now proceed to the political implications

of Guild theory. It is, of course, at this point, that we diverge from Syndicalism and approach State Socialism. Never, so far as I know, has any Guild writer ever suggested that the Guilds as such should trench upon politics. They were to be purely industrial bodies, their activities strictly confined to their economic functions. There were heavy dialectical engagements amongst us upon sovereignty. Not without relevance, since upon our conception of sovereignty hung the acceptance of the State charter for the Guilds. If the State and the Guild Congress were co-equal in sovereignty, then clearly the charter was not merely useless but an impertinence. If, however, the State was the final arbiter of sovereignty, then, of course, the charter conferred the authority necessary to legal security. Without compromising my own belief in diffused, or, if you will, delegated sovereignty, I took—and take—the view that whatever authority acts for the general body of citizenship must exercise supreme sovereignty. Supreme, but not the only sovereignty; for we are all partakers of the quality of sovereignty because the State derives from us and can only exist with our assent. And we bring that sovereignty into our associations, churches, connections and covenants. The crucial issue, therefore, is not sovereignty but citizenship.

In defining the relations between the Guilds and the State, I declared that the advantages accruing from Guild organization must express themselves in citizenship. "We have now reached the point where

we discover that these two functions may diverge in the affections and persons of the worker. As a citizen he may prefer this or that policy; as a Guildsman his business is to concentrate upon wealth production and distribution. For the first time in the history of mankind he will clearly understand that nations, like men, do not live by bread alone. The inter-mixture of spiritual with economic considerations which now paralyses every State action will be, in form certainly and largely in substance-ended." Bearing in mind then the practical administration of the actual functions that minister to political purposes—the army, navy and police, the Foreign and Colonial Offices, education, central and local government—the main business of citizenship finally released from economic entanglements, is to give voice to its spiritual and cultural needs and desires. This is the true *rôle* of an enlightened political system.

It is, in fact, vital to our future, if we would still remain a great people, that the moral power and cultural capacity of the general body of citizens shall be raised beyond all economic dictation. In this time of economic plenty—a condition that, it seems certain, will indefinitely continue—and providing we put our material affairs in order, there can be no conceivable excuse for any Government (acting as the agent of the State) not to pursue a policy of spiritual expansion and intellectual enrichment, undeterred by economic considerations. The reason, then, why the Guild Socialist rejects the non-political

creed of the Syndicalist is because he realizes that the virtual conquest of the production and distribution of wealth brings in its train, not only widespread prosperity, but an endless chain of non-economic movements for social change; opens up vistas of a new life to which our eyes, now heavy with anxiety or privation, must needs be blind.

Apart from the precise theory or detailed proposals of Guild Socialism, which time may or may not have modified, its most urgent lesson to this new generation is the pressing necessity for the separation of our economic activities from our political life. Non-functional citizenship is plainly incapable, through its political machinery, of directing the functional work of our vast industry. But the separation of industry from politics is, in itself, useless unless industry itself is transformed into a public service and ceases to be a vulgar and shabby system of personal aggrandisement. Whether Guild Socialism experiences a rebirth depends, firstly, upon the insistence of the community upon an industrial revolution or re-integration; and, secondly, whether any other theory or vision of a new society has a sounder basis or a stronger appeal. The last decade has been eaten by locusts; now we begin where, ten years ago, Guild Socialism left off. I believe it still holds the field as the only coherent scheme of a new life, appealing both to our practical genius and political instinct.

CHAPTER XII

SIMPLE DIVISION

As the industrial nations grope their purblind way through the trade depression—a depression that is plainly commercial and not economic—they encounter the frustrations of a political Parliament and the disastrous domination of finance. Nor has it escaped the notice of an ever-growing number of our people that a sinister alliance subsists between the political powers and high finance. Whitehall and Threadneedle Street understand each other, whilst neither seems to have even a vague understanding of the economic realities. The reason for this is not far to seek; it is in fact so obvious that, as yet, only few can see it. It is, simply put, that our industry, with its ten thousand functional processes, is hampered and thwarted by non-functional groups and interests. The political panacea is a constant and exhausting resort to tariffs or to factory restrictions of one kind or another. Compared with this, pills for earthquakes are a positive cure. And we are now awaking to the fact, obscured for a century, that finance is functionally of minor importance; that its position in the body politic has been artificially contrived in the interests of those who neither toil nor spin.

FUNCTIONAL INDUSTRY

We shall sink yet deeper in the commercial quagmire unless we realize that industry must now be organized on a functional basis; that financial control must yield to functional control; that the pursuit of politics, rightly understood, is an affair of the spirit; that politics must neither hamper industry nor permit industry to distract those higher concerns of citizenship which constitute the political mandate. In short, that industry and politics, since they move on different ambits, must be constitutionally and legally separated. The true vision of the future is an autonomous industry guarding and developing our economic life to the end that, as a people, we shall achieve a spiritual and cultural life. A great and momentous adventure in simple division!

THE ELEPHANT AND THE WHALE

For several generations we have been sedulously taught to look to politics to solve our social and industrial troubles. A century or more ago, in a less complex society, no doubt Parliamentary methods sufficed. But our national life to-day is too complicated, too penetrated with incongruous problems, to admit of any solution by any single authority, particularly when, as is obvious, neither our political machine, nor its personnel, can deal with industrial developments, which have now passed far beyond its purview. The elephant cannot struggle with the whale; they move in different elements: in like

manner, the politician cannot, in the nature of things, give effect to the demands and needs of our economic system. The time has come to recognize the claims of industry to function on its own basis. Nothing is more disquieting than the tenacity of the politician in the maintenance of his authority over our industrial life. The tragedy of the present situation is that this authority is as legal as it is obsolete. And so we perpetually move round and round in a vicious circle. To break that circle and resolve our society into its component parts is the task of the hour.

A SCANDAL

These parts fall naturally into two main divisions: such organization as is necessary to our spiritual and cultural growth, and such organization as is necessary to provide the material means. It were surely now painfully clear that, as these organizations are fundamentally wide apart, to combine them under one authority is to invite disaster to both. That, in fact, is precisely what has happened. We are in a state of dire need, not because of any economic scarcity, but because we are impotent to realize our political or economic possibilities. The enemy is the fatuity of our governing classes (whatever their political creed) in forcing the economic flux into a political mould. It has ceased to be a problem; it has become a scandal.

THE NEXT STEP

The constitution of a national economic authority,

clothed with full powers to control and co-ordinate industry, is neither an improvization nor a counsel of despair. On the contrary, it is the next logical step in the advance of mankind towards an ordered and cultured society. The vulgar reign of money must instantly cease or it will destroy us; the day of functional control in things functional has come. This means that the production and distribution of wealth must be left to those who know how to produce and distribute; that they shall no longer be the victims of politician and financier. If we reflect on this for a moment and consider its vast implications, how trivial seem the current political issues! It would be quite easy to write down a long list of the futile efforts of a non-functional Parliament, such as ours, to cure our economic ills. And we may affirm with confidence that had our economic life been under the control of an economic authority, based on democratic and not dictatorial lines, the grisly horror of the past few years would never have come upon us: would indeed be inconceivable. The House of Industry, in the full panoply of economic power, is now our main hope of escape. For it means, in the economic sphere, a return to the Guild spirit and the triumph of function over finance.

AN ENRICHED CITIZENSHIP

The reactions upon our political life, thus quit of economic entanglements, must be a fruitful source of speculation. We can at least envisage a new Parliamentary personnel. Men who have gone into Par-

liament for the protection of their interests, whether Capital or Labour, will obviously be superseded by men of ideas. Idealists, one would hope, but also and mainly thinkers and workers with considered convictions upon education, or public health, or foreign relations. And, should it please the gods, upon art and science and the spread of culture. We should then know of a certainty that man does not live by bread alone. An enriched citizenship, with a sound economic foundation, is within our grasp. Within our grasp, if we have faith and courage and a changed heart. At least, here is a new society worth striving for. Not forgetting the immensity of the task, the urgent need to eliminate the class struggle not by ignoring it, but by ending for ever the wage-contract that engenders it, we can move towards a new destiny, profoundly conscious of escape from a calamity unequalled in human history.

OUR OBLIGATION

Nor must we forget that still the world looks to us to lead it. Especially in the practical affairs of mankind. When we have achieved the simple division between politics and economics, with the inevitable result of purifying the one and strengthening the other, we may depend upon it that Western Europe will follow in our wake. A coherent scheme of constitutional revision, giving free play to industry and a new range of ideas to politics, would displace in a twinkling the incoherent ideas that now disturb and threaten our common civilization.

CHAPTER XIII

WHO CAN, SHALL

We remember the fable of the prince who walked naked in the procession and whose people saw only the royal garments. It was a child—forerunner of the prophets—who remarked that he had nothing on. We laugh at the blindness of our ancestors, but is ours the clearer vision? Do we, for example, see that millions of our people are naked? Do we see that scores of our putative leaders have only to speak to disclose minds equally naked? Do we see—perceive—the grim anomaly of this nakedness in a land of plenty and this mental poverty in a land rich in intellectual wealth? And more to our immediate purpose, do we see the reason why these millions are naked? Do we see—and realize—that they are in desperate need because somebody—not the community—has the power to say that they shall not work? Have we, as our brothers' keepers, any right to say that they who can work shall not? Rather is it not our supreme privilege to declare that they who can shall?

UNEMPLOYMENT OR LEISURE

Probably never before in our history has it been so vital, so urgent, that we shall see things exactly as

they are and not as they are presented to us in the strictly official reports of the Scribes or in the smug optimism of our unctuous Pharisees. For, not even in the days of the hungry 'forties, have we experienced such widespread unemployment—unemployment moreover involving the final severance of the worker from his craft or trade. It is no exaggeration to affirm that possibly one half of the present unemployed, if the existing industrial system should continue, will never again return to the trade they have learnt and to which they have given their best years. They have become industrial Ishmaels, doomed to the desert when our pastures are lush with food. If we could say, as has perhaps been possible in thin days that have passed, that after all things could be worse, there might be some excuse to wait for the clouds to roll by; but we know now of a certainty that we cannot return even to the comparative prosperity of the pre-War days. There is an agonized cry in our land for immediate and fundamental change. So catastrophic is our situation that no class, no group, no individual must be permitted to consign their fellow men and women to poverty and nakedness. The control of industry must be given to our functional associations; we cannot leave it to the mercy of the private profiteer and financier. Just as the child could see that the prince had nothing on, so to-day our industrial system stands naked before us. All its pretences are shattered; it can no longer maintain its workers nor provide that he who can work shall.

The crux of the problem is neither in production nor potential distribution; they present no practical difficulties. It is primarily a problem of human participation equally in work and leisure. Be it observed that unemployment is not leisure: is the negation of leisure. Leisure is like liberty; all depends upon what we do with it. Both are negative conditions of our social order; both are priceless if we turn them to good account. But of what use is either if we have not the wherewithal to enjoy them? This is surely the essence of leisure. A leisured man, in common parlance, is a man of means. The unemployed, having no interest in their trade, are bereft of means, and accordingly know not leisure. Leisure? Unemployment is torment, anxiety, poverty, demoralization. Let those who so glibly talk of the machine creating leisure take a prolonged dose of their own medicine.

Madame Roland, at the guillotine, exclaimed: "O Liberty, what crimes are committed in thy name!"; it were well to ponder the crimes committed for a burlesque we call leisure. Particularly our casual, almost thoughtless, disregard for the sacrificial sufferings of our industrial victims. Should the Means Test catch the eye of some future Carlyle, what scorn will he pour upon a grisly unemployment which some fools impudently call leisure? The workers' *Magna Carta* is release from the wage system that denies partnership in work or leisure.

With becoming humility, we may pray for a miraculous end to this sorry state of things; it were

wiser, however, to assume that God expects us to extricate ourselves from the Hell of our own making. But we may be sure that there is a longer and shorter way of salvation. As usual, the politicians, with their smooth phrases, advise the more pedestrian route. They admit the evil posture in which we find ourselves; but they are equally insistent that now as always patience with tortuosity will bring at least some measure of relief. They suggest tentative measures of nationalization: transport or electricity; perhaps coal, or even cotton. Then provisionally, and with proper safeguards, we might proceed to experiment with terms of employment, conveniently forgetting the sweated conditions of the nationalized Post Office. Also forgetting that our task is functional and not political. Even if functional organization were not clearly the way out we cannot endure the Circumlocution Chamber of our political Bourbons. The time to act is now; the one thing to be done is to give power and authority to the men and women who know how to do things and can get them done. Obviously it is no job for the politicians or financiers. Not politics but function; not finance but real wealth equitably distributed.

THE CHOICE: FUNCTIONAL CONTROL

In the jargon of the market-place, the choice is between nationalization and workers' control. Consider well what nationalization means. A long campaign, perhaps for another decade, protracted and detestable bargaining upon compensation or share

values, a struggle for position and posts; and, in the end, the workers precisely where they are now and confronted, not with vulnerable employers, but an invulnerable State. It is surely inconceivable that any political party could so callously disregard existing conditions as to suggest so brutal a delay. During this struggle, in God's name, what is to happen to the unemployed, the part-employed, and the millions whose wages are now reduced to bare subsistence? It can only be contemplated on the assumption that we are all hopelessly mad.

The New Britain cannot be founded upon the Parliamentary methods of the Victorian period. The belief is now universal that Queen Anne is dead; it is astonishing what vast crowds still worship at the shrine of Queen Victoria. This New Britain of our dreams and ambitions has no patience for the first, second, and third readings of inoperative legislation; it sees instead a new industrial regime of workers organized in their appropriate guilds and serving the community by co-operatively producing and distributing the wealth we now possess in unprecedented profusion. This functional control is essential to our economic health. Whilst no single possessor of individual wealth need fear injustice, it is certain that no individual must stand in the way of industrial reorganization. For it is a choice between functional control and the continuance of the wage-system, with its inevitable sequel of privation and bastard leisure. Nevertheless, the new order will not come unless every worker of every rank—intellectual, technical,

manual—determines that it is the one way to bring about the new life. For it is nothing less than a new life, from doubts and fears set free, that shall content us; and a new industrial life to correspond. In this struggle all of us must, like Michael, seek our swords in the Armoury of Heaven. Thus armed, we shall in our sovereign right decree that all who can—shall.

CHAPTER XIV

WE AND THEY

FREQUENT reference has been made to the duty of Great Britain to lead Europe out of the present phase of social and economic frustration into a new era of positive achievement.

It is of the first importance that this—to us—rather obvious fact should be presented to our European friends modestly and with no semblance of arrogance. Not to put too fine a point upon it, we are not precisely popular in Europe. We are admired and even envied, our word is respected, but we are not liked. The truth is that, whilst we are *in* Europe we are not *of* Europe. That distinction is not of to-day or yesterday; it has persisted through five or six centuries. Nor has time tended to efface our psychological, moral and economic differences; they have, in fact, both widened and deepened.

I have just written that we are not liked. Perhaps it would be nearer the mark to say that we are not understood. We realize this when some event of international importance occurs. Instantly the continental Press glows with mordant criticisms of British policy. We read with mild surprise. "When will they come to understand us?" we ask, and turn to the city

or sporting pages. It is very different in the United States. Whether they agree or disagree, they understand. And their Press criticises with the freedom of family speech. They assume a family relationship.

A striking instance of this happened quite recently. Senator Key Pittmann, the Chairman of the Foreign Relations Committee of Congress, in a widely reported speech, called for a joint American and British naval demonstration in Chinese waters. It was to be a plain hint to Japan. Had any statesmen of like prominence in France, Italy, Germany or Russia made a similar declaration, the European dovecotes would instantly have been in a state of flurry and flutter. American and British readers were not in the least disturbed by the Senator's speech. Whatever else they thought, it did not seem incongruous. This is one of many signs that in world affairs Great Britain must always be closer to America than to Europe. It is a cultural or spiritual relationship, although, of course, our economic systems are practically the same. When Venezuela threatened trouble, the Anglicans, Baptists, Methodists, Catholics and a thousand other cultural influences, common and peculiar to both countries, promptly and contemptuously stamped out the war sparks.

This European misunderstanding of Great Britain —or *vice versa*, if you will—is one of the great tragedies of history. It ante-dates the Reformation, which in England took on a form and content which Luther would never have recognized, much less understood. For it was infused with the genius of

Milton and dominated by Cromwell, whose outstanding fame is not so much that of a soldier as the characteristic Englishman of all time. If we look more closely into this misunderstanding, we shall find factors not yet disclosed. Our divergencies from Europe, due to geographical, physical, intellectual and religious causes are, on the whole, easily discerned and largely on the surface. In any event, Europe itself comprises equally wide differentiation. The great European diplomatists could easily have calculated on what they could see with their naked eyes; but always there was something unseen, incalculable, distracting.

The European diplomatists have, time and again, given us up in despair. Our Protestantism, our Puritan strain, the blunt *gaucheries* of Nonconformity, they could at least allow for; our Parliamentary system they knew without real appreciation; our queer addiction to sports quaintly commingled with strict attention to business puzzled them. Nevertheless, there remained something unseen, undisclosed. When Prince Albert, of pious memory, became Victoria's Consort, he thought and acted as though it were easy to bring the English Court under the influence, if not the hegemony, of the Teutonic system. He was speedily undeceived. He found to his dismay that the English aristocrats, with their castles, estates, retainers, their powers both as legislators and landlords, were as strongly entrenched as the Throne itself. When he began to interfere in English affairs, as he thought was natural, he was

promptly and without ceremony put in his place.

Our search for these unseen factors brings us at a bound to the English yeomanry and the spirit it engendered. The story of the English yeomanry is unique. From it has sprung, on the one hand, the free traders of our cities, the merchant adventurers, the sea-going population, our marine supremacy. On the other hand, from it has sprung our municipal life, with its ancient charters, its corporations, its guilds and other associations. Over the centuries a slow integument of social life, flexible, fluctuant, always tenacious of rights and privileges hardly won and never abandoned. Kings and aristocrats have vainly struggled against it. It was the kings and aristocrats who played the diplomatic game and who were easily understood in Europe.

But Europe never realized that the British aristocracy was little more than the façade, behind which the deeper forces worked, with their municipal laws and customs, their commerce and manufacture, their agricultural traditions, their Bible, their churches and chapels. Above all, their liberties. This yeoman spirit has in general been easy going, tolerant, unimaginative; but, on occasion, remorseless. When Charles I was executed, it scarcely turned a hair, whilst Europe sizzled with fear and anger. When the Restoration came, with its excesses, its corruptions and ribaldries, Europe drew a sigh of relief and pictured England as falling into line. But the unseen factor was at work, a process of extirpation begun. The political party that best understood the

yeoman spirit, with its congeners in the towns and on the seas, were the Whigs. And that is why they remained, with few breaks, in power for two centuries.

Thus we see that the gigantic industrial system, with its sequel of financial power, its tentacles over the face of the globe, is no mere chance: has a definite historic genesis. And that is why the burden is on Great Britain to bring the industrial system, of which it has become the parent and guardian, into harmony with the new spirit. More than that: into harmony with its own developments. For it has brought production and distribution to a stage beyond economic scarcity and to the verge of universal plenty.

Viewed in this light, it becomes obvious that Great Britain must now adapt industry to the social needs of the world—an adaptation that is clearly a condition precedent to an enduring federation of Europe. When, therefore, we speak of Great Britain leading the world towards federation, it is in no spirit of vainglory; it is the humble recognition of a duty historically laid upon us. There are many doors to be opened into the future edifice of international association. Great Britain has the keys to two of these doors: of functional economy; of constitutional government.

CHAPTER XV

NO CHANGE YET

If not universal, the belief at least prevails that the War was the great sundering flood between the old and the new.

Of what countries can this be said to be true?

Certainly Russia. There is no going back there. Partly of Italy. Probably the Corporative State has struck some roots, at the moment not deep. And certainly not of Germany. The Nazi *régime* is little more than a skin eruption. Even if it remains in some permanent form, whatever else it means, its face is turned to the past and not to the future. One of the most significant phenomena in Germany is the struggle of the Confessional Churches to keep their freedom. The Nazi leaders are countering the Christian churches by invoking the ancient Germanic gods, by a frank acceptance of a pre-Christian mythology. A reversion to type is hardly a step forward. If that were not convincing enough, the words and deeds of Schacht, the financial dictator, prove that theoretically he dates back to 1914. France is still driven by its peasants and Austria hankers after 1866.

What of ourselves? Indeed, of the English speaking peoples generally?

The end of the war saw the women of England enjoying a political and social freedom they never anticipated in 1914. The young men, too, announced in no uncertain tones that the day of old age had gone, the day of youth had come. They expressed themselves in liberty of speech, in cutting loose from various sex inhibitions, in clipping much conversational verbiage. Then they took themselves to market to find their gallant selves undersold and supplemented by their sisters. The social problem, of which this was a symptom, did not appeal to their intelligence; it savoured too much of the studious patience which the seniors gave to it before the war. The note of youth at this period was shrill without being convincing. We catch it in the music, novels and plays of a decade ago.

Now these young men are middled-aged; their faces are lined; they are hard put to it to keep themselves and their families. Those of an enquiring turn of mind have discovered that post-war cocksureness is hardly a substitute for the pre-war study and self-sacrifice; that the pre-war men of their corresponding age were spiritually better armed, more intellectually receptive than they are. Put bluntly, that the pre-war men had more guts: were more determined in whatever they undertook. Perhaps post-war *neurosis* explains it; perhaps not. The post-war men excuse their inaction, their lethargy and light-hearted indifference by declaring themselves realists and dis-

avowing what they call the romanticism of the pre-war generation. It was pre-war romanticism that wrote this:

"Unto each man his handiwork, unto each his crown,
The just Fate gives;
Whoso takes the world's life on him and his own lays down,
He, dying so, lives."

I have seen nothing quite like that in post-war verse.

After the war we were inundated with books, articles, speeches on reconstruction. Youth would show old-age how to do the trick. They would make the world safer for democracy. The years have flown past in swallow-herds. And now?

Curious, is it not, that in this year of grace we have twice as many unemployed as in 1914 and yet more actually in employment. No scarcity; and yet, oddly enough, no plenty. A glorious period of bank amalgamations with inflated share values. And half a dozen depressed areas, which depress wages in our prosperous areas and nobly, at great sacrifice, keep up the bank dividends. The only investments worth considering are in the luxury and amusement industries.

Not to labour the obvious, there is some powerful influence that grips us from behind and holds us back. Like the Knight who would enter the castle but could not because of an invisible curtain. After endless frustration it occurred to him to cut the

curtain with his sword. He hesitated, afraid of being ridiculed as a romanticist. Finally, hunger conquered ridicule, out came his sword, slash! and in he went. The point is that we are no forrader. The title of this chapter is "No Change". *Plus ça change, plus c'est la même chose.*

Let us dig deeper.

The reactions of Europe towards an older form of authority, coupled with our own perplexities at a political and economic system that obviously remains stolidly rooted in the past, call for analysis. What really is happening?

One of the clues to the puzzle is cited above. We have more employment, yet more unemployment. In other words, our productive machine is outpacing our economic system; it seems to move on an axis of its own. To those who understand, the lesson is plain; to those who don't, it is a source of continuing anxiety. Why is production more and yet more equal to effective demand? Because function, during these later years, has grown stronger, more efficient, more prolific than its political counterpart. Function knows nothing of public policy, of political expediency; it has a job and does it. Within its own sphere, every activity, human or mechanical, is directed to the one end. The person, supreme in politics or culture, yields to function, which knows no subjective rights. In the fulness of time, function says to the whole body of citizenship: "Tell me what you want and I will give it to you." Then finance, fearful of its dividends, says: "You shall give it only

at a price." Thus the issue is joined. Shall function or finance control?

Our philosophic conception holds good. The authoritarianism of the eighteenth century gave way to the libertarianism of the nineteenth. Function is now knocking at the door. Libertarianism reached its prime with Gladstone, languished for a term and died with Asquith. Gladstone was profoundly conscious of the distinction between authority and liberty. He would say of this or that Tory opponent: "I cannot work with him; he is *autoritaire*." That is why Gladstone had the confidence of the manfacturing classes. All over the world "Liberalism" connotes political liberty combined with liberty to exploit. The biblical definition: "The liberal man deviseth liberal things and by liberal things shall he stand" is *pour rire*. The war killed libertarianism. The reason why Germany, Italy, Austria, the Balkans reverted to authority was because their libertarianism had died a violent death. They were not ready for function, so skurried back, like frightened rabbits, to authority. The instinct of the Anglo-Saxon is never to go back. So we stayed where we were. That is at once our strength and our weakness.

It is, however, a weakness that always, at our peril, we must overcome; it is the task of every succeeding generation. The leadership of Great Britain is now to lead the world into the era of function. To teach mankind that its destiny is to use its functional capacities not to exploit, but freely to enrich. If we admit, as we reasonably may, that the building of the

bridge between the conquest of scarcity and the achievement of plenty is delayed by ignorance, we need not therefore forget that it may be deliberately frustrated by selfishness.

Therefore, a torch in one hand; but in the other—firmly grasped—a sword.

THE END

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