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# THE ECONOMIC CONSEQUENCES OF SOCIALISM

By **GEORGE W. GOUGH**



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## PREFACE

SINCE 'His Majesty's Opposition' is definitely a Socialist Party, in its leadership, its creed and its immediate proposals, a knowledge of Socialism is no longer a merely academic attainment but the necessary equipment of every good citizen. To the Westminster Library Dr. Shadwell has already contributed a masterly history of *The Socialist Movement*, to which my own book is in some sort a sequel and companion.

I have tried to explain clearly what Socialism is, and what are the chief economic characteristics of the country to which its advocates wish to apply its principles. I then examine these principles, always with special reference to British conditions, and seek to establish the conclusion that grave and immediate damage would be done to the economic structure of this country if British Socialists were ever permitted to make a beginning with their plans for constructing what they are pleased to call 'A New Social Order.'

Economics is not an exact science, but it is exact enough to enable its criteria to be applied to the problem of forecasting the effects of British Socialism on British trade and industry, and that is what I have tried to do.

This is obviously a department of economic study

trader in everything but herrings,' had innumerable ancestors, and has had countless successors, in all spheres of political life, not excluding Socialism. But, however numerous the definitions of Socialism may be, there is one thing common to them all, and it is this one common thing, the final precipitate of all Socialisms, to which attention will be almost exclusively directed in this little book. Socialism, however defined, always comprises two main elements or propositions. Both of them will be found in any of the authentic treatises which expound the faith for the instruction of the elect, and both of them will be heard in any open-air by-election speech intended to get votes for a Socialist candidate.

The first of these two fundamental propositions of Socialism is that social evils, the existence of which all admit because they are patent to the eye, are due exclusively to the private ownership of capital and the conduct of business by private individuals in order to make profits for the private owners of this capital ; the second of them is that the one and only way to remove the admitted evils is to remove the alleged cause of them, and set up a new form of society in which there shall be no privately-owned capital and no making of business profits for its owners.

The differences between Socialists and schools of Socialists, which account for the two hundred definitions of Socialism and the unending wrangles and mutual antagonisms of Socialists, begin after these two main propositions have been accepted by

all of them as their common basis of belief and ground of action. A Fabian leaflet on municipalised milk and a 'Left Wing' volume on Direct Action have them in common. Mr. Zinoviev would heartily agree concerning them with Mr. Sidney Webb before proceeding to shoot him as a reactionary.

This central core of Socialism, which it is our special purpose to examine, is economic in its nature and structure. This implies that we shall be occupied in examining Socialism from the special view-point of the economist. Socialism may be profitably examined from other angles. Oscar Wilde, for instance, wrote a study of 'the soul of man under Socialism.' August Bebel, the German Socialist leader, wrote at length on the subject of 'Woman under Socialism.' Mr. J. H. Thomas, again, has paid careful attention to the position of the monarch 'when Labour rules,' and Mr. and Mrs. Webb have drawn up the 'Constitution' of the coming 'Socialist Commonwealth.' Indeed, it is difficult to think of any side of life which would not be profoundly modified by a change over to Socialism, and, consequently, the student of Socialism must 'see life steadily and see it whole' if he is to come to sound conclusions concerning it. If he sees economic loss as a possible outcome of Socialism, he must consider whether it might not be more than compensated by non-economic gains. The narrowness of our own special study is deliberately adopted, and pointed attention is drawn to the fact, to prevent misconception on the reader's



part. Narrow as it is, it is, however, decisive. Socialism is a scheme, a system, a plan, for remedying economic evils. To this all other purposes are subordinate. If it has other objects they are as a matter of fact not often or specially expounded. Socialists themselves put all the stress on the economics of Socialism. We shall do the same.

Moreover, in a very short book on Socialism written for English readers it is necessary to limit the field to be covered even more drastically than has been indicated. Unlike John Wesley and Lenin I do not regard the whole world as my parish. The whole art of mastering a subject of study is to get hold from the very first of its central positions. It is greatly to be wished that we had full, accurate and authentic information of what has happened, and is now happening, in Russia under Sovietism ; but if our information were as encyclopædic as it is in fact scanty, there would be little or no use for it here. For I propose to study Socialism with special reference to economic conditions in our own country. In the space available one cannot do much, and I shall not subordinate the urgent necessity of being thorough to a vain attempt to be comprehensive.

Even with these limitations there are three important things to be done :

- (1) To explain carefully what Socialism is ;
- (2) To get a clear view of the conditions under which Socialism, as taught by English Socialists, would be applied in England ;

- (3) To examine Socialism carefully in order to see if it could perform the economic tasks which are its chief claim on our attention.

In brief, to see Socialism clearly, to place it exactly, and to examine it thoroughly is the three-fold purpose now before us. Only in this way shall we be able to realise the inevitability of the economic consequences of Socialism.

## CHAPTER II

### SOCIALIST CHARGES AGAINST CAPITALISM

SUPPOSE that a man, with no very obvious qualifications for the job, breaks in on me while I am at work, and says : " I have been all over your house from cellar to garret. It is the worst and absurdest house that ever sprang from the disordered brain of an ignorant architect. The drains are all wrong ; the lighting and heating are ridiculous ; the servant's bedroom is too small and your study is too large. The house cannot be altered or remedied because there is nothing in it that should be preserved. I've proved it's all wrong, and it must be demolished and the *débris* carted away to the last shovelful of rubble. In its place we will build a new house, and here is the plan of it."

The critical part of this address, it will be observed, is much longer and fuller than the constructive. There is nothing said as to what is to happen to my servant, my family and me during the process ; nothing as to whether sufficient supplies of labour and materials are available for the new house—*only the plan of it*, which in itself is of no more use to me than a blank leaf torn out of my pocket-book ; nothing as to whether I can afford the new house or whether, since in these post-war days it is none too

easy to afford a new hat, much less a new house, some kindly soul at present unknown to me is to bear the cost for me, and give me lodgings and store my furniture while the job is done.

Whether or not this simple analogy applies to the Socialist and his proposals is something which will be made clear as we go along, but it is an analogy which must be borne in mind throughout. For Socialism has two aspects. In the first place, it is critical and destructive ; in the second place, it is creative and constructive. The relation between these parts must never be forgotten. Socialist criticisms of the existing system must be as thoroughly examined as Socialist expositions of the proposed system which is to replace it. They must not be taken as true. It is one thing to point out defects and another, and very different, thing, to be sure as to their causes and remedies. To put it at its lowest, it is not certain that the existing structure is wholly bad ; and the very existence of a more satisfactory alternative to it has not yet been proved.

Our first task, therefore, is to look at the existing economic structure of society through the Socialist's eyes. What, in his view, is wrong with it ? Let us endeavour to state his case in such a way, considering the space available, that he would wish neither to add to it nor to subtract from it.

(i) In the first place, the Socialist draws attention to the fact that in society as it is to-day there are two classes, one at each end of the scale, which are blots upon it. At the upper end, there is the ' Upper

Ten' or, as they are now more pointedly called, 'the Idle Rich'; at the lower end there is the 'Submerged Tenth.' Both are economic anomalies which can no longer be tolerated. For the Idle Rich, who do not lift a finger to increase the nation's annual income of goods and services, draw in superabundance on that annual income in order to spend their days in luxurious and often riotous living. In their case the natural economic link between service and income, sacrifice and reward, does not exist. Our society is so arranged as to permit those who do nothing to have the best time of any class within it.

At the other end, the addition made to the nation's annual income by the 'Submerged Tenth' is so small as to be almost negligible. Drab as their lives are, meagre as their income of goods and service is, so that they can hardly keep soul and body together, they yet, as a class, do not contribute nearly so much to the national income as they take from it. They subsist in part on charity, organised or casual, provided by the State or by private individuals. A large number of them, it is true, could not under any form of society support themselves up to an acceptable standard of comfort; but the greater number of them are where they are, says the Socialist, through no fault of their own, but because they cannot find, and our existing economic arrangements do not assist them to find, a means of giving to society as much as they must draw from it in order to live a tolerable life.

(ii) From the Socialist's standpoint, the 'Idle

Rich ' are only the more objectionable section of a larger class of persons to whose existence he objects. Living by owning is utterly inconsistent with the Socialist's doctrine of social structure. Income derived by a private person from rent or from profit-yielding investments of private capital belonging to him is anti-social and therefore wrong. If the land or capital from which the rent or profit is derived were inherited by the person now owning them, or came to him by gift from someone still living, the case is so clear that no Socialist hesitates to condemn it. The complete extinction of inherited incomes, large or small, though not necessarily of inherited wealth which is not profit-yielding, is an integral part of Socialist policy. No person shall live, wholly or in part, merely by owning. Personal savings out of current earned income, which are only a postponement of satisfactions the economic right to which has accrued from work done, are allowable—but that is all.

To-day, a railway guard saves one hundred pounds out of money he has earned by work done. He invests it in the five-per-cent. debentures of a new railway, which turns out to be a permanent success. Every year the man draws an income of five pounds which he has not earned in that year. The Socialist tolerates this, just tolerates it, no more. It is living in part by owning. Another man, a stockbroker, speculates successfully in rubber, makes a clear profit of £100,000, invests it in 'gilt-edged' securities and steady 'industrials,' and retires at forty with an assured prospect of

living by owning for the rest of his life in almost luxurious circumstances. The Socialist does not tolerate this at all ; for, in the first place, the source of the income, speculation, is in his view anti-social and tainted and, in the second place, the income itself, say £5,000 a year, is unsocially large.

In neither case would the income be handed on at death to the successor of him who created the original source of it. Income-earning property of any sort—land or investments, small or large, at home or abroad—permits living by owning, which, from the Socialist point of view, is an intolerable defect in society. The only legitimate and permissible source of current income is current work of a sort society demands and approves.

(iii) In the third place, the Socialist says that the existing economic structure is wrong because under it the production of goods, which is the first important end the structure exists to promote, is carried on for private profit instead of for social service. Industry, it is commonly said by recent exponents of Socialism, should be organised as a profession, as medicine, law and teaching are already organised.

Let us suppose that a father has two sons, and can afford to spend two thousand pounds on each of them in ' setting him up in life,' as is commonly said.

The elder of them decides to become a doctor, and in his case the two thousand pounds are spent in part on educating him for the profession of medicine and in part in buying him a practice or partnership,

when he is legally entitled, not, be it noted, to render a patient the service of curing him—anybody is legally entitled to do that—but to charge him a fee for doing it. Two things are clear. In the first place, the idea of service as a direct link between work and fee is here very prominent ; and, since society may be assumed to desire that each of its members shall be healthy, it is also social service. Secondly, the young doctor does his daily work within the shell of a fairly rigid professional etiquette which does in fact safeguard and promote the service idea. He may not advertise his skill as a doctor ; he cannot patent a pill or an operation ; he may not, or at least should not, keep to himself any new professional discoveries he may make, but must communicate them freely to his brethren through the medical press ; he renders his service as doctor on demand, not asking for a fee in advance. In short, he is much more than a man earning a living : he is a member of a profession pledged to render service when called on to do so. The earning of a living is incidental to the rendering of the service. It is the secondary, not the primary, function of his skill.

The younger son decides to enter business, and his two thousand pounds are expended in buying him a partnership in a shoe factory. There are, unhappily, a very large number of his fellow-citizens, many of them helpless children, who are very ill-shod. Is it his purpose in life to render them the important service of putting good shoes on their feet ? Not in the least. His purpose is to make



the highest possible profit. Profit is his touchstone. He knows perfectly well that thin shoes with very high heels and very narrow toes are precisely the wrong sort of shoes for women to wear. His doctor brother, who speaks with authority, has pointed it out to him over and over again. Does he confess the error of his ways, scrap his stock, and make the sensible, healthy women's shoes his brother has recommended? By no means, since they would remain unsold in his warehouse. But worse remains. He thinks that if he restricts his output of shoes, and especially if he combines with all other shoemakers to do it, he can make a larger profit. It is better to have a profit of five shillings a pair on a weekly output of 4,000 pairs than of four shillings a pair on an output of 4,900 pairs. Profits being his only criterion of success in business, he discharges the 'hands' who made the 900 pairs, and every week 900 people who might have had a pair of shoes at some price they could afford must go without them at any price, since they are not there to have.

As for the profit he makes by putting brown paper where he ought to put leather, the least said about that the better. True, his brother might possibly fob off a 'panel patient' who had double pneumonia with a pinch of Epsom salts in a bottle of water tinged with cochineal—the case is not unknown. But the professional standard safeguards the panel patient in two ways: (1) it almost always prevents the doctor from doing it, for 'unprofessional conduct' is to him the unforgivable sin, and (2) if the doctor does it, and is found out, he is

'struck off the list' by the General Medical Council, his professional status is ruined, and his income diminishes to zero. Whereas, if the shoe-manufacturer contrives to make a bigger profit by restricting output or using shoddy materials, his fellow-shoe-manufacturers esteem him a remarkably smart man and elect him chairman of their trade association.

Such are the consequences to society which, according to Socialistic doctrine, accrue from the conduct of business with a view to making profits for manufacturers and shareholders instead of rendering services to citizens. On a larger scale, it is asserted that the very bounty of nature becomes an economic danger. The hop-growers of Kent have just agreed to a reduction of ten per cent. in the acreage under hops, because last year's crop was too abundant to yield them profits. The cotton planters of the Southern States of America are talking of doing something similar because this year's cotton crop was almost a record. In 1922, the Stevenson Act deliberately restricted the output of rubber, though rubber is now one of the staple articles on which the comfort of the world depends. These things could not occur, says the Socialist, if production were carried on for service and not for profit. The world would get all the rubber it wanted, because rubber would only have a social use-value and no longer a market price.

(iv) In the fourth place, the Socialist asserts that production for private profit instead of for social service constantly and inevitably results in

evils which, however serious they may be, are unavoidable so long as the existing system endures. The old individualistic assumption that private evils result in social gains, and as such are to be tolerated, is altogether wide of the truth, which is, that social evils are the result of private gains, or, more exactly, of the endeavour to win private gains. The older ethical theory of course condemned the luxuries and effeminate expenditure of the 'Idle Rich,' for the moralist, from the multimillionaire Seneca onwards, has always decapitated and disembowelled Dives, but, in explanation and almost in condonation of him, has pointed out that his moral delinquencies had at any rate this economic *per contra* that they 'set the poor on work,' as our Tudor statute-book is so fond of saying. For every rich man who, by 'fool-largesse,' qualified for the fourth circle of Dante's *Inferno*, a thousand poor men painfully hobbled up the slope of his *Purgatory* towards the *Earthly Paradise*.

This economic rubbish was once and for all put into the lumber-room by John Stuart Mill, who was icily scornful of the 'unproductive consumption' of both rich and poor. But the Socialist is not content with this. The unproductive consumption of the rich is of small economic importance in comparison with the wastefulness of production for profit. For the very system is, in his view, an *agent provocateur* of economic misdeeds. The effort to maximise private profits is always leading to results from which society suffers. It leads to over-production, glutted markets, ruinous prices and general

stagnation. Then comes the reaction, again with the result that the effort to minimise private losses inflicts on an innocent society all the miseries of 'short commons.' Under a *régime* of private enterprise, there is, and in the nature of things must be, a constant alternation of 'booms' and 'slumps,' the former of which bring no real economic gain to society, while the latter bring very real loss, the chief element of which is the suffering of unemployed workers.

Further, the Socialist points out that every industry has to be staffed so as to deal with periods of maximum output. When the 'boom' begins to subside, many members of this maximum working staff, being no longer able to earn the wages contracted for, are discharged—thrown on the scrap-heap of private enterprise. Hence results the 'reserve army' of workers who are habitually in and out of a job, and who in time become so demoralised and inefficient that even at the height of a boom they cannot get a job in their own, or indeed any, trade.

Further, just as any given industry has to be staffed so as to deal with periods of maximum output, so it has to be provided with fixed capital sufficient for the same purpose. Not only are men 'sacked' when the 'slump' comes, but costly machinery is put out of action. On the first of January this year (1926) not a single liner was being built on the Clyde, and in places the once busy shipyards, full of plant that cost millions, were silent sheds separated by grass-covered spaces.

**Economically, it is no less wasteful to have unemployed machinery than it is to have unemployed workers.**

But wastes due to misjudgments of the extent of future demand are not the only ones, perhaps not even the most important. For the natural efforts of competing private producers to obtain for themselves the largest possible share of an existing, or possible, market lead to all sorts of wastes of competition. The 'selling side' of a modern business tends to become its most important side, and in any case the expense of carrying it on loads the selling price to the ultimate consumer with a burden for which he gets no compensation whatever.

In particular, scores of millions of pounds are spent every year in advertising. If society was organised only to see that every individual got a sufficiency of good soap, good soap would be both abundant and cheap; but as it is organised to see that as many as possible get P's soap and as few as possible Q's, neither of them all that soap ought to be, good soap is scarcer and dearer than is necessary. The epitaph of individualism is written in Piccadilly Circus by night.

Obviously, therefore, runs the Socialist argument, the existing economic structure entails, and must entail as long as it lasts, an uneconomic distribution of the existing economic forces of society as a whole, and is a chief and wholly unnecessary cause of existing poverty.

(v) In the fifth place, society, as the Socialist sees it, is cut into two antagonistic sections, employers

and employed, or, in the terminology of the Continent, the bourgeoisie and the proletariat, who meet only in the factory, and meet there only to hate each other. The prevailing rule is that the workman owns only the labour-force stored up in his own muscles, nerves and brain, but, inasmuch as this labour-force is perfectly useless to him without capital, first, in the concrete form of workshop, tools, machines, power-house, raw materials and food supplies, and, secondly, in the abstract but very important form of good will, that is to say, an existing body of customers for his products, he, the worker, owning nothing but his own labour-force, is absolutely dependent on the capitalist for the very means of physical existence. He is a wage-slave, and nothing else. The existing economic system denudes him of every economic attribute of a free man. At any moment, through no fault of his own, but merely through the whim, the temper, the incapacity, or the ill-luck of his employer, he may lose his job, and within a few days, or weeks at the most, he and his wife and family are paupers dependent on charity or the Poor Law. And even when this extremity is not reached, when a good workman discharged by one employer is taken on by another, there is unbearable indignity in the mere fact that the worker is thus made dependent on the capitalist.

From this dependence there results a loss of economic efficiency, for the wage-slaves of a Lancashire cotton-mill village obey the same psychological laws as the negro slaves of an old-time Louisiana cotton plantation, and these laws

ordain that slave labour shall be inefficient labour.

But behind this economic loss there are other losses just as harmful to society. The 'wage-slave' cannot throw off his chains when the 'buzzer' goes. He does not step into the street a free man amongst his fellows. He takes with him into family, social and civic life the tainted atmosphere in which he spends his working hours. As in the Southern States of America, slave blood, however much diluted by higher strains, shows itself in the case of a man otherwise indistinguishable from a Saxon by a faint tinge at the root of the finger-nails, so in the England of to-day wage-slavery tinges the worker's soul. The words of our speech bewray us. We never talk of a brewer Lord Mayor or a top-maker Lord Mayor, or even of a capitalist Lord Mayor. In all these cases we say Lord Mayor *tout court*; but if the civic dignitary works, or has recently worked, at the mash-tub or the Nobel comb, he is trippingly but significantly referred to as the 'Labour Lord Mayor.' It is the servile tinge in him that prompts the designation.

Ownership of the material requisites of labour must be restored to the owner of the labour force, since this is the only thing that makes them useful. But individual ownership of them is no longer possible, except in quite unimportant cases. Taxicabs belonging to capitalist owners could be socialised by the simple process of empowering their drivers to commandeer them, as the Russian peasants did the estates of their landlords in 1917. But it is not possible to allow engine-drivers to

confiscate the railway trains they drive or Lancashire weavers to 'pinch' their own looms. Consequently, in all the cases that matter, the sense of ownership to be restored to the worker is not that of individual ownership of private property but the sense of common ownership in socialised property.

Along with the property rights thus restored to the disinherited worker, there would of necessity be restored a share in the control of the industry in which he worked. The autocracy of the capitalist-employer would disappear with the loss of his property rights and could not, consistently with the new dignity of labour, be restored in any form. Discipline within the factory there must be, but it will no longer be enforced by the 'lash' of dismissal but will be willingly accepted by fully free men who have imposed it on themselves.

(vi) All the five previous aspects of, or charges against, the existing economic structure of society as the Socialist sees it are summed up or subsumed in the master-charge that the ineradicable defect of the present system is that it is the fertile mother of the class war. The Socialist does not admit that he is the cause of the class war. His view is, rather, that if all living Socialists died in one night, as the first-born of Egypt did, there would be thousands of recruits in a new Socialist army by nightfall the next day. Capitalism creates Socialism. Socialism is the shadow that is thrown by the white light of intelligent criticism playing on the dying body of an inefficient and doomed system. The class war is simply Socialism in action.



From Plato to Disraeli, from the time when there was no capitalist system to the time when it was in full swing, the twin formation of every organised human society was known to close observers. 'The Two Nations' theory of Disraeli, borrowed from Plato's *Republic*, is true because it corresponds to the facts. In every nation there stand in hostile array the Haves and the Have-nots. They always have been there. They have often fought skirmishes and even pitched battles. Now they are engaged in a campaign which will know no pause till victory is achieved. Socialism has organised the Have-nots, that is all, and it has organised them to win. For it has given them an objective to achieve and worked out the way to win it. Socialism is the tactics and strategy of the Have-nots in the class war.

I have presented the Socialist indictment of the existing economic structure of society as fully as space permits and as forcibly as I could, for it was no part of my intention to set up skittles which I could easily knock down. As I have drawn it up, it is patently not an indictment which can be refuted by a few flippancies. It is not merely the case that as so presented by a powerful speaker to a working-class audience it arouses enthusiasm and garners votes by the thousands. It goes right down to the roots of things, so that many rich men and even some capitalists, whose hearts are stirred by the indictment, give their adhesion to the cause. Moreover,

while there is no reason whatever to respect the mental capacity of the so-called *intelligentzia* of the organised Socialist Party who figure prominently in public, the fact remains that in private life men whose intellectual capacity is of the highest order, and who are financially independent of anyone and so are free to express any judgments they form, accept the validity of the Socialist indictment and regard, perhaps rather unwillingly, the Socialist solution as the only possible one, and certainly as the only one at present available. It may perhaps be said, without presumption or affectation of superior wisdom in general, that these really intellectual Socialists are seldom personally conversant with industrial life and processes, and are still less frequently trained in the methods of economic analysis which provide the ultimate test of these doctrines. For all that they are there, and can only be replied to on their own level.

In substance, the indictment is none of mine, though I am responsible for the form and order in which I present it for examination. There is one preliminary remark, however, which must be made.

I shall do my best to prove to the reader that the Socialist indictment which I have to answer is ill-founded and to convince him that the Socialist system, with which it is proposed to replace the existing system, is unsound and impossible. But I have not come to the conclusion, and I trust that none of my readers will come to the conclusion, that, as Dr. Pangloss puts it, we are living in the best of all possible worlds. We are not, not by a very long

way. No bound or limit can be set to human progress, and no one can make the slightest rational estimate of the economic structure of society two hundred years hence. The question before us is much smaller and one on which we can, by taking thought for the morrow, come to a reasoned-out conclusion : is Socialism as taught to-day, the thing itself not its question-begging name, the best plan for to-morrow ?

## CHAPTER III

### THE CAPITALIST SYSTEM

THE social evils described in the previous chapter are declared by Socialists to be the inevitable result of the capitalist system. They spring from no other cause. They are not, in the Socialist's opinion, the results of inherent and ineradicable defects of human nature. It is not man that is wrong. He has got himself involved in a wrong system, the capitalist system.

The emphasis is always placed on the adjective 'capitalist.' One of the best stories, probably apocryphal but none the less instructive, told of Jowett, the famous Master of Balliol, is to the effect that when one of 'the noblest of their species, called emphatically "men,"' had finished reading his essay, the Master's brief comment was, "Read it again, cutting out all the adjectives!" It will, indeed, be useful for us to dwell a moment on the noun 'system.'

Words, by which we convey our thoughts to others, are apt, unless we are very precise and determined, to conceal them from ourselves. The word 'tea' by itself is quite sufficient for me. It is as good as meaningless to a tea-taster. An Englishman talks of 'rice' and has done with it. Not so the Chinaman, who is familiar with a hundred

varieties of rice, each with its own name, which, to him, is full of meaning. So with the noun 'system.' It is one of the most slippery words in English speech.

We talk for example of the 'solar system,' the 'metric system,' and the 'parliamentary system,' using the same word to denote three things which, *in their relation to human effort*, are as different from each other as a horse, a water-lily and a sum in arithmetic. They have two things in common : in the first place they refer to wholes with related parts and, in the second place, the relations between the whole and its parts are not casual and haphazard but are governed by laws which may be discovered, and in fact have been discovered, by scientific observation.

At this point, all further resemblance ceases between these three things, each of which is rightly called a 'system.' The solar system has not been made by man, and nothing that he can do will have the slightest effect on its constitution, its movements and its laws. The metric system, on the other hand, is something which man has made entirely by himself to serve a given important purpose, which it does very well. But man, who made it, could discard it to-morrow if he chose to do so. Some countries have not adopted it, Great Britain among them, but in all which have adopted it it works with the same ease and produces the same results. The parliamentary system of government is of English origin and has been adopted in every civilised land. In all of them the superficial things about a parliamentary system—its 'King,'

its 'House of Lords' and its 'House of Commons,' its electorate, its general elections, its political parties, the control of the 'House of Commons' over taxation—have been adopted. Are the results the same everywhere as they have been in England? The answer can be read in almost every issue of a good newspaper, and is enshrined in Lord Bryce's *Modern Democracies*. A parliamentary system no more ensures tolerable, let alone perfect, government than a good meal ensures good digestion.

When, therefore, we talk about the capitalist system, what sort of a system have we in mind? Is it, like the solar system, one which man did not make and cannot alter in the slightest degree? Or is it, like the metric system, one which he has made from start to finish to fulfil a given purpose and which he can discard completely and replace by an entirely different system which will serve the same purpose even more perfectly? Or is it, like the parliamentary system, one which, so far as external structure is concerned, can be set up in any country, though the results of setting it up cannot be forecast with the slightest degree of certainty?

On the answer we give to these questions everything else turns. It becomes the fundamental question the moment Socialism ceases to be a careerist's creed, an idealist's dream, or a neurotic's dope—all three of which it obviously is for different types of Socialists—and becomes a problem to be solved by scientific observation and accurate thinking.

Socialists constantly waver in the meaning they

give to the word 'system' in the terms 'capitalist system' and 'Socialist system,' and, of the three senses in which it can be used, they oscillate between the second and the third. Obviously if the capitalist system stood quite apart from human effort, it would be absurd even to criticise it, and stupid in the highest degree to go about deliberately to alter it. It has already been observed that Socialists vary in the meaning they give to Socialism, and, speaking generally, it will be found that it is the meaning they give to the word 'system' that determines the quality of their Socialism. Those of them who think that an economic system is in fact a manufactured article, like a transport system, advocate the rapid, compulsory and unconditional replacement of capitalism by Socialism. 'Socialism in our time' is their slogan. It is well known now that such a rapid replacement of the one by the other was the work to which Lenin and the Bolsheviks devoted themselves in Russia in 1917. Similarly when in 1920 the Socialists grasped the reins of power in Italy it was this same sharp transition which they tried to effect. Socialists of this school are now generally known as Communists. In an earlier phase of the Socialist movement, there were distinctions of economic theory between the Socialist and the Communist. To-day, the only differences between them are temperamental. The Communist is a Socialist in a violent hurry. In the terminology of Cromwell's day, he is a 'Root and Branch' reformer. Capitalism is the accursed thing, the Scarlet Woman, the upas tree. To palter with

it is more infamous than to support it. Mr. Stanley Baldwin is a kindly soul living in heathen darkness. On him the sun of Marx has never shone. Mr. J. H. Thomas is a traitor. He sees the highest and supports the lowest.

Leaving the Communists out of the reckoning, since their catastrophic theory of the coming change is hardly worth discussing, and they have been formally driven out of the Socialist Party proper, it will be found that the clearly defined groupings of the Socialists themselves—Right Wing, Centre and Left Wing—are in fact determined by the meaning they give to the word 'system.' They all accept the view that an economic system is not something external to man, manufactured by him to serve a given purpose. The social system is an expression of the man himself, an efflorescence of his spiritual nature ; it changes as he changes, it develops as he develops. It is not something over which he has no control, something which can even develop in ways which are seriously injurious to him and intensely disliked by him, but which he must accept with a *Kismet* ; but, on the other hand, while his control of it has never been, and is never likely to be, absolute, it is something over which, in the course of the ages, he has slowly but surely come to exercise a certain measure of control. Physical nature was once entirely beyond his control : he froze or sweltered, starved or feasted, at the whim and will of natural forces. In that respect, he has so greatly improved his position that nature, once his taskmaster, has become his servant. This



growing control of the forces without him has suggested that he may learn to control the forces within him, and consequently to shape and reshape the institutions in which they are expressed. Granted that the economic structure of society is of the nature of an organic growth, not of a manufactured article, it is still possible to cultivate it, to foster it, to train it, to domesticate it, and, most important of all, to accelerate its growth in directions that have been deliberately selected in advance as certain to be more useful than any others.

The reader should accept this view without hesitation, for it is clear, first, that there have been very great changes in the economic structure of society since the dawn of history, and, secondly, that it is idle to attempt to limit the changes of the future or to prescribe their nature. But the acceptance of this very general theory of social evolution does not necessarily involve the acceptance of Socialism. The Socialists have been clever enough to confiscate Darwin. 'Has not society evolved?' Certainly. 'Will it not continue to evolve?' Certainly. 'Then the triumph of Socialism is assured, for it is the only alternative to individualism.'

The argument, as logic, has no merits at all, and if it had it would be no concern of mine. I have no interest whatever in speculations as to what society will be like in the year of Our Lord 2500. Mr. Joseph Chamberlain is reported to have said that the politician who could see a week ahead was happy. Certainly, the statesman who could see a generation

ahead would be inspired of Heaven. Socialism is *not* 'bound to come.' Nothing that we know of is bound to come. The argument that Socialism is the inevitable next stage of social organisation is merely fallacious. For my own part, I must confess that the more I study the past, the more certain I am that the one thing that has never had a dog's chance in history is individualism.

The argument so far may be summed up as follows. All Socialists agree that the private ownership of capital and the conduct of business by private persons in order to make profits for themselves must go. It must go at once and without mercy or consideration for the said private persons, say the Communists. 'Club them out,' is their creed. 'The only good capitalist is one with his brains outside his head.' It must go very soon and with just a little consideration for the said private persons, say the Left Wing Socialists. 'Turn them out,' is their creed, 'but give them a pension to live on.' 'It must go before very long,' say the Socialists of the Centre, 'but we must not be harsh or precipitate. We shall want the brains of the said private persons to go on running the businesses, so we must pay them as salaries pretty much what they now get as profits.' And, finally, the Right Wing Socialists merely think that the time is probably ripe for some experiments, not too bold, in the nationalisation of the larger monopolies and public utility services.

One week's study of a good daily paper will be enough to show the reader, assuming that he does not already know it, that the above are the broad

component parts of the Socialist Party in this country ; and the same lines of division run through the Socialist Parties of other countries. All Socialists march along the same road to the same goal. When that goal is reached there will be no private business and no private profits. They differ as to the rate at which they want to march and disagree as to the length of the journey. But, since the goal is fixed and certain, being in fact the necessary and inevitable result of economic forces now in operation, it will be reached in time. The opponents of Socialism only kick against the pricks, for it is the natural goal of social evolution.

The grounds on which this confident belief is based must be carefully examined. To base opposition to Socialism on the ground that the State Railways of Australia are run at a loss and the National Merchant Fleet of the United States had to be sold because it was bleeding the American taxpayer white, is natural but useless. The triumph of nationalisation can be proved by a judicious process of selection, and so can its failure. To understand Socialism it is necessary to understand the grounds on which Socialists base their belief that Socialism must come. That is the case which has to be met. The success or failure of any given experiment in nationalisation is useful to the economist in just the same way as any given fossil is useful to the geologist. It adds to the data available, but it does not decide the question.

The Socialist lays down three propositions concerning the position of the capitalist system in the

great process of social evolution. The first is that capitalism is a comparatively new thing ; the second is that it was at first a success, a real contribution to social welfare ; the third is that it is now a failure, and has exhausted its capacity for usefulness.

From the first of these propositions the Socialist infers that capitalism can be replaced, as it is not a permanent and necessary feature of society. Just as, in his view, there was a time when it was not, so there will come a time when it shall have passed away.

From the second proposition he infers that capitalism has been a necessary stage in social evolution. It had to come so as to destroy the older forms and prepare the way for the new. It has always had its evil side, but it has functioned as a disciplinary stage. It has been a schoolmaster, leading men to Socialism.

From the third proposition, the Socialist infers that capitalism must be replaced. It is 'sick,' says Mr. Tawney. It is in 'decay,' say Mr. and Mrs. Sidney Webb. It 'blocks the path of national progress,' says Mr. Wheatley. Therefore, being a transitory thing, and as such capable of removal, it must be removed, and the only thing which can replace it is Socialism.

These three propositions and the inferences drawn from them are to-day commonplaces of Socialist thought, and only one authority, that of Mr. and Mrs. Sidney Webb, need be given for them. As their authority is high in this country, one quotation

from them will dispense with scores of lesser lights.

'This amazing arrangement,' they say, meaning the capitalist system, 'far from being eternal and ubiquitous throughout history, has become the characteristic feature of the civilisation of the United States only within three or four generations, and of Europe only within the last few centuries.' . . . 'There was a moment, roughly placeable at the middle of the nineteenth century, when it could claim that, in a hundred years, it had produced, on balance, a surprising advance in material civilisation for greatly increased populations.' . . . 'From about that time onward, as is now evident, profit-making became increasingly subject to malignant growths and perverted metabolisms, which created their own poisons and lessened the advantages of the system itself. It is only within the past half-century that alternative methods of organising industry, demonstrably superior in the equitable distribution and efficient consumption of wealth, and, as we should claim, all things considered, equal, if not superior, in the production of wealth, have been discovered and applied.'<sup>1</sup>

Within a year of writing this, Mr. Sidney Webb became President of the Board of Trade in a Socialist Government, and it at once became painfully obvious that he had not the faintest notion of what these alternative methods of organising industry were in practice, as distinct from the pages of the serried row of thick and dull volumes which occupy so much space on an economist's bookshelves.

<sup>1</sup> *The Decay of Capitalist Civilisation*, p. 3. and pp. 85-6.

The Socialist also reaches the same conclusion—that Socialism is both inevitable and close at hand—along a different line of thought. In all countries of the British, or Western, capitalist type the rule now is that political power is in the hands of the people. 'There are now,' says Lord Bryce,<sup>1</sup> 'more than one hundred representative assemblies at work all over the earth legislating for self-governing communities.' He goes on to say: 'A not less significant change has been the universal acceptance of democracy as the normal and natural form of government.' True, there is seldom found in practice that close connection between the possession of the franchise and the personal exercise of political power which the theory of democracy presupposes, and it is not yet settled beyond dispute that democracy is the final form of government. 'The pessimism of experience,' as Bryce owns, casts its shadow over the pages of his *Modern Democracies*. It is long centuries since the Israelites clamoured for a king: it is only a few days since urgent voices in France were calling for a dictator. Mussolini and Lenin, Pangalos and Primo de Rivera, are indeed strange portents in a world of a hundred democracies.

I have no fears as to the permanence of democracy, and therefore I have no objection to the sharing of my belief by the Socialists. There can, I think, be little doubt that Englishmen, who taught the other peoples of the world how to achieve democracy, will also teach them how to use democracy for

<sup>1</sup> *Modern Democracies*, p. 4.

achieving the highest that man is capable of. But the inference that the Socialist draws from the spread of democracy is illegitimate in logic and incorrect in fact. The people, that is, the mass of the people, who are in overwhelming numbers wage-earners, were at one time devoid of both political freedom and economic freedom—the word ‘freedom,’ a snare-word if ever there was one, not being clearly defined or distinguished. A hundred years ago, in Manchester, a weaver possessed neither of these freedoms. He had to obey laws which he had no voice in making or changing : he had to work long hours in a mill as a ‘wage-slave,’ with no more command of his economic environment than the negro slaves who grew the raw cotton had of theirs. Political freedom, embodied in the vote and functioning through a party, has been achieved. It is now an indisputable fact that any changes which a law can make in this country must be made if the electorate demands that they shall be made.

There is, according to Socialist theory, only one possible use which the worker can make of the one freedom which he has won, and that is, of course, to win the other. Political democracy must, and will, be followed by industrial democracy, that is, by Socialism. The ruling political upper classes have gone : the ruling economic upper classes must go also. The owners of pocket boroughs and plural votes will be followed into the lumber room of history by the owners of cotton mills and coal mines. It is the logic of fate. To oppose the process

is to raise puny hands against the eternal-not-ourselves-which-makes-for-Socialism.

In the far-off years before the war there was a popular song, of which the refrain ran :

Why should we be beggars with the ballot in our hands ?  
God gave the land for the People !

There neither is nor can be any objection to regarding the ballot as one of the means ready to the worker's hand for the improving of his lot. The older ruling classes ruthlessly and incessantly used their command of the political machine to safeguard and promote their own economic interests, and we must expect the worker to do the same. In any case he would do it of his own initiative, and no one of the three political parties of the day is in the least backward in urging him to do it, and do it at once.

This does not mean, however, that we must, as a matter of logic and as a necessity of consistent thinking, accept the conclusion that Socialism is the next stage. The most timorous Conservative has long ago given up the notion that to extend the franchise is to court disaster. It really begins to look much more like building a dam than raising the flood-gates.

So much has been necessary for the sake of completeness. Politics, however, lie out of our track, and we will return to the strictly economic line of thought by examining the two Socialist propositions that the capitalist system is (1) comparatively new, and (2) is in the process of decay.



Economics cannot profitably be studied only in a library. Economics is the science of the business side of human effort. A man ought to have other and higher things to do than earn a living, but for the great majority of us earning a living must come first, and the better the living the better the chance these other and higher activities have of nobly completing the whole man. The economist studies man while he is earning his living. Books help, and are in fact indispensable, but the vitally necessary thing is to study man while he is on the job.

One such study of mine took me into one of the finest mills in Yorkshire, where the very best cloth for men's wear is woven. The reader does not want telling that this mill was the last word in powerful, intricate, wonderful and very expensive machinery. Yet in one corner of it, I came across three men at work on precisely the same sort of wooden looms which their great-great-grandfathers used. Similarly, on another occasion, in the largest shoe factory in England, again a rattling hive of amazing machinery, I found a row of men sitting at work exactly as I had seen them forty years ago in the cottages of a small shoe-making town. I can in fact just remember the last man left alive in our town, of whom it was said that he could make a pair of boots from start to finish with his own hands. Each of these sets of men, the weavers and the shoemakers, were on a special job ; the former were weaving patterns and the latter making ' bespoke ' hunting boots. Each of them was, as it were, a fossil piece of pre-capitalism ; and each of them, to

continue the metaphor, was embedded in a typical stratum of modern capitalism.

When Socialists say that the capitalist system is a comparatively new thing, they mean that the change here brought so vividly before the eye has taken place within a period so recent that we can learn all about it. I should imagine that there must still be ancient shoemakers who can remember a time when there was not a single shoe machine, much less a shoe factory, in the country. The Goodyear welter and the Blake stitcher were comparatively new things when I was a schoolboy. As for the textile trades, any clear-headed Lancashire man of ninety, who can remember what he was told as a boy of ten by a similar man of ninety, knows by personal inquiry, and has no need to go to books for it, of a Lancashire in which there was not a single 'mill' or machine of any sort, shape or description, and the tools used were the spinning wheel, now seen only in 'antique' shops, and the wooden hand-loom described above. Shoes were then made, yarn spun, and cloth woven in the cottages of the workers, who owned the tools they used, bought the materials they worked up, sold the finished products, trained their sons or their neighbours' sons as apprentices, and knew not the name of master or the sound of a 'buzzer.'

What would such a man have to think away from the Lancashire of to-day in order to reproduce the earlier Lancashire which his ancient friend had described to him from personal recollection? Just everything that makes Lancashire what it is, the

most important industrial area on the face of the earth. Railways, tramways, canals, mills, sheds, works and mines must all go ; mighty towns must be reduced to drowsy villages, thriving haunts of industry blotted out altogether, docks diminished to the size of a cricket field, ships attenuated till they would be small enough to float in the swimming bath of the most modern liner. And then, what has he to think back into Lancashire to make the picture perfect ? The industrial system then prevailing is known as the ' domestic system.' Our earlier old man would have read with delight as a boy a great novel then recently published, *Humphrey Clinker*. We to-day wonder, perhaps, what Mistress Tabitha Bramble, who is on a tour through Bath and London to Edinburgh, means by her constant injunctions to the housekeeper at home to keep the maids spinning. It was the domestic system of spinning yarn under which she lived, and the village weaver would call for the yarn and weave it into cloth on the loom in his cottage. The resulting flannel Mrs. Bramble would send on a packhorse to a fair to be sold to a dealer. And this rough textile industry was so carried on in every village in the land, and though in a few districts (around Norwich, Leeds and Manchester) much more was done than elsewhere, it was all done in the same way—on spinning wheels and wooden looms in the homes of the people. Now a good weaver could keep three or four women at spinning. The result was a constant dearth of yarn. Men set to work on finding some means of spinning automatically. Hargreaves made his

'spinning jenny,' Arkwright his roller frame, Crompton combined them in the 'mule'; this outclassed the weavers, and Cartwright equated matters with his power loom. The 'mills' crowded out every possible yard of riverside power, and Watt put that right by driving them by his steam-engines. The goods choked the roads, and Brindley made his canal: the canal got hopelessly inadequate, and Stephenson made his railway.

A little later on an antiquated fiscal system once more blocked Lancashire's further expansion, and Peel and Gladstone came to her aid and gave her Free Trade—the very breath of her nostrils. It all happened in an incredibly short time, and in half a century Lancashire became what she is to-day, though she still, fortunately, keeps her unique power of forging ahead of every imitator and competitor in the world.

Such is a rapid thumb-nail sketch of the Industrial Revolution, which gave the world the capitalist-factory system of industry. Industry had been carried by men working on their own account, or for a master not far removed in economic status from themselves, in cottages and workshops, with tools so inexpensive that a poor man could afford them, with no machines (which are simply power-driven tools), with small and intermittent supplies of raw materials, and for known and mostly local markets. The Industrial Revolution replaced this system by large factories, filled with machinery and power-houses, and costing scores of thousands of pounds to build and equip, and employing

hundreds and even thousands of men and women, working for an employer whose market was steadily becoming world-wide.

What was there that was new in the new system ?

For us, this is no question of merely historical and academic interest. If capitalism is a wholly new thing, in conception, design, spirit and results, the Socialist has made out the part of his case that really matters. For he postulates the possibility of making vast alterations in the economic structure of society, and he bases this claim on the fact, as he asserts it to be, that precisely just such a change, namely, the introduction of the capitalist system, has already been made ; in the United States 'only within three or four generations,' say the Webbs. If I believe that a friend has turned into a roaring lion, it is a mere trifle to add the consequential belief that he can eat me at a meal. Similarly, if I grant the above postulate, I am logically compelled to accept its consequence, which is that, whether capitalism is sick or not, we can substitute Socialism for it if we care to do so. The choice is with us : that is, in practice, with the leaders we follow—in this case the architects of British Socialism, Mr. and Mrs. Sidney Webb, who have already drawn up for us the constitution of the coming Socialist commonwealth.

The suggestion that the capitalist system is new is so baseless as to be hardly worth discussing. No one can accept it unless he is mentally incapable of distinguishing between two quite different things : (1) the capitalist system of society and (2) the factory system of organising industry. What was

almost entirely new in the results of the Industrial Revolution was the factory, and, as we shall see, the Socialist does not propose to abolish it. That fancy is left to vague idealists of the type of William Morris; but the Industrial Revolution did not introduce capitalism as such, and in fact had no effects upon it worth discussion.

Long before Hargreaves invented the spinning jenny, and Crompton the mule, and James Watt the steam-engine, such aggregations of capital as were possible without them had been made. The Lancashire 'mill' was the first typical result of the Industrial Revolution. The famous Jack of Newbury<sup>1</sup> got as near to it in the first half of the sixteenth century as the then existing mechanical appliances and the extent of his market would let him. In spirit, scope and intention he was a Tootal Broadhurst or a Titus Salt born out of due season. It is one of the strangest phenomena in human affairs that the spinning wheel and the loom remained practically unimproved from the dim dawn of written history to the middle of the eighteenth century. Mistress Jinny Hargreaves was doing precisely what Penelope used to do while waiting for Ulysses, when the spindle flew off the hub of her wheel, spun top-like on the cottage floor, and gave her husband the idea which revolutionised modern industry. But in all things which were improved, the essential spirit of capitalism was

<sup>1</sup> See the account of him in *The Works of Thomas Deloney*, edited by Mr. F. O. Mann, for the Oxford University Press. Anyone who reads it will know why Mr. and Mrs. Webb pushed back the introduction of capitalism in this country to 'the last few centuries,' while four generations was long enough for the United States.

obvious. Ships are a case in point. Except for the size of the ship and its motive power, the *Tiger* went to Aleppo precisely as the *Majestic* goes to New York, and to talk of anything *new* in the matter is merely absurd.

This reasoning is confirmed by a striking comparison drawn from a very different quarter.

Adam Smith published his *Wealth of Nations* in 1776. He had occupied ten years at Kirkcaldy in writing it and it had been in his mind since his professorial days at Glasgow. It is important to note, then, that the *Wealth of Nations* was written before the Industrial Revolution. The noun 'capital' does not even occur in it. Adam Smith refers to 'stock' or 'capital stock,' and the famous illustration of nail-making on which he bases the advantages of division of labour is quite clearly drawn from the domestic system of industry. Yet the *Wealth of Nations* is still the greatest text-book of political economy in the world's literature. And the reason is clear. The Industrial Revolution altered none of the fundamentals of the economic structure of a society of the Western type, and those fundamentals are described by a mind of profound depth and immense range in clear and simple English.

Karl Marx wrote his *Capital*, the first volume of which was published in 1867, when the Industrial Revolution had done its work and the factory system of organising industry was in essentials complete. The title indicates the obsession of the author's mind. All that unwearying industry, wide

reading, burning faith, positive assurance and German thoroughness could do, Marx did. He set out to dissect capitalism, body and soul, and he produced a volume which has had no effect at all on the accepted *corpus* of economic doctrine. Mr. Lansbury has as little use for him as the Duke of Northumberland. Again the reason is quite clear. Karl Marx is a pure theorist. Nowhere does he attempt a constitution for a Socialist commonwealth, or even make a suggestion towards it. All the lumbering apparatus of analytic reasoning which he laboriously applies produces nothing, for throughout he believes that capitalism is a new and transitory stage in economic history. The complete failure of *Capital* as a new source of higher economics is proof of the wrongness of his assumptions. If Karl Marx had only written *Capital* he would never have been heard of. He happened to write the *Communist Manifesto*, and that, as Mr. Kipling would say, is another story.

The factory system is new, but it is not the capitalist system. The essentials of capitalism are not huge mills, world-wide markets, and long pay-rolls. If they were, Socialists, who propose to abolish capitalism, would propose to abolish them; whereas they mean to keep them intact, if they can.

Capitalism, then, is not new. Is it failing?

Since the war there has been no more insistent charge on the lips of Socialists than the alleged failure of capitalism. Mr. and Mrs. Webb press this charge with great vehemence in their *Decay of Capitalist Civilisation*. As already indicated, their



view is that capitalism, by which, of course, they mean the changes introduced by the Industrial Revolution, was a success up to the middle of the nineteenth century, and then began to 'decay.'

What, in their view, was the test of its original success? They select the right test and hurry over it in a single sentence: 'It had produced, on balance, a surprising advance in material civilisation for greatly increased populations.' Fast as the population had grown, wealth per head had grown faster. According to Giffen, it was £120 per head for a population of 21 millions in 1822, £143 for 28 millions in 1845, £200 for 30 millions in 1865, £270 for 37 millions in 1890, and £350 for 42 millions in 1903. Taking the whole of the period under review, it is seen that while population doubled, wealth per head trebled, and most of the growth occurred after the very point of time selected by Mr. and Mrs. Webb to mark the beginning of the 'decay.'

To apply to actual statistics as a test of alleged decay is something which Mr. and Mrs. Webb cannot be expected to do. They take refuge, therefore, in a series of rhetorical charges against capitalism, and these are their 'proofs' of its incipient 'decay.'

'Just think of it,' they say. 'The colliery-owner has to buy another pony for the one he kills in the mine, or do without it. He has not to buy another boy for the one that gets killed with the pony. The very next morning the agent finds at the gate another boy, or perhaps many other boys, standing, ready-made, to be taken on for

weekly subsistence in place of the one who has been killed.'<sup>1</sup>

Notice the clever distinction. The colliery-owner 'kills' the pit pony, but even these undisciplined writers jib at going on to say that he also 'kills' the boy. He, poor lad, only 'gets killed.' To reply to mush of this sort is out of the question. One might as well argue with Mr. Dick about King Charles's head. All that can be said is that if the mines were socialised to-morrow under Mr. Sidney Webb as Minister of Mines, he would insist upon his agent promptly buying another pit pony and engaging another pit boy in place of those unhappily killed by a fall, and that he, Mr. Webb, would be genuinely and very properly indignant if his conduct was made a ground of attack on Socialism.\*

The test of an economic system must be economic in character. When I read in *The Times* that some scores of Soviet judges have been tried for corruption, found guilty, and sentenced to very severe terms of imprisonment, it does not even occur to me to cite this as a proof that Socialism is a failure; for if I did I should be logically bound to accept the gross and admitted corruptibility of American judges as proof that capitalism is a failure. The venality of judges is a result of the political methods by which they are trained, appointed, paid, promoted and,

<sup>1</sup> *Decay of Capitalist Civilisation*, p. 91.

\* Except that he writes brilliantly, Mr. Tawney is curiously like Mr. and Mrs. Webb. He says (*The Acquisitive Society*, p. 91): 'The mill-owner may poison or mangle a generation of operatives; but his brother-magistrates will let him off with a caution or a nominal fine to poison and mangle the next. For he is an owner of property.' This is inexcusable.

above all, removed—matters over which the economic system has no more influence than the canals of Mars. Economic tests must be applied to economic systems ; they must be general, applying, that is, to the largest possible area of important facts, and they must cover a period of time long enough to allow the effects of short-period forces to be absorbed in the larger movement of economic life.

For instance, let the purchasing power of wages in the United States be denoted by 100 for the year 1913. Here we have a test worth enquiring into, for the standard of comfort of eighteen to twenty million working-class families is a thing of decisive importance. For 1906, the relative figure was 108, so that 'decay' had set in. For 1918, it was as low as 76—a most serious fall.

What has happened since is now well-known. All the evidence goes to show that both employers and employed in the United States bent all their energies to effecting an improvement. The result is shown in the following table :

					Relative purchasing power of wages, U.S.A.
1918	..	..	..	..	76.1
1919	..	..	..	..	82.0
1920	..	..	..	..	93.4
1921	..	..	..	..	115.8
1922	..	..	..	..	115.4
1923	..	..	..	..	123.2
1924	..	..	..	..	133.6
1925	..	..	..	..	137.1 <sup>1</sup>

<sup>1</sup> *Labour Gazette*, March 1926, p. 86.

The improvement is most impressive. Capitalism, properly understood, intelligently accepted, and enthusiastically applied, has given the American workman a standard of comfort unknown before in the whole world, a big fact the evidential value of which is quite unimpaired by the small fact that in 1925 there was a prolonged strike of the anthracite miners of Virginia.

The theory that capitalism is 'sick' and 'in decay' is the up-to-date edition of the older Socialist theory, due to Karl Marx, that there was inherent in capitalism a 'law of increasing misery for the working classes.' 'In the revolution closely confronting us,' said Marx and Engels in the Communist Manifesto of 1848, 'the working-class will break its chains, because it has nothing to lose.' At the Lübeck Congress of the German Socialist Democratic Party in 1901, there was a warm debate as to what Marx meant by the Theory of Increasing Misery (*Verelendungstheorie*), since the material progress of the German working-classes had obviously made nonsense of it. Karl Kautsky and Bebel took the line that Marx had only meant a 'tendency,' even though he had unhappily expressed himself with so much actuality. 'Capital must so tend,' said the former, 'and that is the basis of the class war, which must go on until we wrench from capital the instruments of its political and economic power. . . . Only in that sense have we held fast to the Theory of Increasing Misery.' Dr. Eduard David wanted the theory expunged from the party creed on the sufficient

ground, as one would think, that it was patently contradicted by facts known to all and admitted even by themselves.<sup>1</sup>

There is no more warrant for the Webb-Tawney theory of sickness and decay than there was for the Marx-Engels theory of increasing misery.

What is true is that, since the end of the war, capitalism has not done anything like so well for the British workman as it has done for the American. The former has, on the average, barely held his own, and in the 'unsheltered industries' the standard of life, as measured by real or commodity wages, has unhappily fallen. The latter has increased his command over the economic basis of well-being by no less than 80 per cent. He can spend five dollars in getting precisely the same goods and services as in 1918, and still have four dollars jingling in pockets that would have been empty in the former year. His confidence in the future of capitalism is such that in capitalist enterprises, particularly the one which employs him, he is investing these savings to an extent that is producing a social revolution. He is shareholder as well as employee. He is buying motor cars at such a rate that at the end of 1926 there will be more motor cars in America than there are families.

The causes of this remarkable and, to us, very unsatisfactory difference are numerous, and it is not part of the present task to enumerate and examine them. One fact, however, is obvious, and does fall

<sup>1</sup> See *Modern Socialism*, R. C. K. Ensor, pp. 185-8, where the speeches are quoted.

within our scope. Since the Armistice there has been in this country a bitter and ardent attack on the present economic basis of society. The workers have been told that capitalism is their enemy and that it is their immediate and bounden duty to themselves and their class to encompass its destruction. No such campaign has been conducted in the United States. Whether this difference is in part a cause of the grave disadvantage which the British workman has suffered since 1918 in comparison with the American workman, is a subject which should engage the attention of all, and in particular of the leaders of the Labour Party.

## CHAPTER IV

### SCHOOLS OF SOCIALISM

THE object of all Socialists is to abolish the private ownership of capital and the carrying on of industry by private persons in order to gain profit for themselves. Their reasons for proposing to do this have been made clear: these two things, which they mean to abolish, are, they assert, the creative causes of social evils which all men, and not Socialists only, recognise, deplore, and would fain abolish. Let us get this a little clearer by changing it from the abstract into the concrete, thinking in things rather than in words.

Socialists say that it is wrong for a private person to own a motor lorry but right for him to own a motor car; wrong to own a tramp steamer but right to own a pleasure yacht; wrong to own a row of jars of jam on the shelf of a grocer's shop but right to own the very same jars of jam on the shelf of a pantry; wrong to own a factory but right to own a house; wrong to pay two thousand workers high wages for spinning yarn but right to pay a barber a shilling for cutting your hair; wrong for the Duke of Northumberland to take a royalty on his coal but right for Mr. Bernard Shaw to take a royalty on his books; wrong for a man to own a taxi-cab and take

ten shillings a day by way of rent from the taxi-man who drives it but right to put the same ten shillings in his own pocket if he chooses to ply for hire himself ; wrong to own a share in the Great Western Railway but right to own a ' Bradshaw.'

In all these cases I use the word ' wrong ' to mean ' economically wrong ' ; that is to say, the Socialist view is that the ownership of these things leads to results which are economically injurious to society as a whole and in particular to the ' wage-slaves.' A good deal of Socialist propaganda, especially that of week-end speeches, assumes that it is also morally wrong, and that the laws which support this private ownership have no validity *in foro conscientiæ*, and no claim on our obedience as citizens. Hence the Right Hon. Thomas Shaw (of ' rabbits-out-of-a-hat ' fame) told the House of Commons that the operatives who went on the ' General Strike ' had a ' right ' to break their contracts with their employers : they have a right, that is, to do what is legally wrong in order to attack a system which they regard as morally wrong. This point is of importance, notwithstanding that our main concern is with the economics of Socialism.

The private ownership of goods is restricted by Socialists to what the economist calls ' consumers' goods,' those, that is, which are ready for final consumption and are actually in the possession of the person who proposes to consume them. A loaf of bread, a suit of clothes, and an ounce of tobacco, all of them in a workman's cottage, are specimens of



the class of consumers' goods; the very same articles are 'producers' goods' while they are in the Co-operative Stores, since the economic function of the Stores is to produce the important utility of getting them into the right place, the workman's cottage, at the right time—when he wants to consume them. The whole of the producing functions, from the day the agricultural labourer scatters the seed to the moment when the baker's boy hands in the loaf at the cottage door, are to be taken out of private hands and placed elsewhere.

Having seen what the thing looks like in real life, we may now generalise the statement. It is usual, though not invariable, for economists to draw a distinction between wealth and capital. Wealth, to use logical terms, is a species of which capital is one genus. Wealth is the totality of all things which have, or may have, a money value. Anything on which a price can be set is wealth. Undiscovered coal is not wealth since nobody knows of its existence. Ungotten coal is wealth, for it is known to be there to get, and it is constantly being sold to those who are expert in buying it. In some cases the fixing of a price is difficult and in others it is never attempted. Is Westminster Abbey part of our stock of wealth? Certainly. Old houses have been sold for bodily transshipment to America, and so could the noble abbey, if we cared to sell it and a syndicate of Chicago multi-millionaires cared to buy it. Notwithstanding such special cases, there is no real difficulty in grasping the conception of wealth.

Capital is generally described as that part of present wealth which is devoted to the production of future wealth. A farmer's crop of wheat is wealth ; the part he saves to use for seed is capital. The complicated arrangements of modern industry and finance conceal but do not change the fundamental accuracy of this distinction : wealth grows as capital grows ; to-day's wealth is the offspring of yesterday's capital ; all saving is a personal act ; all capital is the result of abstaining from immediate consumption. As between food-corn and seed-corn, a child can see the distinction which grown men deny with an oath as between motor cars and motor lorries.

The private ownership and control of capital is to be abolished. Capital, being as essential to industry as air is to life, is, say the Socialists, to be retained : the capitalist is to be got rid of. The typical co-ordinated mass of capital is a Lancashire cotton mill, which may be owned (*a*) by one man, (*b*) by a group of partners, (*c*) by a limited liability company which is either (1) private or (2) public. All these persons are to go, but, says the Socialist, that will make no difference to the mill as a working part of the economic structure of the country. Just as in the last case it makes no difference to the mill if shareholder A sells his holding to shareholder B, so, runs the Socialist argument, it would make no difference if a Socialist government bought out or turned out the whole of them. Or, rather, it will make this important and very desirable difference : that the toll these evicted owners and shareholders

have hitherto taken out of the product of the mill by way of profits will henceforth remain for the joint benefit of the real workers they have left behind and of the community as a whole. Socialism, it should be observed in passing, is a direct and powerful appeal to the *homo æconomicus* of the classical economists.

The private owners of capital being gone, and along with them the men who conducted industry in order to make profits, how are they to be replaced? In other words, how do Socialists visualise the new society which they propose to erect on the ruins of the old?

The clearness and the uniformity of the criticisms which Socialists pass on the existing system are in marked contrast with the vagueness and the variety with which they answer this question. It is naturally very easy to do things on paper; to assert, for example, before a General Election that you have a complete remedy for unemployment and, when that Election has placed you in power, to object querulously to being called on to produce your remedy as a conjurer produces rabbits out of a hat. There are many such literary visions of a Socialist commonwealth, for Plato set the vogue in one of the masterpieces of the world's literature. They are all true to type. The last of them, *Comme nous ferons la Révolution* ('How we shall bring about the Revolution') by Emile Pataud and Emile Pouget, translated into English under the title of *Syndicalism and the Co-operative Commonwealth*, gets over every difficulty as easily as Hobbs

would deal with a ball sent down by a boy of ten. They make the revolution in France by means of a general strike, which works the miracle in a day or two. The peasant-proprietor is a difficulty, but all that is required here is vigorous propaganda, as a result of which 'the village became like a great family.' Capitalist nations determined to quash this Socialist success, so the armies of England, Austria and Germany, 'with some Cossack hordes,' simultaneously invaded France. They were given twenty-four hours 'to strike their tents and retreat,' and, as they did not accept the offered mercy, 'without any warning being given by atmospheric disturbance vast explosions tore up the soil,' and the invading armies were, not merely defeated, but wiped out. The allied enemy fleets, too, were stupid enough not to sail away when politely requested to do so, and consequently they were all sent to the bottom—*Pan! Pan!* as Tartarin de Tarascon would say—by 'radio-electric charges concentrated on their powder magazines.'

Messieurs Pataud and Pouget were before the war two of the most active and advanced Socialists in France, and since they described on paper how they were going to make the revolution, three very considerable things have happened, of each of which they gave their prophetic vision. There has been a General Strike in Great Britain. It brought about, not a revolution, but the rapid and complete defeat of those who planned and ordered it. A German Army has invaded France, and France had Britain and Belgium to assist her. It is true

that 'vast explosions tore up the soil,' but that is all that is true in the vision of Messieurs Pataud and Pouget. The Revolution has actually been brought about in Russia, with results of which we know little except that the peasants have not been socialised or syndicalised, but have been made owners of their holdings and are, and will remain, the chief difficulty of the Soviet authorities.

It is almost certain that as soon as an accurate economic and social history of Russia since Lenin 'brought about the Revolution' in 1917 becomes available, every page of it will be a destructive commentary on all such books as *Comme nous ferons la Révolution* and *Looking Backward*. If things in Russia had gone 'according to plan,' it is obvious that the Soviet Government would welcome and facilitate the closest scrutiny of the results by foreign visitors. The veil over Russia has been thrown there by the Bolshevists, and it has been thrown there to hide the ugliness beneath it. Any other explanation is out of the question.

We, however, are concerned with England, not with Russia, and with the programme and policy of a Socialist Party which has been in power once, and may be again, not with the dreams of Edward Bellamy and William Morris. The question for us is: What do British Socialists propose to do in Great Britain? Who, or what, according to them, is to replace the dispossessed capitalist?

Let us return to our Lancashire cotton mill, on the ground that the possible alternatives which the Socialist has before him can very well be studied in

this typical place. Two answers, each of them given by different schools of Socialists, are at once obvious.

In the first of them, the Socialist solution of the problem is found by putting the State in the place of the former capitalists. Under Socialism, as under capitalism, the mill must belong to somebody, or there will be nobody with power to see that it functions as a mill and produces the cotton goods that consumers need. This power goes with the ownership, and cannot be divorced from it; and since the object of Socialism is to take both ownership and power out of the hands of private persons, one obvious alternative is to put both in the hands of the State. The State may, and indeed must, act through persons to whom it will delegate such of its newly acquired economic rights and duties as are necessary for the conduct of the mill, but the State will be the new capitalist and the new managing director.

What applies to one mill, applies to all. What applies to a cotton mill applies to a coal mine and to all coal mines, and to all units in all industries, including, of course, agriculture and transport. At the head of every industry is a Government Department. Every worker becomes a civil servant. Every wage becomes a salary. Every purchase becomes a payment into the national exchequer.

This is the solution commonly known as Collectivism. Industry is to belong to the collectivity of citizens and is to be run on their behalf by officials of

a government which they, the citizens, have put into office. It is the application to all industry of what is done by some governments in some industries. There is nothing about a Belgian railway, as compared with an English railway, to make it obvious at a glance that the former is a State railway and the latter a privately-owned one. On the other hand, he is a very unobservant Englishman who does not observe within a few hours of arriving in Paris that French tobacco is uncommonly poor stuff, and a very incurious one if he does not inquire the reason, which is, that the manufacture and sale of tobacco in France is a government monopoly. Tobacco in France has, in fact, been Collectivised. This difference between the observed results of nationalising a service which is a natural monopoly, like railway transport, and a commodity which is not naturally a monopoly, like tobacco, is fundamental in the economics of Socialism.

It is assumed by Socialists that under Collectivism things would go on in our cotton mill almost exactly as they did under capitalism. There would be some man in command of the mill; probably he would be the former owner, or managing director, in whose willingness to adapt himself to the new order, as soon as he had recovered from the nasty jolt of the revolution, Socialists of all schools profess the most touching confidence; and under him, in descending grades, there would be the old hierarchy of officials, from managers of departments to foremen.

Collectivism, then, postulates no change so far

other than one of ownership and of the ultimate controlling power which inheres in ownership. Nor does it postulate any change when it comes face to face with the citizen-worker, the old-time 'wage-slave' of capitalism. The historical fact is that in all countries where an industry has been nationalised or municipalised, the citizen-worker has in general merely exchanged the wage-slavery of capitalism for the wage-slavery of Collectivism. The State is not necessarily a better employer than the capitalist. The State acts through officials, who are men with the psychology of men, and in making wage-contracts with the State's employees, who are to all intents and purposes their employees, they act exactly as other employers do. Australian experience of Collectivism shows that a democratic franchise, frequent elections and Labour governments do not much affect this state of things.

The realisation of this fact led to the growth of a new kind of Socialism which gave a very different answer to the question: 'Who is to replace the dispossessed capitalists?' Let us return again to our cotton mill and see what this answer is.

In this second solution, the capitalist is replaced by the whole body of manual workers employed in the mill. When the revolution comes, the workers turn out the 'boss,' appoint a Workers' Council, and carry on. 'The Trade Unions in each industry, in each profession,' say MM. Pataud and Pouget, 'took possession of the factories and workshops which were indivisible from them.' A little later, 'The Trade Federations, which bound together the



Unions connected with the same industry which were scattered over the whole territory, held congresses, in the course of which the general conditions of production were worked out.'

At Sòbinka, on the Moscow-Nizni-Novgorod railway, is a vast cotton mill, and Mr. H. N. Brailsford<sup>1</sup> describes what happened there when they 'brought about the Revolution.' 'The Revolution,' he says, 'attained one negative result in its first week. The Company which had owned Sòbinka vanished like a fiction. The powerful personality who had founded it fled to some haunt of exiles. The State, with its armed force, stood now behind the workers. Here in this lonely clearing in the forest the herd of workers became a self-governing community.' At this stage, I am concerned only with describing the process of socialising industry, as this school of Socialists visualises it. It was also carried out on these lines in Northern Italy when the Socialists got command for a few weeks.

This form of Socialism is known as Syndicalism. It is of French and Italian origin, and the name is derived from *Syndicat*, the French equivalent of 'Trade Union.' The organised body of workers in any given factory is to dispossess the existing capitalists and to step into their place as its legal owners, and the running of it is to be carried out by a hierarchy of officials appointed by them and responsible to them, and to them alone. All factories in this industry in a given district having

<sup>1</sup> *The Russian Workers' Republic*, Chap. I.

passed in the same way under the same sort of control, they will become a loose federation with some sort of federal control; and these district federations will be further co-ordinated in a national council for each industry.

This is the 'Dictatorship of the Proletariat,' brought about by 'Direct Action.' Under it nobody counts towards power except the actual operatives. As in Marxian theory 'common labour' is the source of value, so under Syndicalism the common labourer is the source of economic authority.

With modifications, the Syndicalist school of Socialism has been advocated in this country under the alluring name of 'Guild Socialism.' Its chief exponent is Mr. G. D. H. Cole. Guild Socialism is a hybrid between Collectivism and Syndicalism. It is like the former in that the capital of every industry (its factories, machinery, raw materials, power-houses, etc.) is to be owned by the State: it is like the latter in that the industry is to be carried on under the sole control of those engaged in it. Under Collectivism, which Mr. Cole describes as 'a dull dog,' workers might be just as truly wage-slaves as they had been under capitalism. Under Syndicalism, consumers might be as mercilessly fleeced as they had been by the most ruthless monopoly of the capitalist era. Under Guild Socialism, it is asserted neither of these dangers will be incurred.

The National Guild of any industry will have a long series of elected Committees and Councils.

Mr. Cole enumerates :

1. The Shop Committee
2. The Works Committee
3. The District Committee
4. The National Guild Executive
5. The National Delegate Meeting
6. The Congress of All Guilds
7. A Joint Congress representing
  - (a) the Guilds, and
  - (b) the State, or the consumers.

Each Guild will pay to the State for the use of its capital an annual sum which is to be roughly equivalent to the economic rent of the capitalist era. If the Guild unduly increased the prices of its products it would, says Mr. Cole, automatically increase its 'rent' by an amount equal to its unjust gains, and therefore the citizen would gain as a taxpayer exactly as much as he lost as a consumer. It is a remarkably neat arrangement—on paper, and it is further provided that the Joint Congress, seventh and last of the series, shall fix 'rent' or prices. Thus, says Mr. Cole, 'The producer will remain in command of the productive process: the consumer will share with him the control of the price charged for the product.'

All authority in the Guild is elective, and the object of this system is to ensure willing obedience and maximum output by the magical effect of ownership and control on the minds of the workers. 'Foremen will be elected by ballot of all the workers in the shop concerned,' begins Mr. Cole, and goes

on right to the top. This, however, is not enough for his electioneering zeal, and he goes back to the beginning and starts again: 'Works experts will be chosen by the Works Committee. : . .' Mr. Cole is like a child with a new toy. He can think of nothing else.

## CHAPTER V

### THE NEW SOCIAL ORDER

To the fundamental question of Socialism three replies have now been given. The capitalist who owns and directs our typical unit of productive power, a cotton mill, is to be replaced (i) by the State acting through an agent, or (ii) by the cotton operatives themselves, or (iii) by a Guild which is to direct the productive process while the State owns the productive apparatus, i.e. the mill and its equipment. These forms of Socialism are distinguished as (i) Collectivism, (ii) Syndicalism, and (iii) Guildism respectively. 'If we had to choose between Syndicalism and Collectivism,' says Mr. Cole, 'it would be the duty and the impulse of every good man to choose Syndicalism, despite the dangers it involves. For Syndicalism at least aims high, even though it fails to ensure that production shall actually be carried on, as it desires, in the general interest. Syndicalism is the infirmity of noble minds ; Collectivism is at best only the sordid dream of a business man with a conscience.' The reader will so accurately infer the rest of the paragraph that it is hardly necessary to quote it : 'Fortunately, we have not to choose between these two, for in the Guild idea Socialism and Syndicalism are reconciled.'

Collectivism, Syndicalism and Guildism are extremely important as theories of the organised Socialism which their exponents desire and expect to be established in a future more or less near, but none of them has to-day much influence in this country. All three of them, wrote Mr. Cole, in January 1917, 'are as far off as ever, if not farther off than ever,' the reason of which is that Mr. Lloyd George, driven by war-time exigencies, and with the active connivance of 'the dull dogs of Collectivism,' 'the dotards of *The New Statesman*,' and Mr. 'Callisthenes' Webb, the 'herald' of the 'Selfridge' State—had invented a new monstrosity called 'State Capitalism,' meaning thereby such new departures as the Ministries of Munitions and Shipping, the Wheat Boards, and Wool Control and so on, under which 'private capitalism and profiteering continue with the moral and physical support of the State . . . under the guise of control.' The danger to real Socialism was that this State capitalism would continue after the war, and Mr. Cole, notwithstanding his hard words about Collectivism, came to the conclusion that 'Collectivism is to be preferred to State Capitalism.' As soon as the war was over, however, Dora, the popular name for what Mr. Cole chooses to call 'State Capitalism,' was abolished as speedily as possible.

Collectivism, Syndicalism and Guildism are theories as to the structure and functions of industry under Socialism, and each of them is dominated by ideas peculiar to its country of origin. To the German, accustomed to implicit obedience to

governmental officials, there is no term or limit to what the State can do, or to the obedience due to it. Collectivism would appear natural to him. The French Socialist shares with all his fellow-countrymen their distrust and dislike of the State in any other capacity than that of a paymaster of 'functionaries,' and for him to propose to replace the capitalist by the State is out of the question. The only other thing ready at hand to replace it is therefore chosen, that is, the operatives themselves. Syndicalism is French in origin, impulse and spirit. Guildism, in so far as it is eclectic, choosing what appears to be the best in opposing systems, is one of those compromises or combinations which the English mind is so singularly capable of making.

Until we have learned fully and exactly what has happened in Russia, Socialism must remain a theory of society. It cannot yet be put to the test of garnered and sifted experience. Socialism must, that is, lay down assumptions as to what changes it will make and then trace the consequences which, it is assumed, will follow from these changes. To do this the Socialist is obliged to simplify, so that he is always arguing as if great social changes could be made in a short time in a complicated economic structure and in response to feeble inducements. The Englishman instinctively knows that this is impossible. The English Socialist, exception being made of mere fools and cranks, shares this instinctive English belief. Hence it is that Englishmen have made no contributions whatever to the theory of

**Socialism.** There is no book in English speech which the Socialists of the world accept as theirs.

This inveterate habit of scoffing at theories and 'getting on with the job'—the favourite idiom and the common practice of the Englishman—led the British worker to look to his trade union and to Parliament for the improvements he desired. For decades there was a clean-cut distinction between trade unionism and politics. A miners' leader was Liberal M.P. for Morpeth. A cotton trade leader once stood as a Conservative candidate. Then, rather rapidly, a momentous change came. To trace its history is unnecessary, since it is the final result that matters, and every reader over thirty has seen it come to pass. The Socialists captured the trade unions and the Parliamentary Labour Party. For one year we had a Socialist Government. Every member of the Labour Party, without exception, is a Socialist, and, unless a miracle happens and the Liberal Party regains its old power and authority, Socialism is the only alternative to Conservatism as the basis of parliamentary government in this country.

In *Labour and the New Social Order*, the official manifesto of the Labour Party on Reconstruction, published in 1918 and written by Mr. Sidney Webb, the aim of the Labour Party is expressed as follows :

' Unlike the Conservative and Liberal Parties, the Labour Party insists on democracy in industry as well as in government. It demands



the progressive elimination from the control of industry of the private capitalist, individual or joint stock ; and the setting free of all who work, whether by hand or by brain, for the service of the community, and of the community only. And the Labour Party refuses absolutely to believe that the British people will permanently tolerate any reconstruction or perpetuation of the disorganisation, waste and inefficiency involved in the abandonment of British industry to a jostling crowd of separate private employers, with their minds bent, not on the service of the community, but—by the very laws of their being—only on the utmost profiteering.'

The Labour Party, though it coyly refuses the name, is in fact a Socialist Party. It was necessary that some authoritative account should be given of the new society it proposed to start to create if and when it obtained a Socialist majority in Parliament backed by a Socialist majority in the country. Mr. and Mrs. Sidney Webb therefore published in 1920 *A Constitution for the Socialist Commonwealth of Great Britain*, which they describe as 'An attempt to think out in some detail the shape which their proposals (i.e. those of the Socialists) should assume.' While it is not an official publication of the Labour Party, the position of its authors gives it a sanction which no other similar book would acquire. As a book it is comparable in its standing with one of those great legal text-books to which our Courts pay such respectful attention.

Moreover, it is after all only the New Social Order writ large, and the record of the Labour Government, and of Mr. Webb as one of the Labour Cabinet, makes it curious as well as significant. It is the campaign guide of the Socialist Party. Like all their books it is laborious, conscientious, competent, faithful and dull to desperation. 'The Webbs,' says an American admirer, Mr. Gleason, 'mop up every salient fact. They operate as a vacuum cleaner.' Nothing, indeed, is so remarkable as their profound knowledge of facts that do not matter except their complete ignorance of principles that do.

Socialism, they say, 'aims at the substitution, for the dictatorship of the capitalist, of government of the people by the people and for the people in all the industries and services by which the people live.' It is in their view the natural and inevitable extension of democracy from politics to industry. The first thing to do is to amend our institutions so as to facilitate the coming change. Democracy, so far from being a failure, is only at the beginning of its triumphs. What the world is suffering from is not too much democracy but too little.

Man is not a simple being. He exists in triplicate, for he is (i) a consumer, (ii) a producer, and (iii) a citizen. In this last capacity he desires the safety and perpetuation of the State in which he lives, and democracy, as at present developed, is limited to supplying him, not very perfectly, with political institutions through which man as citizen may get his will fulfilled. The institutions through which

man as producer and consumer carries out his will are still less developed. In the Socialist State there will be three completely organised Democracies, in each of which every adult man and woman will be enrolled : (i) a Democracy of Producers, (ii) a Democracy of Consumers, and (iii) a Democracy of Citizens.

Socialism will not come all at once or in one way. As President of the Labour Party Congress in 1924, Mr. Webb drew attention to the 'inevitability of gradualness' in the realisation of Socialism. The 'Constitution' is in addition permeated with 'the gradualness of inevitability.' The robust faith of the builders of Utopias is entirely wanting. What the Socialism of the future will come from is the institutions of the present. How much of these three Democracies exists to-day?

At present the Democracy of Producers is represented by the Trade Unions, that of Consumers by the Co-operative Societies, that of Citizens by Parliament. The Webbs weigh them all in their verbal balance, and find them all wanting. The Co-operative Societies 'tend to be by their very nature soulless and callous constituencies'; and the plain truth is that Democracies of Producers cannot be trusted with the ownership of the means of production in their own vocations, since 'they are perpetually tempted to make a profit on cost,' which is the unforgivable sin of what Mr. Cole punningly calls 'the cobwebby solution that is no solution at all.' The Parliamentary system is an absurd mixture of 'hypertrophy' and

'heterogeneity.' 'The great mass of government to-day is the work of an honest and able but secretive bureaucracy, tempered by the ever-present apprehension of the revolt of powerful sectional interests, and mitigated by the spasmodic interventions of imperfectly comprehending ministers.'

Such, in the view of the Webbs, is the rotten condition of the materials out of which the New Social Order is to be constructed. As a consumer, man is soulless; as a producer, untrustworthy; as a citizen, a failure. That is all twenty centuries of Christianity have made of him, though they started with a race that already had to its credit the greatest literature and the greatest system of government the world has even yet known. Then, in the process of the suns, came the Webbs. A little re-arranging and a little touching-up by the deft craftsman of Grosvenor Road—and the miracle is wrought. The New Social Order emerges ready-made from the brain of the modern Zeus. The faith that moves mountains is indeed weak and watery in comparison with the faith which believes that molehills are mountains.

It is not easy to sketch in outline the intricate ground plan of the new 'Constitution.' One gets lost in a maze of words that have no relation to things as they are or are in the least likely to be. No other book known to me is so cogent a reminder of the wise saying of Hobbes: 'Words are the counters of wise men and the money of fools.' Is there a difficulty? The Webbs suggest a standing

committee, and pass on.<sup>1</sup> Even in theology there is no omnipotence comparable to that of a standing committee contrived by the Webbs, and as for one of their joint committees the only possible tribute to that is reverential silence. They 'say a mouthful' and implicitly believe that they have wrought a revolution. The following sketch does justice to their scheme, but no volume could do justice to their amazing self-complacency.

The monarch is to remain, the House of Lords is to go, and the functions of the House of Commons are to be divided between two bodies, known respectively as the Political Parliament and the Social Parliament. Man as citizen will be looked after by the former, man as producer and consumer by the latter. Both will be elected by the whole body of adult citizens, though perhaps not by the same constituencies. In this way, the people will give manifestations of their common will as (1) citizens, (2) producers, and (3) consumers. The task is too much for the one Parliament that already exists, hence the hypertrophy and heterogeneity; but no explanation is given as to why three such clear-cut 'democracies' in one and the same Englishman do not need three Parliaments to represent them.

The chief purposes of the Social Parliament are to ascertain 'the kind and temper of civilisation which the citizens, as a community, desire and intend to enjoy,' to 'control,' in accordance with the

<sup>1</sup> See delightful illustrations on p. 323, lines 15-16, and p. 328, lines 12-13.

mandate of its electorate, 'the nation's economic and social activities,' and to make 'provision for the community in the future,' which, it is remarked, is 'usually too lightly regarded.' This does not mean immediate and general socialisation. The Social Parliament will socialise or not 'as it chooses,' that is, as the electorate chooses. It will take over from the existing Parliament the control of health, education, provision for non-effectives, transport and communications, currency, prices and charges; and add to them (1) provision for the future, (2) 'the equitable distribution of the national rent or surplus value'—a task which is just mentioned in passing as if it were rather easier than shelling peas, and (3) 'where necessary, the levying of taxation for the making up of deficits'—an unpleasant topic which they just look at and pass on, never to return.

The Social Parliament will not have a Social Cabinet. Instead, its work will be divided among standing committees, each of them with its chairman, who will be a most important functionary in the new order. From the outset there will be Committees for (1) Finance, (2) Health, (3) Education, (4) Transport and Communications, (5) Mining, (6) Economic and Social Research, (7) a 'General Committee' for all branches of industry and commerce not allocated to separate Committees, (8) a 'General Purposes Committee,' presumably for general purposes, whatever they may be, and (9) (10), (11) and so on for 'each other great industry as it is taken into public hands.'

The Social Parliament and its Standing Committees are only to have over each industry (1) a general supervision and control and (2) the decision of its annual Budget.

The relations between the Political Parliament and the Social Parliament are regarded as easily determined since 'the issues of national policy on which they will be elected will, from the outset, be markedly different ; and they can, from the nature of the case, never be identical.' The laws or commands of each will be valid. The consent of the Political Parliament will not be necessary for the socialising of any industry, but will be required for laws affecting personal liberty. A Standing Committee of both Parliaments will draw up the Budget, which will require the consent of both. The Social Parliament may socialise any industry, but may not, except with the concurrence of the Political Parliament, compel any of the citizens to purchase its products or forbid him to carry on the same industry on his own account. Any differences between the two Parliaments will be settled by a bare majority of both in a Joint Session.

Socialism will not come 'at one blow or in one way.' It will be progressive, and there will probably always be some unsocialised industries. Private enterprise in horticulture, peasant agriculture and artistic handicrafts will be tolerated. Poets and artists must be allowed to go their own way. So too with any minor industries 'that may be most conveniently conducted on an individualistic basis.'

'The experimental promotion of some new inventions and devices' will be permitted, it being taken for granted that inventors will quite gladly at their own expense pave the way for their own undoing. Then there is the grave question of the export of articles 'to barbarous peoples or unsocialised States.' If 'no other provision has been made' for them, individuals will be permitted to do this work. Last of all, and most touching, is the fact that individuals will be allowed to run any industry they like so as to provide one or more of the long string of committees with data 'for purposes of comparative costing in socialised industries.'

Socialism will not come 'at one blow' because industries differ greatly in the degree of ripeness for socialisation which they have up to the present attained under capitalism. There is, for instance, much difference between railways and fried-fish shops. Again, it will not come 'in one way' because three different socialising forces are available and each will take on the job it can do best. These three forces are: (1) the Central Authority (2) Local Authorities, and (3) the Co-operative Societies. All of them will have enlarged spheres in the Socialist Commonwealth so as to enable them to function perfectly.

Certain industries and services, 'probably fewer than a dozen,' are already ripe for complete socialisation, and these will be taken over at once by the Standing Committees of the Social Parliament. Then, as the triumph of the new system becomes obvious, other industries 'will be



promoted from profit-making enterprises to public services.'

The list of the industries and services to be socialised for the nation as a whole on the institution of the Social Commonwealth is :

1. Railways and Canals
2. Mining (including Oil)
3. Afforestation
4. Insurance
5. Banking
6. Generation of Electricity
7. Smelting of Metals
8. Passenger Steamers'

This, then, is the work to be undertaken by the Social Parliament on, or immediately after, its institution. The great mass of the people are, however, not daily and hourly interested in railway journeys and electrical plants. Beef, bread and beer, shoes, clothes and tobacco, and all articles of personal consumption are their main perpetual interest, since on them depends the quality of their lives.

This is easily managed. 'At the other end of the scale,' say Mr. and Mrs. Webb, 'is the provision

<sup>1</sup> There are three separate lists (pp. 120, 168, 236-7), which are not quite alike, clear proof that the authors are merely playing with words as children play with blocks. Steamers are not mentioned at all on p. 120, doubtfully suggested on p. 168, and boldly adopted on p. 237. The defence of this vacillation is, of course, that the authors are careful scientists, feeling their way along from one successful experiment to another. The explanation is, equally of course, that they are muddled thinkers. Georges Sorel, the French Syndicalist, says of Mr. Webb that 'he has a mind of the narrowest description, which could only impress people unaccustomed to reflection,' and in a footnote quotes Tarde, the distinguished French sociologist, as calling Mr. Webb 'a worthless scribbler.'

of the innumerable kinds of commodities for household consumption for which the consumers' Co-operative Movement has proved itself to be the most advantageous form of socialisation.' And again, the Co-operative stores are nowadays 'rightly recognised as supplying a necessary part of the constitutional framework of the Social Commonwealth.'

It will, they think, work out with the greatest ease. At present the 'Co-op.s' do not cater for the very poor or for the wealthy. Socialism will raise the lowest incomes and scale down the highest. Then there will be an increase of the membership of the 'Co-op.s' till it is 'more and more nearly identical with the population.' Assured of a steady and very large market, the Co-operative Wholesale Society will expand the range of its manufacturing enterprises until it satisfies the household needs of everybody.

Finally, some feeble doubting Thomas will ask: 'What about export trade in the New Social Order?'

Mr. and Mrs. Webb have their reply quite pat. It is simply impossible to catch them out. Does not the Co-operative Wholesale Society conduct a large import trade? Admittedly it does. Did not the Government during the war conduct a large import trade? Admittedly it did. Do not foreign C.W.S.'s do the one: did not foreign Governments during the war do the other? It must be confessed that the answer is in the affirmative. Then 'to the extent to which either of these movements develops,' they airily remark (pp. 254-5), 'the

export trade of the world, conducted by capitalist merchants for private profit, will have been transformed essentially into a reciprocal exchange of imports, conducted by the paid agents of consumers and citizens, to the exclusion of capitalist profit. . . . The whole world would become one vast complicated network of associations of consumers, starting from different centres, penetrating continents and traversing oceans, without exploiting for private profit either the faculties or the needs of the human race.'

In the appropriate place, I shall direct the reader's attention to the vital question of the export trade under Socialism. Mr. and Mrs. Webb devote exactly sixty-eight lines to it—sixty-eight lines to the heart's blood of Great Britain.

Such is Socialist thought !

So far, two fields of socialisation have been marked out : (1) certain nation-wide industries and services which are ripe for socialisation under and by a Standing Committee of the Social Parliament, and (2) the supply of household commodities to be undertaken by Co-operative Societies whose membership is to coincide with the population.<sup>1</sup> What remains ?

'Between these two great classes lies an immense field for industrial organisation,' open for exploitation by local authorities, which already own 1,500 millions of capital and employ over a million men.

<sup>1</sup> On p. 261, Mr. and Mrs. Webb say that 'a later chapter will deal with the nature and extent of the control over them (i.e. the "enlarged" Co-operative Societies) that should be exercised by the Social Parliament.' No such subject is ever mentioned.

A catalogue of the things already done by local authorities is given, and the conclusion is reached that 'it may well prove to be the case that, in a Socialist Commonwealth, as much as one-half of the whole of the industries and services would fall within the sphere of Local Government.' In the case of nationalisation a list of things not now nationalised but ripe for it is, as we have seen, given ; but there is not a single hint as to what things not yet municipalised are ripe for municipalisation.

The State already owns and controls the Post Office : many municipalities own and control trams : the Co-operative Wholesale Society makes, and the Co-operative Stores sell, many kinds of household commodities. I have given the fullest extent of socialisation suggested by Mr. and Mrs. Webb. Let the reader visualise steadily all now done by the State, the municipalities and the Co-operative Stores, add to it all that he is told they should do that they are not now doing, and then ask, 'What is missing ?'

I will tell him : the cotton mills of Lancashire ; the woollen mills of the West Riding ; the ship-building yards of the Clyde and the Tyne ; the engineering shops of Manchester, Glasgow and Birmingham ; the motor car and cycle works of Coventry ; the shoe factories of Northampton ; the stocking factories of Leicester ; the potteries of Stoke-on-Trent ; the tin-plate works of Swansea ; the soap works of Port Sunlight ; the clothing factories of Leeds.

The State can and does run the Post Office ;

Town Councils can and do run trams ; Co-operative Societies can and do run bakeries : each of them could do, and may yet do, things it has not yet undertaken, and the Webbs have no hesitation in suggesting additions. But on cotton and wool, on engineering and shipbuilding, on all the things that matter most because by them we live and have our being in the great world of trade, they have not a word to say, literally not one word, although one of the finest potteries in England is visible from their own windows. To check myself I refer to their index, and, since their new State is to run lines of passenger steamers, I hunt for 'Shipbuilding.' It is not there, but 'Siloam, Tower of, 333' is. In that way, one sees, they are faithful to the last grain of mustard seed. 'They mop up every salient fact,' but they cannot see 'Doulton's' through their own window.

This, then, is the account of the ownership of the means of production, distribution and exchange in the New Social Order. It is to be shared between State, Local Authorities and Co-operative Societies. The ownership is in every case to be obtained by purchase at 'the fair market value as between a willing seller and a willing buyer.' The State will acquire the means to make the purchases by special taxation of the capitalists, who are to be permitted 'gradually to extinguish each other's private ownership over a term of years by the silent operation of the Death Duties and the graduated Income Tax and Super-tax.' Fortunes up to £10,000 would be lightly taxed, but beyond that amount

Death Duties would rise to nearly 100 per cent. of the excess. Similarly the Income Tax would be used 'to prevent any incomes of a magnitude injurious to public morals.'

So much as to the ownership of the economic instruments. Now as to their control. Our cotton mill may become the property of the State, of the Oldham Corporation, or of the Co-operative Wholesale Society, each of which is, in the dialect of the Webbs, a 'Democracy of Citizen-Consumers.' Who will control it? Who, that is, will purchase the raw cotton, decide the counts to be spun, engage, promote and discharge operatives, fix and pay wages, determine hours of labour and conditions of work, and finally sell the finished yarn?

The answer of Collectivism and Syndicalism is, it will be remembered, that ownership and control are to be in the same hands, those of the State under Collectivism, those of the workers under Syndicalism. Guildism separates ownership, which is to remain absolutely with the State, from control, which is to go entirely to the workers. In the *New Social Order* there is no such clarity of reasoning and simplicity of arrangement. Democracies of Citizen-Consumers, as stated above, are to own the means of production, but this does not mean, as in Guildism, mere legal ownership of land, buildings, plant, etc., but the actual power of deciding to what use they shall be put. This is almost Collectivism, but then Democracies of Producers, which are the common trade unions of to-day sublimated by doses of Webbism, though they have no share as such in

ownership, are to have a hand in control on an altogether different scale to what they get to-day by collective bargaining. They will exercise not dictatorship, not even exclusive control, but 'control,' just 'control,' over their own pay, hours of work, conditions of service, whom they will accept as work-mates, their intellectual liberty, and their practical freedom to exercise their vocation in an efficient way. Thus, the worker will recover his 'instinct of workmanship.'

Every nationalised industry will be under the control of a Standing Committee of the Social Parliament. This Standing Committee will draw a clear line between policy and current administration. It will reserve the former entirely to itself and hand over the latter to an organisation to be provided.

At the head of the organisation is the National Board, appointed for a term of years by the Social Parliament on the recommendation of the Standing Committee, and consisting of sixteen members :

- 5 from the heads of the municipal branches of the administration, who are concurrently to carry on their jobs.
- 5 representatives nominated by the various 'vocations' employed, that is, as we should say, by the trade unions.
- 5 representatives of consumers of the products of the particular industry and of the community as a whole (one to be a Co-operator) who are to have the special duty of 'ensuring that all legitimate interests are taken into account.'

1 'the principal executive officer' who 'should preside.'

Eleven out of the sixteen are, it thus appears, to be directly engaged in earning their living in the industry they are to control. It is done 'deliberately' and announced 'quite frankly,' though 'Democracies of Producers' in the past have 'failed with almost complete uniformity' (p. 155). That, of course, was before the Webbs took them in hand.

Below the National Board will come District Councils, with various functions, more or less autonomy, and the same tripartite composition of representatives of the officials, the manual workers, and the local consumers.

Finally, there is to be a Works Committee in every factory, shop, mill, mine, etc. Each Works Committee will choose its own chairman and secretary, draw up its own agenda, and appoint its own time and place of meeting. The democratic zeal of the builders of the New Social Order has worn very weak by now. There is nothing tripartite about the Works Committee. It is exclusively a workmen's committee and it has only 'the right to confer with the manager.' The reason is clear and explains why the Whitley Councils are a complete failure. The Webbs have been very candid about the shortcomings of the Trade Unions. The reason for their perpetual rhodomontade about 'Democracies of Producers' is that they want to prevent their readers from dwelling upon the elements in Trade Unionism which are inimical to



their airy schemes. When it comes down to the separate works and the little Works Committee all this powder-rouge-and-lip-stick trickery fails them. They are, and they know they are, in touch with stark reality. The Trade Union official is at the factory gate, and he can be trusted to brush away all this flimsy cobwebbery. Their Works Committee can have no functions because the Trade Union will not allow it to have any.

Certain important points may now be noticed more briefly.

The National Board of each industry will decide how many workers of each grade are wanted, and will advertise for applicants. They will choose the best, and intimate to the unsuccessful applicants that they are not wanted. On this point, they say, 'The proposals themselves amount to no more than the common practice of the best industrial undertakings of magnitude.'

Wages will be determined by collective bargaining, carried out by joint boards of representatives of the management and of the Trade Unions. On the ground that there are no capitalist profits to exasperate discussion, the opinion is expressed that these joint boards will not have anything to wrangle about.

Discipline boards would decide who, of those charged with offences, shall be fined, degraded or dismissed.

The builders of the New Social Order are acutely conscious, and admit it openly, that to the worker himself, the very person in whose supposed interests

the change has been made, the new system will look uncommonly like the capitalism it has displaced. He must still obey orders from above or 'get the sack' for indiscipline ; still look exclusively to his trade union to get him the highest possible wage, shortest hours and best conditions. In no sense whatever does the New Social Order release him from 'wage-slavery' or restore to him his supposed lost rights in the instruments of production. It cannot in theory, and therefore will not in practice, make the slightest improvement in the economic status of a Lancashire cotton operative that the cotton mill in which he works, and on which I have asked the reader to fix his mind for the purposes of argument, since it is one of the typical products of capitalism, now belongs to the State and is run by a Committee in Wigan or Whitehall.

## CHAPTER VI

### INDUSTRY ON A RAZOR'S EDGE

AT this point, if I have successfully performed the task I set myself, the reader understands in broad outline three things : (i) the nature of the charges which Socialists bring against the existing social order, (ii) the grounds of their belief that capitalism is a new thing which can be replaced by a still newer thing, Socialism, and (iii) the very different things which ' Socialism ' turns out to be when expounded by different ' Socialists.' With the single exception that they all declare that capitalism is *the* enemy, Sir Leo Money, Mr. Tom Mann, Mr. G. D. H. Cole and Mr. Sidney Webb differ as much between themselves as a Parsee, a Christian Scientist, a Roman Catholic and a Primitive Methodist differ in the sphere of religious doctrine and discipline. They all say that the private ownership of capital must go, and along with it the conduct of business by private enterprise for profits.

The next stage in the argument is to discuss the changes proposed by Socialists with special reference to the country which concerns us most—Great Britain at the beginning of the second quarter of the twentieth century. Different countries react in different ways to the same economic force. Let

working-men unite in a society meant to increase wages, shorten hours and improve conditions—form a trade union, in short. That is an economic force newly brought into operation, yet it has very different results in Great Britain, in Germany and in the United States; and that not because working-men differ much in their psychology in these three countries, for if you asked this question of a working-man, 'Would you like a rise in wages?'—one of the results the trade union is formed to bring about—the answer would be in the affirmative in all of them. Yet the workers of Great Britain, Germany and the United States have not reacted in the same way to trade unionism. Again, no one supposes that the effects of the introduction of Free Trade in England in 1861 as the consummation of a gradual process commenced in 1828 would be exactly reproduced, even if we knew precisely what they were, by the sudden introduction of Free Trade in Australia in 1926. The argument in favour of Free Trade for England in the 'fifties was in a nutshell: (1) It is theoretically sound, and (2) it is practically wise. No economist adopts either proposition, much less both, for another country at another time without careful inquiry. Socialism, in one form or another, is to be applied, not to mythical beings in a far distant future, but to us, as soon as possible, in our own country. Therefore we must have a clear idea of our own country from the economic point of view. What, if any, are its distinctive economic characteristics?

- (i) The district between the foot of the Grampians

and the English Channel is the most wonderful economic area on the face of the globe. Its area is about sixty thousand square miles and its population about forty-three millions. If the population of the whole world emigrated in a body into the United States, that vast country would not even then be as densely peopled per square mile as the British area in view.

(ii) The people on this small area do the greatest overseas trade in the world. They are obliged to do it. There are forty-three millions of them and the soil on which they live could not under any circumstances feed half of them and actually feeds less than a quarter. Three out of every four live on imported food, and as they continue to live fairly well and mean to go on doing so, they import very much food. On an average they consume the following quantities of imported food per head per annum (in lbs. except where otherwise stated) :

Butter, 12.71 ; margarine, 3.27 ; cheese, 7.08 ; cocoa, 2.25 ; wheat, 327.88 ; maize, 90.74 ; rice, 7.12 ; currants and raisins, 5.61 ; meat, 78.23 ; potatoes, 22.43 ; sugar, 77.59 ; tea, 8.81 ; and 53 eggs.

In all the leading foodstuffs the country is mainly, sometimes almost entirely, dependent on foreign supplies. Of the wheat and flour consumed, 77 per cent. is imported ; of barley, 49 per cent. ; of oats, 18 per cent. ; of beef and veal, 54 per cent. ; of mutton and lamb, 59 per cent. ; of pig-meat, 65 per cent. ; of butter, 52 per cent. ; of cheese, 68 per cent. ; of milk and milk products, 54 per cent.

There is nothing like this in the rest of the world.

(iii) Its reliance on imported food for its people is hardly any greater than its reliance on imported raw materials as 'food' for its factories. Its greatest *manufacturing* industry, cotton, imports every ounce of its raw material. In 1924 the value of the raw cotton thus imported was nearly £120,000,000. In the same year, the total value of raw materials and articles mainly unmanufactured imported into Great Britain was £400,000,000.

(iv) The necessary consequence of being obliged to make these vast purchases of foreign foodstuffs and raw materials is that we have to export on an equivalent scale to pay for them. Of our cotton manufactures, four-fifths are sold abroad, and before the war one-third of our coal. One-third of our total output of all produce is sold in overseas markets. Again, no other country is in like case. The United States, for example, only sells one-tenth of her output abroad.

(v) One vital consequence of the foregoing special circumstances in regard to overseas trade is that this country is immediately dependent on an unshaken belief among the other peoples of the world in her credit and stability. Too much stress cannot be laid on this point. It is not a possible dependence at some later period, but a certain dependence here and now. Both the people and the industries of this country live from hand to mouth. They have never three full months of absolute security in front of them—never. Neither Czarism nor Socialism could do more to Russia than tread on her toes. Great Britain lies open to a dagger-thrust into her heart.

(vi) The abnormal dependence of this country on overseas trade has had another important result. In that natural anxiety for profits which Socialists affect to loathe as immoral, British investors, searching for the highest rate of profits, have invested close on 4,000 million pounds sterling abroad. Where and in what? In 'young' countries like Argentine and Canada, and in 'nascent' commodities, those, that is, which are about to take a leading place in world-economics, e.g. 'Manitoba No. 1' wheat, 'chilled' meat, coffee, copper, rubber, soya beans, wood pulp, artificial silk. British capital, invested in financing these coming commodities in coming countries, has, again as a natural consequence, provided us with newer and larger markets overseas. If the process slackens, British trade languishes.

(vii) The population of the 60,000 square miles on which I am fixing the reader's attention, already 43 millions, increases at the rate of three millions in every inter-censal period of ten years. Between 1901 and the present time, the increase has been at least eight millions. The reader must get precise ideas of what this means, implies and causes. Fogginess on these points is responsible for most of the muddy thinking which prevails. There are about eight million people in Greater London. Mass the eight millions, and the problem of dealing with them and providing for them begins to mass itself before the mind's eye. For, unless this new eight millions is to live on the old 36, all the material equipment of Greater London has to be

duplicated for their use and benefit. Houses, shops, streets, drains, sewers; markets, warehouses, factories, raw materials, tools, machinery, power-houses, trains, trams, 'buses, lorries, cars, cycles, town-halls, churches, schools, theatres, cinemas; taverns; food and clothing: all had to be provided for them in the last twenty-five years, four and a half of which we spent in blowing wealth to dust and ashes faster than we could possibly make it. Unless we save enough to do *this*, and in fact do it, our standard of material comfort must decline. Unless we do this, and a good deal added to it that we have never yet attempted, that standard cannot improve. Every man of twenty-five has to do his share of this mammoth task—the duplication of Greater London—before he is fifty or be poorer as a man and meaner as a citizen. On these terms we hold our place in the sun. British industry lives on a razor's edge.

What is the Socialist's appreciation of these terms? Although it will be necessary to return to the subject later and deal with it fully, this is perhaps the best place to prepare our minds for that occasion.

On p. 49, and in line 3, of Mr. and Mrs. Webb's *Constitution for the Socialist Commonwealth of Great Britain*, occurs, in a merely passing reference, the word 'marketing.' Neither the word 'market' nor the thing 'market' ever occurs again in the book, either before or after this casual reference. In their full and careful index the subjects 'markets,' 'imports,' and 'exports' have no place,



because they have no place in their amateur economics. They are too busy inventing Committees, Standing Committees, Joint Committees and Standing Joint Committees to bother about markets. It is incredible, but it is a fact.

(viii) Socialists base their attack on the existing system on the disparity of incomes which it permits. They are often, but not always, careful to point out that there would be inequalities of income under Socialism, but the very great inequalities that now exist are to be smoothed out. For, under Socialism, there would be no incomes that were not earned, and though experts and managers would have larger incomes than dustmen and doorkeepers, there would not be the same wide gap between them that there is to-day. This raises the interesting question as to what the effect would be if existing incomes were levelled out, and to this question Sir Josiah Stamp gives an answer which is as authoritative as it is at first sight unexpected. Let us approach it gradually.

Let us suppose that I have an earned income of £1,850,500 gross, that is, before I begin to pay any rates or taxes to the State. After I had paid them (including my insurance premium for death duties) my income would be very severely cut down, say by one-half, leaving me £925,250. Out of this I have been in the habit of re-investing £400,000, leaving me £525,250 to spend, which, I admit, is a reasonably large amount. The Socialists get into power and decide to pool all incomes over £250. Leaving me this amount, they pay half the total

into the Exchequer, as I used to do, pay £400,000 into the Bank of England to provide the new capital which the country needs, which I used to do also, and then divide the rest equally among all the households in the country.

What a grand time for the workers, you say ! Well, if so, the workers are easily satisfied, for they would get just one shilling per family per year out of the transaction, which would provide the head of the family with one extra visit to the pictures and one extra glass of small beer on his way home.

Now suppose that in the second year I jibbed at this arrangement and emigrated to the United States, where, as a matter of fact, I had a nice little sum laid by in previous years in case of a rainy day. How would the case stand then ? The State would want my taxes and savings just as much as ever it did. These amount to £1,325,250, which would now have to be collected equally, we will suppose, from every household that got a shilling from me the first year. It would cost them *half a crown apiece every year for the rest of their lives*, and would be cheap at the price as a lesson in Socialist economics.

Sir Josiah Stamp has calculated<sup>1</sup> that if all the incomes in this country in 1919 had been treated as I have supposed to be the case with my entirely imaginary income, i.e., all amounts over £5 a week to be pooled, the result would have been to give every family a rise of five shillings a week ; and

<sup>1</sup> *Wealth and Taxable Capacity*, p. 26.

this assumes that men will go on earning these large incomes and pooling them, which, of course; they will not. Moreover, since 1919 there has been a severe fall in the total national income.

(ix) We have to deal, then, with a population of 43,000,000 crowded on 60,000 square miles of territory, four-fifths of whom live in towns which only occupy one-tenth of that area, and with a very narrow margin from which to increase the well-being of the existing masses and to provide for the economic equipment of 3,000,000 new citizens in every ten years. It requires no argument to prove that the primary interest of a people so situated is to maximise their production of wealth, and he is little acquainted with the economic world of to-day who does not realise that this indispensable maximisation of the current production of wealth requires the unremitting efforts of men with brains of the highest order acting under the constant stimulus of the clearest possible motive. 'I can find hundreds of men to whom I can pay a thousand a year,' said one of them a few years ago. 'What I am looking for is one to whom I can pay ten thousand.' Opposite my college, when I was an undergraduate, was a middle-sized cycle shop the owner of which had a small repair shed in a back street near by. He has now an income which makes the Webbs wrath and will, I hope, live to be worth millions. For his name is Mr. W. R. Morris, and even in these hard times a vast army of men get a good living by making and selling his famous cars. Always when it is earned, and in most cases

when it is 'unearned'—as the Socialists choose to call it—a man's income is the measure of his service to society.

I have given the clearest picture I could draw of the economic characteristics of this country. The outlines are bold and, I hope, graphic. They are also true to the facts of the case—a cartoon in *Punch*, not a caricature in *Simplicissimus*. Any proposed change which ignores these characteristics would begin to be fatal as soon as it was attempted.

Socialists, as we have seen, draw up a many-headed indictment of capitalism on the ground that it is responsible for the social evils they and we deplore. Suppose that a very intelligent Chinaman, who had read nothing but Socialist literature, were to arrive in this country. What would he see that he had not been told of?

(i) The 'Upper Ten' and the 'Submerged Tenth' are not only not comprehensive of British society, as one would infer from the hold they have over Socialist rhetoric, both printed and spoken, but they exclude everything that is characteristic of it. Our imaginary Chinaman would have heard much of the dance-dinners at the Cecil, the Ritz and the Savoy. He would not have heard that the finest dance-hall in the world is thronged every summer night at Blackpool by well-dressed, happy crowds who, as he would learn to his amazement, are the working lads and lasses of Lancashire. Anything in the West End—hall, floor, band, dancing or happiness—is a poor thing in comparison. It is not the fraction at either end of the social scale

that sets the English standard of life and conduct, but the material comfort and sterling qualities of the millions in between. The people who chatter most about the working classes know nothing of them, of the actual scale of their lives, of their mentality, of their morality. The Great War and the General Strike lit up these silent, reticent millions, and showed what they were like, not, indeed, to those of us who know them because we came of them.

(ii) It is the common practice to keep silent, except in private, as to the extent to which the poor are the cause of their own poverty. The fact is that the idle poor are a greater social evil than the idle rich, and a much more difficult one to mitigate by concerted action or legislation. Slums are painful things to see, but it is useless to argue as if those who dwell in them have not now, and never did have, any part in creating them. Poverty has many causes of which Socialism takes no account: drink, reckless marriages, still more reckless propagation, sheer inefficiency at any kind of work that can earn a living wage, want of forethought, and so on indefinitely.

(iii) In the existing social system most adults do in fact work. The idle rich are grotesquely overdone for propaganda purposes. And, on the whole, there is a general conformity between the value of the work done and the income received for doing it. The law of supply and demand applies to labour, and, even when the operation of the law is modified by combinations among those

who offer labour and those who pay for it, it is not so largely superseded as to cause marked and widespread resentment. The strong tendency is for a man to get what he is worth. Most men recognise the fact that economic laws place them naturally pretty much where they ought to be on their merits, and this is a good thing for society as a whole, as it minimises friction and discontent. In smaller closed circles where 'kissing goes by favour' there is always more back-biting and bad blood than there is in large open societies where every man has his chance and the best man wins through. The one set of circumstances promotes inefficiency and mediocrity, and it is worth while to recall that Mr. and Mrs. Webb<sup>1</sup> have some pointed remarks on this subject in connection with that very Co-operative Wholesale Society which, as they affect to believe, will expand in the magical sunshine of the New Social Order until it conducts the retail and foreign trade of the whole country.

(iv) Another thing that the Socialist does not see is the flexibility and adaptability of the existing system and the automatic and certain provision which is made for change and growth. We are the most efficient people in all the world, and the most strenuous when all our energies are unleashed by a call to which we unanimously respond. We are markedly individualistic and at the same time excellent in team work, which all English boys learn in games and never forget in life. Economic changes come slowly, and generally so imperceptibly

<sup>1</sup> *Constitution*, p. 258.

that the keenest eyes in every nook and corner of the land must be on the look-out for them if loss is to be avoided. The density of our population makes it imperative that necessary changes should be made as rapidly as possible, so as to minimise loss. Authoritarian systems based on a creed soon harden into rigidity.

(v) Finally, our visiting Chinaman would soon learn that the rich people of Great Britain make an astonishingly large contribution to the cost of running the country. Income tax, super-tax and death duties in 1924-25 produced £400,000,000, the bulk of it coming from the rich in one degree or another. If these large incomes were wiped out, the taxation they pay would, of course, be wiped out along with them. That would involve one of two courses: (a) the repudiation of much expenditure to which the country is pledged by definite contracts, e.g. with public creditors for interest on money lent and with ex-Service men for pensions, or (b) the additional taxation to an equal amount of those hitherto lightly taxed, especially the working classes. Taxation is now below the 'peak' of 1920-21, in which year it was estimated that the people with the largest incomes were called upon to pay, in income tax, super-tax, premiums for death duties, and local rates, no less than 16s. in the £. The 4s. in the £ they had left yielded them a handsome income, but the replacement of the 16s. they paid into the Exchequer would be the most intractable problem of Socialism.

These few words in exposition of the existing

system are, as I think, a necessary prelude to critical examination of the system with which Socialists propose to replace it. After all, however, none of us ever has to deal with a system. We live in a world of men and women. They make our lives, not any system, which is a pure abstraction, a creation of the thinking mind. Considering the hard things that Socialists say about capitalism it is an astonishing thing that there is so much beauty, happiness and comfort in the world around us. The capitalist of real life is always a great deal better than the capitalist creed the Socialist attributes to him.

In due time we shall learn from Russia what is the actual relation between the Socialist's creed and his actual practice when he got the chance. My surmise is that it will be an interesting and enlightening lesson. Some little light is, however, available even in our own country.

I have been at some pains to give as clear an account as I could in the available space of the *New Social Order* and of the *Constitution for the Socialist Commonwealth of Great Britain* under which the new order is to be gradually erected. Both are the work of Mr. Sidney Webb, the architect-general of the Socialist Party in this country.

Now on May 16th, 1924, the said architect-general, being at the time the Right Honourable Sidney Webb, P.C., M.P., President of the Board of Trade, with his picture in court-dress a familiar thing in the newspapers, voted in the House of Commons for the second reading of a certain Bill to which I



wish to call the close attention of my readers. Every member of the Labour Party without exception, from the Prime Minister to the humblest back-bencher, accompanied Mr. Webb into the 'Aye' lobby.

It was a 'Bill to nationalise the mines and minerals of Great Britain, and to provide for the national winning, distribution and sale of coal and other minerals, and for other purposes connected therewith.' It was a private member's Bill, but the Socialist Party, as stated, voted to a man for it, including Mr. Webb. The Bill was in fact drafted by Sir Henry Slessor, who, though not at the time a member of the House of Commons, was Solicitor-General in the Socialist Government.

It is important to read what this Bill proposed to do in the light of what Socialism, as expounded in the *New Social Order* and the *Constitution*, pretends that it is going to do. For here are no mere academic dissertations about 'Democracies' of this, that and the other, penned in the seclusion of a study, with the Thames before him and a place just across it called 'Doulton's,' *but Socialist legislation as it is made when it has to placate a solid body of fifty Socialist members for mining constituencies*. It will tell us more about Socialism than all the books the Webbs have written.

The following are the main features of the Bill :

(i) The entire coal trade of the country—winning, selling both wholesale and retail, importing and exporting—was to be in the hands of a Mining Council, consisting of a President, who was also to

be Minister of Mines, and twenty paid members, ten of whom were to be nominated by the Miners' Federation of Great Britain. The other ten were to be appointed by His Majesty. Under a Socialist Government some of them would always and of course be in reality nominees of the Miners' Federation, and the Coal Industry would be under the thumb of the operatives in it.

(ii) The right of the miners to belong to a trade union and to strike was expressly reserved, with a provision that there should be no 'victimisation.'

(iii) The coal (as distinct from the mines) was to be taken over at the appointed date without a penny of compensation to the royalty-owners.

(iv) The mines were to be bought, but the sum to be paid for them was to be one year's output (to be the average of the five pre-war years) at the price of 10s. a ton. This was, of course, to confiscate most of the then value.

(v) No one but the Mining Council could sell coal, import coal, or export coal.

(vi) The Mining Council fixed the wages of all miners and the selling price of all coal.

(vii) The consumers of coal were fobbed off with a Fuel Consumers' Council to safeguard their interests, but the only power given this Council was that of advising the Mining Council.

(viii) All sums expended or payable under the Act, including the wages paid to miners as fixed by a Mining Council controlled by the Miners' Federation, were (by Section 17 [i]) to be 'payable out of the moneys provided by Parliament.' The Miners'

Federation, in short, was to call the tune and the taxpayer to pay the piper.

This brief account of what happened to the New Social Order, as soon as a Socialist Government got hold of it, sets the right perspective for a critical examination of the case for Socialism.

## CHAPTER VII

### CAUTIONS AND PRECAUTIONS

IN the last two chapters British Socialism has been placed in close juxtaposition with British conditions, as this is an essential preliminary to an examination of Socialism. The Socialist never does this. He places his fairy picture against a background of selected facts, made as black as he can paint them : Capitalism is an iniquity ; the capitalist is an ogre ; the worker is a menial drudge ; the Socialist is a wonderful compound of Charles Darwin and John Wesley, half scientist and half saint. Our way is the better way. We know in outline what Socialism proposes to do and the *milieu* in which it would have to do it.

Before proceeding to an examination of Socialism, there are certain cautions and precautions to which the reader's attention may advantageously be directed.

It has already been pointed out that to disbelieve in Socialism is not to acquiesce in things as they are. Because I do not believe that it will cure a friend's toothache to stand him on his head, I am not on that account to be credited with the belief that toothache is a divine dispensation which cannot be cured and that any attempt to cure it is

impious. No man or woman can go through a slum district without feeling both pain and shame, or come out of it without realising that it is the bounden duty of all who are more happily situated to make war on slums. But if a man argues as follows—capitalism is the cause of slums, Socialism will abolish capitalism, therefore, to adopt Socialism is to abolish slums—he does not prove that he is a social reformer of unusual potency, for I have heard it so argued from the depths of a comfortable arm-chair in a club smoking-room by a man who never intends to go near a slum or lift his own finger to abolish them. He merely indicates that he has no head for logic and no knowledge of life.

Most people feel their way to their political opinions and social creed, not think it. They read a paragraph in a newspaper about a man, aged 28, and his wife, aged 26, who, with their six children, are living in one room ; and the journalist, in whose technical language this is a 'story,' adds vivid details, such as that the man is a bricklayer's labourer and the woman is nearing her confinement. The human instinct under the circumstances is to blame somebody, and as few people will spare the time to allocate the blame exactly, it is easy and convenient to blame something which cannot answer back—society, capitalism, the system, the State, and so on, as one chooses to select. The man and his wife have obviously some connection with the number of persons living, or about to live, in the one room, and the man has in addition a direct

causal relation with the insufficiency of rooms to live in, yet they are never referred to except as victims. To refer to them in any other way would not excite any pleasing sensation of social rectitude and would get no cheers at a public meeting. So it is never done, and the results of neglecting to do it get more serious every year.

Logic, if I may quote a sentence I have used elsewhere, is the least useful thing in life. Love, which knows not logic, works miracles. Emotions, not propositions, are the fine flavour of life. Instincts, not argued-out decisions, are the motive-power of nine-tenths of conduct. Yet, though these things are so, logic has its own sphere of usefulness. There are times when we must argue. For instincts, emotions, and even love itself, are ultimately based on the fundamental reasonableness of things. When we are pushed to it, we get back to logic. A man defends his property by instinct, but he can also defend his defence by reasoning. Socialism is at least performing the service of compelling us to re-examine the foundations of social life. The process requires clear thinking, not invective and not prophecy.

No man can see beforehand the line of advance which society will take, and if he is certain that he can see it he is almost certain to be incapacitated by his belief from really useful service in promoting advance. In his famous chapter on 'The Probable Future of the Labouring Classes' John Stuart Mill wrote :

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'The form of association, however, which if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief and working people without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves.'

This system, known as the 'self-governing workshop,' has had its epitaph written by Mr. and Mrs. Sidney Webb. It has been, they say, 'a uniform failure.' Mill wrote in 1848, the year in which Marx wrote *The Communist Manifesto*. As a prophet of economic evolution Marx went as far astray as Mill. He assumed that the growth of large-scale industry would go on and on until a mere handful of 'Napoleons of industry,' of the sort that Hugo Stinnes aspired to be, would be face to face with the proletariat, owning nothing but their labour-force and maddened by the operation of the Law of Increasing Misery. Then the revolution would be easy: the expropriated would expropriate the expropriators, and the thing would be done. True, Mr. Webb admits the 'inevitability of gradualness,' but in his turn is certain that he foresees the society that shall be. At the present time, Marx's vision of gigantic industries controlled by a few men is most nearly realised in the United States, where the other half of the vision, a wretched

proletariat, is in fact replaced by an amazing well-to-do body of workers who are steadily investing their savings, enormous in the aggregate, in the shares of the companies for whom they work. This is proceeding at such a rate as to constitute what a cautious economist speaks of as 'an economic revolution.' Time will tell, but the wise prophet will not foretell.

It is of the highest importance that the student should not regard Socialism as synonymous with social reform. Socialism, as we have seen, is not a well-defined programme of change sanctioned by a clear-cut creed uniformly held by Socialists. Social reform is in the same case. Two masters of English speech, the Prime Minister, Mr. Stanley Baldwin, and the ex-Prime Minister, Mr. Lloyd George, voice the need for social reform in words that stir the nation, though they are leaders of opposing political parties, and each has contributed notably to reforms that have become a permanent part of our social structure. But a man may be, and the present writer is, an advocate of sweeping changes without being a Socialist ; and in fact one of the serious dangers of our time is that Socialists are allowed to assert without effective contradiction that Socialism is the consummation of all social reforms, and that the mere social reformer is a timorous renegade from capitalism thinking only of his own money-bags. Social reform may be the work of organised bodies of private persons, and there is more than one clinic in a mean street which, by giving married women full control over



their own lives, is doing more for the workers than any Socialist Congress ever held ; but in general social reform is thought of in a twofold way. It is, in the first place, regarded as the work of the State, and, in the second place, its significant characteristic is supposed to be that it favours the 'Have-nots' at the expense of the 'Haves.'

The extension of the sphere of State activity during the last half-century is one of the most important features of our time. There are men still in the House of Commons who can remember hearing Sir William Harcourt utter his famous saying, 'We are all Socialists now,' and to-day the General Election programmes of all parties testify to the common determination of them all to see what legislation can do to improve the social system. And again, human nature being what it is, when all three parties are promising much, the one that promises most has an electoral advantage.

It cannot be said that any *rationale* of State interference has yet been thought out. In countries which have an 'inflexible' constitution, as Bryce called it, one, that is, in which the Constitution itself limits the scope of State interference, or at least makes radical changes very difficult, this want of a guiding principle is less felt. In our own country, which has the most 'flexible' of all constitutions, it has been said that 'Parliament can do anything except make a man a woman'; and at the present time we are in need of such a guiding principle,

having authority over the minds of the leaders of all parties, as is here stated to be lacking. Needless to say, I have no intention of trying to supply it, but no one can study Socialism with full profit unless he has some conception, even though it be vague, of the limits within which State interference is likely to be efficient in promoting beneficial social changes.

It is common ground that the State has its own field of action and the duty of acting within it. The difficulty comes in delimiting the field, for this cannot be done by rules which are easy to discover and apply. One reason of this is that the exigencies of life in crowded countries of the Western type of civilisation are continuously enlarging the legitimate field of State action, and another is that the demands of powerful groups of electors are not listened to by economists but by politicians, so that the State, this time meaning the political party in control of it for the time being, is liable to do things of doubtful wisdom.

When the State enacts a new law it lays down a new rule for its citizens to obey or, to put it in another way, it sets a new standard of conduct to which its citizens must conform. The only legal conduct which the State can impose on all its citizens must already be the normal conduct of the average citizen. As soon as the State passes beyond this standard it is bound to fail miserably. In the United States there is a law to the effect that no one shall manufacture or sell alcoholic liquors, but since there are countless millions of American citizens who

think it right, not wrong, to drink beer and wine and whisky, the prohibition law is a farce. If laws could perfect a people, Americans would by now be sprouting wings, for in the United States laws are introduced literally by thousands every year, and shovelled by cartfuls on to the statute books. As far as is known in this country, the morality of Americans, either in public or private life, is not noticeably better than our own.

The principle that effective law is the enactment of current morality, that it speaks the mind and enforces the will of the average citizen, is of primary importance to the student of Socialism. It is, for example, simply idle to tell the average man that there is anything wrong in making profits in business, and even large profits. A Socialist miner in Durham does not believe, and never will believe, that it is wrong for him to buy a whippet for ten shillings and sell it for twenty. Why should he believe anything so absurd? I hope to convince the reader that the changes which Socialists demand are economically wrong, since they would make for inefficiency in the national economy and lead to a diminution of available income, but even were they economically right, since they would have precisely the opposite effects, they are impossible because free men will not tolerate them, and unfree men, as in Russia, will thwart them by that unorganised inertia of large masses before which all governments are ultimately helpless.

There is another matter on which a word of caution is necessary. The concentration of large bodies of people on small areas was one of the inevitable, but most regrettable, results of the Industrial Revolution. The essential feature of that revolution was the application of power to industry, and the new centres of industry were the coal-fields. Now as soon as population begins to thicken in any one spot, the need of getting some things done by authority becomes obvious. In a hamlet, sanitation and water supply can be left to the individual cottager ; streets and the need for pavements, gas-lamps and building bye-laws do not exist. This is the historical origin of what is called by the question-begging epithet of ' municipal Socialism.' It simply had to be done, and for a long time it was not done very well anywhere, and in some places it is not done any too well even to-day. There is no trace of Socialism in a common sewer or in a public park, and in all extensions of municipal enterprise one finds the economic features of private enterprise, including, wherever the municipality can bring it to pass, the making of a profit for the benefit of owners on whose shoulders the burden will fall if there is a loss. The owners happen to be the ratepayers, that is all. Municipal ' Socialism ' may be a success or not. The one thing certainly true about it is that it is not the Socialism we are studying, and that no arguments from its success, real or imaginary, are valid in favour of Socialism properly so-called. This caution is necessary as the inevitable organisation of community life is used by Socialists

as a convincing proof that their proposals are its natural extension. From 'London owns its trams' to 'The Co-operative Wholesale Society shall manage England's foreign trade' is an illicit transition in thought which Socialists are always asking us to make, quite regardless of the not unimportant fact that London is, to say the least, not jubilant over its success as an owner and operator of a tramway system.

The State and its delegated sub-states—the county, the municipality, the urban district and the parish—have their respective and distinctive shares in moulding the life of the citizen, and the citizen has the reciprocal duty of making each of them a power that works for ever nobler ends. The State has, in a very notable way, come back into the life of the citizen. Plato's *Republic* is the epic of the State. The Greek understood the State as no one else has understood it. Cornewall Lewis, in the middle of the Victorian era, could write two volumes on the *Methods of Observation and Reasoning in Politics* which have no more of the State in them than there is in Ruff's *Guide to the Turf*. The word 'State' does not even occur in his index, whereas the index to Mr. Laski's *Grammar of Politics* is almost as rich in references to the State as the index to Jowett's translation of the *Republic*. We are returning to the Greek view of life. We are beginning to see the State, not as a drill-sergeant whom we obey and hate, but as a mother on whose bosom our best life is. And perhaps the least worthy aspect of Socialism is that it tends to make us regard the

State merely as a pedlar. What most men call patriotism the Socialist obviously lacks. His explanation is that most men's idea of patriotism is wrong, but what is really wrong is his view of the State.

## CHAPTER VIII

### THE CORE OF THE CASE

‘ We shall not understand the clash of views, nor do justice to the position on each side,’ say Mr. and Mrs. Webb, ‘ unless we realise that in this controversy the defenders of the capitalist system and the Labour and Socialist movement of the twentieth century join issue on the very core of the case. The modern controversy between the believers in a new order of social democracy and the most enlightened adherents of the capitalist system turns, in fact, on the efficacy or indispensability of the motive of profit-making and its defects ; upon the relative advantages and disadvantages, to the community as a whole, of leaving the control of the nation’s land, machinery, labour and brains to the profit-making manufacturer, merchant, or financier.’<sup>1</sup>

This statement of ‘ the very core of the case ’ is one which I accept. Let us join issue on it. To begin with, however, it is necessary to convert it from cloudy polysyllables into exact facts stated in plain words.

A little over a year ago, I arrived at a certain village in a Yorkshire valley. The village consists

<sup>1</sup> *Decay of Capitalist Civilisation*, p. 65.

of a church, a street of shops, some hundreds of houses and a 'mill.' A railway and a tram-line down the valley connect it with a string of similar villages and with one of the greater towns of the West Riding. The valley is a pleasant place, lying between low green hills, with a clear rivulet flashing down to join the Ouse. Less than a month ago, I went to order a new overcoat and my tailor showed me a length of cloth which had very distinctive features, and warmly recommended it as unusually suitable for its special purpose. So far as a 'weave' in textiles can be a new thing, this was an invention, and a very effective one. But I had seen it before, seen it long before my tailor—in its initial stages in the Yorkshire mill I had been to study.

In a rather bare room in the mill I met the principal owner, a quiet, soft-voiced man of about sixty. I do not want to specify so minutely as to indicate the mill, though, as an item of some importance in view of the above extract from Mr. and Mrs. Webb, it may be well to say that it is, I understand, the largest mill in the country owned by partners, two brothers in this case, as distinguished from a company.

Consider the position of this man. He owns the mill and all its contents and appurtenances. He owns the land on which the village stands and every shop and cottage in it. Without going one single step outside his bare legal rights he could turn that village—mill, houses, shops and everything—into a heap of ruins. He holds the economic fate of every villager in the hollow of his hands. He is



an extremely wealthy man, though he dresses rather less well than a bank clerk and eats a lunch in the mill which could be improved on in the city near by for half a crown. He does all this in order to make profits, and the Socialists say that the very core of their case is that he should be dispossessed, expropriated, ejected. He is an infection centre, the Webbs tell us elsewhere, of 'malignant disease and perverted metabolisms.'

He must go. Why? (i) Because he is 'a profit-making manufacturer' instead of a renderer of services to the community, and (ii) because when he has been got rid of, what went to him in profits can then go in part to the workers as increased wages, and in part to the community as diminished taxes, or all the one, or all the other, as the new autocrats decide.<sup>1</sup>

It is true that this mill-owner, like all mill-owners present and past, gets, or to be more exact, strives to get, sums of money which he calls his profits. For the time being it will be convenient to use the word profits to signify the sums which he transfers from the mill's account to his private account for his personal use. His profits, in short, are his income. Later on we shall have to look more exactly into the nature of profits, but at present this,

<sup>1</sup> In explanation of my way of getting at *the very core of the case*, I ask the reader's permission to say that it is my habit to give life and reality to my study of economics by such investigations as these. No kind of mill is an abstraction to me, no sort of *entrepreneur* a shadowy being in a modern *Inferno*. It seems to me the right method of economic study. At least it has taught me very thoroughly what it is the Socialist wants to get rid of. Further, I have no personal interest in the capitalist system. I do not own a single share in any company, and am a partner in no business, not even in one of Mr. Ramsay MacDonald's 'whelk-stalls.'

the popular meaning of the word, will serve well enough, especially as it is also the meaning on which the income-tax-collector acts.

To say that this man renders no service to the community is stark nonsense. The mill and the village are as much the work of this man and his father before him as the Sistine 'Madonna' was the work of Raphael and the 'Rima' of Mr. Epstein. They are quite literally the material result of their creative energy as builders of an industrial enterprise. The operatives in the mill, skilled men and adept women though they be, have just the same relation to the final product as paper-makers, compositors, printers and book-binders had to the *Decay of Capitalist Civilisation* which I have just taken off my shelves to quote.

If a working man in a northern town goes into his 'Co-op.' and selects for his coat a piece of cloth woven by the Co-operative Wholesale Society, the Society renders the man a service. That is the Socialist view, and it is obviously correct beyond even the possibility of dispute. I go into a shop in London and have a coat made of a piece of cloth woven in this Yorkshire mill—and the Socialist would have me believe that no service is rendered to me by the mill-owner. Experts may prove that, shilling for shilling, my cloth is better value—the Socialist still boggles. Instead of the word 'profits' being as indifferent a word to him as 'potatoes' or 'Saskatchewan,' it is the shibboleth of a creed and blinds him to the most obvious truths.

There are some services to the community which

are not rendered to a particular citizen or citizens within it. The crews of a British man-of-war and of a tramp steamer bringing a cargo of bales of cotton from New Orleans to Liverpool both render service to the community, the distinction being that in the latter case we can isolate the very citizens who will directly benefit by the service. That it is service to the community, and not to the consignees of the cotton only, is proved by the fact that many persons other than the consignees would suffer if the ship were lost at sea, while the total cessation of the service of bringing raw cotton to Liverpool would bring disaster to the country. During the Great War the fact that our merchant seamen were important servants of the community was impressed very clearly even on the unthinking, yet the service they rendered, though made more dangerous by perils of war, was their ordinary pre-war and post-war service of ocean transport.

Consider another testing case from real life. A few years ago, a certain tobacco firm manufactured a particular blend of tobacco for the sole use of one of its directors. Was that service to the community? He gave pipe-fulls to friends who soon began to demand ounces for themselves, which were provided. Was that service to the community? Then the firm put the blend on the market and it became the tobacco beloved of tens of thousands of smokers. Was that service to the community? If the Corporation of the town where the tobacco is made were to municipalise the factory and sell the tobacco at twice the price to one-hundredth of

its present smokers, would that be service to the community? This is the first of this series of questions which the Socialist, nurtured on the doctrines of the *Decay* and the *Constitution*, would answer in the affirmative. It was not service to the community when it resulted in profits to 'a profit-making manufacturer.' It would be service to the community though it resulted in losses to the rate-payers. If the logic were mine, I should not be proud of it, but I have borrowed it exactly from authoritative exponents of Socialism.

To supply a person with an article he needs at a price he can afford to pay is to render him a service. The service to the community consists in making life easier and more pleasing for one of its citizens. But this is not the only service of the mill-owner we are studying.

Week in and week out, year in and year out, decade after decade,<sup>1</sup> the men and women of this village find constant full-time work in this mill at wages fixed exactly as they are to be fixed when the Socialist 'Constitution' is set up, that is, by collective bargaining with the mill-owner. As old hands retire and as the mill expands, new employees are engaged, precisely as they are to be engaged under the 'Constitution,' that is, by applying at the mill for a job. The natural increase of population in the village has caused no social problem on a small scale, for the mill, and the subsidiary enterprises which spring up amid a well-paid population in constant employment, absorb it with ease.

<sup>1</sup> I paid two visits to the mill, one in 1911 and the other in 1925.

This is a service, both to the small community of the village and to the nation-wide community of which it is one of the 'cells,' of which the importance cannot be over-estimated. That all employers do not perform it as competently as this particular employer is sufficiently obvious, but scores of thousands of them do, and I am entitled to use the realised best of capitalism as an answer to the purely hypothetical best of Socialism. That over the whole field of capitalist industry this exacting task of finding constant work for a constantly increasing body of workers is unexpectedly well done, is proved by the fact that before the Great War there was surprisingly little difference between the numbers employed during a 'boom' and a 'slump' respectively. Three per cent. of unemployment would have been considered a 'boom' and eight per cent. a 'slump.' The war accustomed us to abnormally low unemployment figures, and since the war they have been abnormally high. Before the war all the interval between the crest and the trough of the industrial wave, wide as it seemed, was statistically as narrow as I have stated. It admittedly poses an economic problem to which capitalism has not yet found a wholly satisfactory solution, but it does not require a revolution to find one.

This particular mill is the last word in efficiency, and therefore supplies a standard to which all others seek to conform. In this country there is less formal communication of 'tips' and 'wrinkles' from one employer to another than there is in the United States, but in an informal way knowledge

gets pooled for the benefit of the industry to a surprising extent. What the visitor sees quite clearly is that the visible equipment and ordering of mills is pretty much the same throughout the industry. It is management that matters, and it is precisely the incommunicable personal efficiency of the born ‘ captain of industry ’ on which British industry, and Britain along with it, intimately depends.

Though I have a certain definite knowable man in my mind’s eye as I write, I am arguing from type. On this particular visit to the West Riding, I went over one tannery, two clothing works, four ‘ mills,’ one tool works, two steel works, two cutlery works, two engineering works, one newspaper office, down two mines, and through all the miles of docks at Hull. Wherever one goes the same truth is literally rammed home to the mind. Industry depends on personality. One of the mills was opened just before the war, and the machinery had never stopped running night or day since it started. It was a singularly drab place producing fabrics of the most exquisite beauty, and there was quite obviously only one man in the world who could have done it—the proud little gentleman in a dungaree overall who took me round. The particular misconception we are now examining is that men like these can be gathered for the job like blackberries, by standing committees, or, failing them, by joint boards.

*And that is the very core of the case.*

Socialists believe that the men whose function in industry has just been explained by the study of

living examples can be extruded from their factories without any other consequential changes taking place. 'The technique of industry,' says M. Lucien Deslinières, 'is quite independent of social structure. What was overnight an up-to-date capitalist factory, can to-day, without any material alterations, operate as a Communist factory. The work will be carried out under the same conditions. The managers, the foremen, the skilled workers and the labourers, will do the same work as before, though for somewhat shorter hours. What, then, will have changed? Simply the aim of production, which will no longer be the profit of the capitalist but the well-being of the mass of the workers. Now this change of aim will fulfil itself after the finished product leaves the factory. The change will not affect the process of manufacture.'

Fortunately there is on record an exact account of what did happen to 'what was overnight an up-to-date capitalist factory' which began on the morrow of the revolution to 'operate as a Communist factory.' Reference has already been made to the account given by Mr. H. N. Brailsford of the Sòbinka cotton mill in Russia. 'The powerful personality who had founded it fled,' the reader will remember, 'to some haunt of exiles.' Mr. Brailsford says all there is to be said about the work of those left behind to carry on, but nothing of all he says applies to the making of cotton goods, which was what the mill was erected to make and was

<sup>1</sup> *The Coming of Socialism*, p. 54. The quotation is from the English translation by Eden and Cedar Paul, published by the British Socialist Party.

making very well before the powerful personality fled. When he turns to this not unimportant aspect of the change he says :

‘ The rest of the story of Sòbinka is less cheerful. “ Have we evicted the mill along with the owner ? ” I heard one workman say, half in earnest, half in jest. . . . I gathered that the discipline of work was now satisfactory, but everyone is on half-rations, and for the weakened hands and the tired nerves the old output is impossible. The official reckoning assumes only 60 per cent. of the former output as a minimum. A policy of payment by premium will reward anything over this low standard by increments of the money payments, which may go up to a tripled wage for a doubled output. . . . At the best it will hardly approach half its pre-war output.’

The realised results turn out to be the natural results. If the Sòbinka had been the only industrial unit in Russia to which the economic revolution had been applied—if, that is, it had become a ‘ self-governing workshop ’—it would have been a failure. To that inevitable result, Mr. Sidney Webb is himself witness. It shared in the sudden socialisation of all Russian industry, and Mr. Brailsford is witness to what happened to it under those circumstances. The vital energy of the mill was supplied by ‘ the powerful personality ’ who was summarily ejected, as one of his employees had the wit to discover and the candour to admit. The Sòbinka would have been ruined in any case.

<sup>1</sup> *The Russian Workers' Republic*, p 14-17.



In this case, the whole industrial structure went to ruins along with it.

It is not enough, however, to ask responsible British Socialists to fight on grounds chosen by their opponents. The former brush aside all that has happened in Russia on the ground that it is irrelevant to the British issue. It is not proposed to socialise British industries 'at one blow or in one way.' It is not proposed that, on a given morning, every British *entrepreneur*, on arriving at his works, small or large, shall find that it has passed into the hands of a Soviet of workpeople. What is proposed is based on the theory of the inevitability of gradualness. The process is to be British in its origin and method. It is to be slow, experimental, tentative, 'broad-based upon the people's will,' and guided by the statesmanship of the Fabians. That the man in the mill whom we are studying is an unnecessary incubus upon industry, is ground common to Lenin and Mr. Webb, and the case of the British Labour Party is that it is the only common ground. This is not the case. There are important analogies between the teaching and the phraseology of them both which show that their minds overlap to a very considerable extent. Mr. and Mrs. Webb are confident that the two great regulative powers in the Socialist State will be what they call 'Measurement and Publicity.' Lenin is equally sure that the chief things necessary are 'Book-keeping and Control.' Both are sure that the present condition of things is sufficient preparation for the new order. 'Capitalism,' says Lenin, 'as it develops, itself

prepares the ground for everyone to be able really to take part in the administration of the State. We may class as part of this preparation . . . the education and discipline inculcated upon millions of workers by the huge, complex and socialised apparatus of the ports, railways, big factories, large-scale commerce, banking, and so on, and so forth.'¹

That capitalist organisation is already at such a pitch as to be ready for transformation into Socialism is also the view of the Webbs and of the British Labour Party. Lenin thought, before he tried to do it, that it could be done 'within twenty-four hours.' He says:

'The book-keeping and control necessary for this have been simplified by capitalism to the utmost, till they have become the extraordinarily simple operations of watching, recording and issuing receipts, within the reach of anybody who can read and write and knows the first four arithmetical rules.'²

Thus it was easy for him to look forward to a time 'when all have learnt to manage, and really do manage, social production,' for that time will be, in his view, when all Russians have learned the three R's.

Statistics and committees, book-keeping and control, measurement and publicity, 'streams of reports' printed in Government journals and read

¹ *The State and Revolution*, p. 103.      ² *Ibid.*, p. 104.

from cover to cover by a public which has forgotten vodka and is uninterested in test matches—of such, according to both Russian Bolshevists and British Socialists, will be born the creative energy of industry in the future.

It is, therefore, an idle pretence of the British Labour Party that there is a great gulf fixed between their Socialism and that which ruined Russia. For one thing, the cautious Parliamentarians who think in terms of the *New Social Order* are not the only British Socialists. There are amongst them many whose views are not clearly distinguishable from Bolshevism and who, on the advent of a Socialist Government with a majority of its own, would become very powerful in its councils. The distinctive characteristic of the Socialist parties of all countries is that they are at the mercy of their Left Wings. On two occasions, as we ourselves have witnessed, Mr. Ramsay MacDonald, even when he had no majority of his own, capitulated without a struggle to Mr. Lansbury. If capitalism is bad, which Mr. MacDonald asserts, and if he had the power to abolish it, which the extremists would think he had and which he could not safely deny that he had, then why palliate it, why temporise, why be gradual? Even granting that the usual British habit of compromising will prevail, the result of the compromise will be to strengthen, not to weaken, the doses of Socialism.

The mill on which the reader's attention has been fixed is owned by partners, but nothing about it differs generically from a mill in the next village

owned by a limited liability company. Socialists constantly argue as if an industrial unit was invariably owned by a discrete body of absentee shareholders whose only interest in the affair was the rate of dividend they received on their holdings. The work of managing the industry is done, so the argument assumes, by officials whose services are bought for salaries. Therefore, who owns the industrial unit is no concern of theirs : they only want to know who pays the salaries. Salaries remaining constant, a change of ownership has no effect on them. The state expropriates a Leverhulme. What does it matter ?

The argument is fallacious for two reasons.

In the first place, the fundamental structure of industry is not of the sort the argument assumes. The branch offices of a bank are staffed in this way, at any rate to the extent that holdings of the bank's shares do not determine functions, but the chiefs of staff at the head office of the bank, and above all the directors, are occupied in work which is not exclusively, or even mainly, of a sort that a salary alone can fully educe and reward. And when from banks and railways, which render services in constant demand, one gets to the key work of industry, which is the manufacture of commodities for wide markets subject to fluctuations of demand, the rule is that, even in the case of companies, the men in command are not the subordinates of an impersonal paymaster, receiving salaries independent of results, but men whose personal reputations, fortunes and incomes depend directly on the success of their work.

In the second place, if the State steps into the place of the owner, it must of necessity bring with it the peculiar defects and weaknesses of the State as an employer. These are summed up in that pungent term, 'the Government Stroke,' and are inherent in the types of work done by the Government and the type of servant it has evolved. The State gives security of tenure in the absence of notoriously bad work or flagrant misconduct. The highest salaries it pays to those of its servants who have been sifted out by long and brilliant service as the most competent, are low compared with those which men of similar service and ability could get in business. These men are paid in other ways—in pensions, public esteem, official rank and dignity, titles ; and these rewards are high enough to secure the men required. For, though brilliant, they have no need to be venturesome, to have the insight which permits of rapid and correct decisions in unusual circumstances, and the gift of commanding and inspiring large numbers of subordinates. Before the war they were all recruited by examination, and First Division men came only from the universities. Not very many of them are required. All of them are listed in *Whitaker*, and the reader can study the matter for himself. The Civil Service of this country is a just cause of national pride when comparisons are instituted with other Civil Services. It is steady, incorruptible and public-spirited. It has enough brilliant men in it to keep it sufficiently efficient for the narrow range of mainly routine work it has to do.

This work is non-competitive and seldom has an external standard by which its efficiency can be tested from without. Suppose, for example, I am asked to decide whether the Inland Revenue is more efficient than the Customs and Excise, how am I to set about making an accurate decision? Who can suggest a test or apply a remedy? The Cabinet could only do the one very roughly and the other very slowly. Business requires power to act at once, to make decisions that run counter to experience and defy routine, to make immediate changes in *personnel*, giving the best man the job that must be done and which he alone can do, or at least fails to do at his peril. The quality of an article, the quantity sold, the production cost per unit, the price obtained, and the profit made, are all things that can be ascertained with the utmost precision. This is no sort of work for the Whitehall mind. It is expecting a circus horse to win the Derby. I was once discussing the corn trade with one of the biggest men in it. Someone opened the door and said informingly, 'Up one-eighth.' His chief broke off for two seconds to say: 'A quarter of a million,' and then went on with his sentence. In the interval he had bought 250,000 bushels of wheat. He did it as indifferently as I should buy a newspaper or a civil servant docket a minute, 'For your remarks.' Socialism must either make a world in which that sort of decision is unnecessary or they must leave it to that sort of man to make.

It is no answer to this criticism to say that in the

Socialist State the actual operations of industry will not be carried on by the State, which will only decide policy and leave current administration to be carried on by departments staffed by competent officers with full authority. That is precisely how things are carried on now in the Civil Service, and the irrefutable criticism of Socialism is that this method has produced men of a type, a machine of a type, a routine of a type, and a mentality of a type, which we know as the Civil Service type, even though we respect it for its merits for its present work ; that there is not the slightest reason to suppose that extensions of State activity to new fields would produce State servants of different types and that there are very strong reasons to fear that men not now of this type would be fossilised into it ; and that this type applied to industry would so greatly diminish its efficiency as to imperil the existing standard of comfort for all.

For control of policy cannot be cut off by these purely mechanical devices from control of current administration. Apart from the fact that decisions of the controlling authority must in any case determine the commands of the administering authority, there is, and in the nature of things must be, a place where the two controls are fused in the same personality. The mere size of a business cannot alter this fundamental condition of efficiency. If one personality does not pulsate throughout the whole circuit, power is diffused and dissipated.

An existing business on a large scale—as for example a cotton mill like Horrockses, a coal mine

like the Markham Main, a machine shop like Mather and Platt's, a chemical works like Brunner Mond's, a bank like the Midland, a shipyard like Fairfield and a railway like the Great Western—looks ripe for socialisation to the unseeing eye because there is no visible reason why every single person employed in and about it should not go on doing for the socialising authority for his present income, salary or wage exactly what he is doing now and with the same success. Why, for example, should not Mr. McKenna and the pleasant cashier who gives me a few 'Fishers' for my modest cheques go on just the same under either the Webbist or the Leninist form of society?

The upward range of salaries under Socialism is left an open question. Mr. Webb, with his usual vagueness where some approach to exact statement is possible, merely denies that there will be equality of incomes. Lenin says that those who fulfil the functions of control and superintendence 'will receive payment no higher than that of ordinary workers.'

Salaries will not decide the question in favour of Socialism. The capitalist employer is influenced by many motives besides that of earning an income. The whole complex of instincts and emotions that make up a man's psychology is called into the service of industry. Man is a fighting animal; he loves to use his powers and to see them win success; he is a domestic animal, with wife and children who make the first big call on his powers; he is a social animal, for the family does not exhaust his



altruism. None of these can be detached by any man from his business self. Every morning he enters his office precisely the same man who left the breakfast table, his whole being dominated, maybe, by the desire to see his wife in sables and his son up at 'The House.' His property and his business are not external to himself, they are part of himself: the conquering extensions of his personality into the great world around him. 'These exist because I exist,' he says 'They are the signs that tell men I am. *Facio ergo sum.*'

Hence the familiar observation that the most successful capitalist-employers think little of the profits they make in comparison with the work they do. As income expands there comes a time when its further expansion is a thing not worth bothering about, and in times when taxation is very heavy that point is reached much sooner than Socialists know of. 'Of all the money I have ever earned or am now earning,' said one of them to me, 'the Chancellor of the Exchequer takes fifteen shillings in the pound. Why should I bother?'

As a matter of fact he had recently bothered to a good purpose, not his own, but society's. He lives in a very small town in the North Midlands. In that town was a considerable business which was on the point of closing down. That meant many scores of men 'on the dole' and on the rates, and a steep addition to the rate in the pound, as the works was by far the largest rate-payer. An informal deputation

of leading citizens approached him and begged him for the sake of the town, the town where he was born and lived, to buy the failing capitalist out and run the business himself. It was not his own line of business, but, under such pressure, he agreed to do it. He spent twenty thousand pounds before he saw the return of a penny for himself, but he made the business a success. It is quite true that he added to his own income a sum, not very large for him and of no particular importance to him. The Socialist will not have that. That is the private side of his balance sheet with the community. The social side, the service that he rendered to a society which, on Socialist theory, it is impossible for him to serve, consists of

- (i) A large body of men kept at work ;
- (ii) A large quantity of first-class merchantable goods delivered to other citizens who had need of them ;
- (iii) A great saving to the rate-payers of the little town ;
- (iv) A very considerable sum paid into the National Treasury ;
- (v) The efficient maintenance of a community on its accustomed economic level.

He did these things because he is a born captain of industry, and these are consequently things that society cannot have under Socialism because Socialism will destroy the energy that produces them. That energy, I repeat, is not generated only by a desire to make profits, or to earn a salary, or to carry out the orders of a Standing Joint Committee, or even to

serve society. There is more pride than purse in it. It is the outward urge of personality.

The profit-making motive has here been reduced to its right proportions and shown to be only one of a complex of motives in the mind of the capitalist employer. No such man busies himself with disentangling his interwoven motives, some of which probably remain obscure even to himself, below the horizon of his conscious thought. This particular motive of profit-making exists and is very powerfully contributory to the total result, but it does not exist in isolation. It may become exaggerated and morbid, as it did in Mr. Scrooge before he saw Marley's ghost, but the good fellows who called on him to collect for the poor are typical, not the withered old miser crooning over his gruel. The motive is at times and in some men specially, though not unduly, prominent, and the interesting thing is that it is precisely here that it best serves an expanding society like our own.

Profits, in the larger sense in which we are still using the word, are a form of income, just as wages are, and, equally with wages, they are the return for work done. The differences between wages and profits, as forms of income, are not economic in character but psychological and legal.

Psychologically, the difference between wages and profits becomes important as a spur to the best men of the wage-earning class to climb up into the profit-earning class; the chance of making the change is a spur to an ambition which leads to results society badly needs to have, namely, men of directive,

energetic power and the new supplies of capital they create. Such men often climb very high from these humble beginnings. Some of the most notable names in Lancashire and the West Riding are the names of these men or their successors, and the process is always going on. It has not been choked by the advent of large-scale capitalism, and it is a valuable source of economic power. Socialism would be obliged to substitute for it promotion up the grades of an official hierarchy. There are the strongest grounds for concluding that this would be a sterilising change, for it would exterminate a vitally important class of men.

On the legal side wages are the result of a contract, which the employer must honour before he does anything else, even paying for his raw materials. Wages due are not allowed to lapse into debts. Wage-earners are not creditors of a bankrupt employer for wages earned but not paid, but are in the same position as the debenture-holders of a company. They rank first. Legally, profits are what an employer has left when he has paid all costs of production, and the law protects all precedent claimants. When the State is the employer no such legal protection is guaranteed. In Russia under Sovietism wages constantly remain unpaid, or are paid in truck.

This legal difference between wages and profits, the certainty of the one under a contract and the uncertainty of the other amid the chances of business, is well illustrated by some statistics derived by Van der Borgh from an examination of the balance-sheets

for 1891-92 of a large number of German companies. He reports that

471 liquidated with a deficit

888 gave no dividends

641 gave from 0 to 5 per cent.

734 „ „ 5 to 10 „ „

149 „ „ 10 to 15 „ „

64 „ „ 15 to 20 „ „

39 „ „ 20 to 30 „ „

18 „ „ 30 to 40 „ „

21 upwards of 40

In a Socialist State, the whole loss in the first two groups, roughly two-fifths of the whole, would fall on the tax-payers. Mr. and Mrs. Webb, it will be remembered, make provision, in a single sentence which might easily escape observation, for the voting of deficits.

To carry further the metaphor of the title of this chapter, it may be said that the line of argument has now reached the centre of the core of the case. When industry is carried on to supply a market of unknown range and elastic limits—and this must be the case under modern conditions—it is carried on at a risk. Capital when once invested in the material forms of a given industrial unit loses its mobility, and if the unit does not continuously pay at least the current rate of interest on gilt-edged investments the capital sunk in it loses its value. Who is to take this risk and what is to be his reward for taking it?

The capitalist takes it to-day and his reward for taking it, when he reaps his reward, is a higher rate

of interest than that on gilt-edged securities ; and the greater the success, the greater his reward. This is the case when he is a pure capitalist ; when he is a capitalist-employer he also risks his time and his ability.

‘ That in the present state of affairs,’ says M. Emile Vandervelde, ‘ profits ought naturally to contain a premium for insurance against risks, we by no means think of denying. Only we maintain, and it is easy to show, that in a social organisation of work this insurance premium would lose all reason for existence.’<sup>1</sup> It is, indeed, ‘ easy to show ’ if one is content with the showing of the Belgian ex-Minister of Justice, which is confined to the bald statement that, since the average profit of the companies investigated by Van der Borgh, whom he quotes, was 8.8 per cent., ‘ we may affirm that capitalists as a class are never in peril ’ since ‘ transformed surplus-value . . . for the aggregate of enterprises never falls below zero ’—a rare allusion to a famous Marxian theory.

The Socialistic organisation of work, equally with the individualistic, would require that risks should be taken. If there is to-day in England a sizeable town that has not got a tramway system, the establishment of such a system, whether undertaken by the municipality or a private company, would involve a risk, and a considerable one. When Canada acquired one of its trans-continental railways, it took a risk ; and the risk, not the profit, has fallen in. Living itself, a much grander thing

<sup>1</sup> Vandervelde : *Collectivism and Industrial Evolution*, pp. 103-4.

than trading, is the most glorious of all risks, and under no circumstances can risk be eliminated from the carrying on of industry.

Risks, like nettles, want quickly grasping. You cannot play with them, and there is no more individualistic act than the taking of a risk. To talk about committees of any sort or designation taking risks is to be ignorant of life. Risk is the balancing of a known loss against a problematical gain, and a man can only take it for himself. A town councillor voting to establish a tramway system risks nothing, and he may be, and commonly is, influenced in casting his vote by considerations that have much to do with electioneering and nothing with business. As for civil servants taking risks—the thing is unheard of. The civil servant is, was, and always will be a man who plays for safety.

The Socialist's attitude to risk-taking is closely connected with his attitude to markets, a subject which will occupy us in the next chapter. Risk is very commonly undertaken in the placing of some new invention on the market. It is instructive to reflect that the locomotive, the steamship, the sewing machine, the motor car, artificial silk, synthetic indigo, the cinema and 'wireless' were all at one time risks; and that coal-tar dyes were once such a sheer risk that England handed them over to Germany, with results infinitely regrettable in August 1914 and since. If I have succeeded in making clear the economic value to the community of risks which, in the nature of things, can only be taken by individuals actuated by the ordinary

economic motive of personal gain, it will suffice to dismiss in a sentence the quaint conceit of Mr. and Mrs. Webb<sup>1</sup> that, among the things that would still be left to private enterprise in the New Social Order, there would 'possibly' be 'the experimental promotion of some new inventions and devices.' It must surpass the credence of any person accustomed to unblinkered observation of the industrial activities of men that responsible people should write so flippantly. 'Possibly'!

Possibly also the man with such a 'new invention or device,' feeling the potentialities it had of service to the human race, would betake himself and his invention to a non-Socialist country, from which, unless the Webbian Constitution derided international law as well as human psychology, he could at least exact royalties from his former dogma-ridden fatherland.

So far, attention has been fixed solely on profit-makers, the economic functions they perform, the motives which urge them to their work, and the social results of their doing it. It will round off our study of 'the core of the case' to examine a little more closely the nature of profits. As it is not easy to do over again what one has already done, I shall venture to quote what I have written elsewhere on this point.

'What any employer speaks of as his "profits" is the sum of money which, at the end of a given accounting period, half a year or a year as the case

<sup>1</sup> *A Constitution for the Socialist Commonwealth of Great Britain*, p. 148.



may be, he can transfer from the banking account of his business to his own private account. Let us suppose that the capital of his business is £50,000, and that he has kept it in good condition by "writing down" existing assets and building up a capital account. That is, having bought a machine for £1,000 out of the original £50,000, he does not continue to reckon the machine as worth £1,000, but values it fairly each year—say at £700 on one occasion—and then puts £300 of his good earnings into a separate account, so as to have a full £1,000 of capital. If he does this, he can at any moment sell the business as a going concern for the full £50,000 he put into it. At the end of a business year his position will then be as follows :

' In the first place, the business must yield him at least as large an income as he could get by selling out and investing the £50,000 in gilt-edged securities. If the rate of interest at the time on such securities is five per cent., the smallest income he will accept from the business is £2,500. On the score of interest alone he cannot expect any more, for his capital remains intact.

' In the second place, he will expect the business to yield him, in addition to the interest on his capital; a salary for the work he does in managing it. There is no need to guess at this amount, for he can form a pretty close estimate of what he would have to pay a man to take the work of management off his shoulders, and do it as well as he himself does it, if he decided to keep the business as his own property but to retire from the work of

running it. Moreover, he can fix this sum with reference to any special ability he possesses for managing this particular line of business, so that he includes the rent of ability to which his brains entitle him. Suppose this salary to be £2,500, making a total of £5,000 :

' All the services he renders to the business, and all the risks he runs, have now been fully compensated. He put £50,000 into the business. He could sell it for £50,000, and since he is able to do this because he has kept the capital of the business up to its original standard by replacements and additions out of income, he is not entitled to any other reward for the risk he ran in making his original investment. He is entitled to the same interest on the capital he invested in his business as if he had invested it in a gilt-edged security and lived on the proceeds without doing any work. He has got it. But he has not lived in idleness. He has worked very hard in running his business, devoting his time and talents to it without stint. He is, therefore, entitled to the same reward, after doing this for himself, as if he had done it for another. Every economic factor that contributes to the business has been fully remunerated at the current market rate, and the total is £5,000.

' Now suppose that the capitalist employer whose special case we have in mind found, when he struck his accounts on the day in question, that the sum he could transfer to his own private account was £6,000. It is this extra £1,000 on which attention must now be fixed. It is a pity that the word

"profits" is always used to denote the full £6,000, of which £2,500 is certainly interest and another £2,500 a kind of self-paid wages. For the rest of this section we shall call the £1,000, and nothing but the £1,000, "profits," in order to have a convenient name for it while we talk about it. Income it certainly is. But an income has been defined as the price of a service. Of what service is this £1,000 the price?

'The answer is that profits—i.e. the £1,000—are the price which society must pay for the benefit it receives from services of go-ahead men. Profits are the price of enterprising service as distinct from humdrum and routine service of a sort which has a known or knowable price; and the law of profits is that they tend to become zero. Suppose that our capitalist employer gets his £6,000 by putting on the market a new or improved article,  $x$ , at the price of twenty shillings. Competition will soon have the effect of bringing into the business a competitor who will sell the article for, say, nineteen shillings, and be content with a total yield of £5,500, which cuts profits down to £500. But £500 for nothing is extremely well worth having, and other competitors will come along who will sell  $x$  for a gradually diminishing price which will have the effect of cutting profits, in the special sense of the original £1,000, down to nothing. Enterprise, when first undertaken, rightly gets an income of its own. But enterprise is easily imitated, and so in time loses its reward. It is a disappearing income. It is like the income from a patent, which disappears

the moment the patent runs out and anybody is at liberty to use it.’<sup>1</sup>

We have examined ‘ the very core of the case,’ and the inevitable result of the examination, conducted as it has been in the laboratory of our own minds with an actual specimen of the typical profit-earner under the dissecting knife, is to make it plain to demonstration that, if we are looking at the matter from the special view-point of the workers, the economic interests of the workers demand that the man to keep at the work of running our factories is the man who has the ability to do it and the most compelling motive to make him do it.

That man is represented by the quiet, uncannily able man in the Yorkshire mill to whom I have drawn such close attention. This nation lives by conquering markets. He conquers them for us.

<sup>1</sup> Gough . *Wealth and Work*, pp. 253-6 (by permission of Messrs. George Philip & Son)

## CHAPTER IX

### SOCIALISM AND MARKETS

NOTHING in Socialistic literature is more striking than the almost unbroken silence it keeps on the subject of markets. It simply takes them for granted. It assumes that, like the atmosphere, they will continue to exist under Socialism and, also like the atmosphere, undiminished in extent and unimpaired in economic power. 'Our men always forget markets,' is the recorded confession of a Labour Member of Parliament to a Liberal colleague.

This ignorance, or ignoring, of markets by Socialists is in marked contrast with the anxious solicitude with which they are daily and hourly studied by those who are at present responsible for the conduct of business. Socialism gives no explanation of its philosophic calm except the simple one that, as markets are a device of capitalism and anxiety about them one of the righteous punishments of the capitalist, Socialism, which will abolish capitalism, need have no concern about markets and marketing. The outstanding fact is, however, that the particular form of Socialism in practice called Sovietism is exceedingly anxious about both.

The place of markets in the modern economic structure is not difficult to understand. Mr. E. A. Filene, of Boston, whose 'store' is one of the largest in the world, and who combines successful business with bold and liberal thinking on economic problems, says that it costs on an average as much to sell an article as it does to make it. Between the factory door and the consumer's door its price doubles. In human effort, as measured in money, which is the only practicable way of measuring it, marketing is as costly as manufacturing.

This fact brings the two great divisions of political economy into close and vivid contact. These divisions are, in the familiar terminology of the text-books, production and distribution, the economics of the factory and the economics of the shop. In the last analysis the shop—be it the general shop of a village, the departmental store of a large city, the 'Co-op.' of a northern town, a 'chain-shop' in a main street, a produce market, or a cotton exchange—is the medium by which the wealth produced is distributed among its producers. The equal importance and equal cost of the two divisions is now made clear. Socialism definitely thinks that the one can be carried on by an interminable series of committees, and apparently thinks that the other will carry on of its own accord. The former position has been examined, and we now turn to the latter.

It will be well to begin with a few representative quotations which reveal the Socialist attitude to markets.

‘Not long ago,’ writes an American Socialist, ‘I was talking to a typical old-time Yankee farmer, a veteran of the Civil War, and a man imbued from his youth with the traditional American way of thinking. He asked me to tell him what Socialism was. He said he had read about it in the newspapers but could not make out what it meant. I told him in brief that it meant the operation by public officials in the public interest of the railroads, coal mines, steel works, cotton mills, and similar industrial activities by which the public would supply themselves with substantially all the things they needed at cost, in much the same way as they now supplied themselves with postal facilities through the post office.

“‘Is that Socialism?’” said he. “‘Why I have believed in that for years. I have often talked it over down at the store, and lots of folks around here think as I do about it.’” ’

Naturally the typical old-time Yankee farmer was delighted with the notion that he could sell his own wheat at a profit, which he was allowed to suppose he would go on doing, and then walk down to the store and buy the goods he wanted ‘at cost,’ which he would understand to mean, and was for propagandist purposes induced to mean, at their existing store prices *minus* the profits of manufacturer, wholesaler and store-keeper. One hardly knows which to admire most, the simplicity of the farmer or the ingenuity of the Socialist.

<sup>1</sup> ‘Americanised Socialism,’ by James MacKaye, in *Edie’s Current Social and Industrial Forces*, p. 296.

Meantime, the Russian farmer, who had to deliver his wheat to Soviet collectors at a price fixed by them, would have read in the *Ekonomicheskaya Zhizn* of February 18th, 1920 :—

‘ One of the most striking contradictions of our whole economic reality is the contrast between the gaping emptiness of the Soviet Stores with their signs reading “ The Dry Goods Stores of the Moscow Soviet,” “ The Book Shop,” “ The Leather Goods Shop,” and the busy activities of the Sukharyorka, the Smolensk Market, the Okhotory Row and the other centres of the “ spekulyatsia ” market.’

In these latter places goods were sold, under the eyes of, and with the connivance of, the Soviet authorities, in the way of ordinary commerce. Nor was there any secret as to how the goods got there, though they were made in Soviet factories for sale in Soviet shops. They were looted by the officials and sold by them to the speculators. There is here a remarkable discrepancy between the results promised to the American farmer and those realised by the Russian farmer.

When Socialists do think of the process of marketing they conceive of it as something which, as a feat of human dexterity, is approximately on the same level as the shelling of peas.

For example, M. Lucien Deslinières supposes the cost of producing all the articles required for consumption in a socialised France to be 3 milliards a



month. To the astonishment of Mr. James Mac-Kaye, not to mention the typical Yankee farmer, he adds 2 milliards in order to provide 'those engaged in non-productive services their fair share of the total products.' Consequently, when a citizen goes to a State shop this is what happens :—

'Here is a piece of furniture whose cost delivered from the factory is 120 francs, this being made up of raw material, cost of labour, and general expenses. We now add 80 francs, this being two-thirds of 120 francs, and arrive at a total of 200 francs, which will be the sale price of the piece of furniture.'<sup>1</sup>

The State, in short, having abolished the carrying-on of business by private persons for profits to procure an income for themselves, proceeds to make a profit of 66 $\frac{2}{3}$  per cent. to procure an income for itself to spend on the non-productive classes. Certainly, M. Deslinières does not succeed in showing exactly where the superiority of Socialism makes itself glaringly obvious.

As for the way in which the 200 francs will be provided, the explanation of M. Deslinières did not take five minutes to think out and write down.

'Thus month by month there will be issued from the national bank five milliards of money, and there will be delivered month by month to the national emporiums articles for consumption

<sup>1</sup> *The Coming of Socialism*, p. 27.

valued at five milliards, these articles being assorted in conformity with the customary needs of the consumers. The holders of money will be sure of always finding the goods they require in exchange for their money. Socialist paper money will consequently have a solid value greater than that which has ever been had by the paper money of any State bank under the existing order, however high its credit.'<sup>1</sup>

The appropriate comment on these infantile conceptions of 'national emporiums' and 'Socialist paper money' is the following item from the Riga correspondent of *The Times* of April 27th, 1926 :

'The continued depreciation of the Chervonetz is calling forth feverish measures to improve the trade balance. Kameneff, the Trade Commissar, has just issued a strict command to increase grain export at all costs, threatening with severe personal penalties all managers of establishments who fail to carry out the official export plans. The peasants, however, continue unwilling to sell their grain, as the scarcity of manufactured goods keeps prices constantly rising and renders their purchase by peasants impossible.'

The 'Chervonetz' rouble, it should be observed, is the fourth rouble which Bolshevism has ruined : (1) the Tsarist, (2) the Kerensky, (3) the older Soviet, (4) the new Soviet, or 'Chervonetz.'

The relation between the visions of French theory

<sup>1</sup> *Ibid.*, p. 26.

and the realisations of Russian practice is as plain and direct as that between the pull of a trigger and the sound of the shot. An English Socialist, also taking one glance at this unpleasant topic by the way and passing on like the Pharisee, simply says :

‘The prosperity of home industry depends ultimately upon the purchasing power of the home consumers. . . . Foreign markets are only of value so long as the home consumer is able to purchase the goods which the foreigner sends over in payment for the home products. . . .

‘Socialism will raise the consuming power of the home consumer to its maximum. Everyone will be well off and will be able to live in a nice house, have beautiful furniture and clothing, eat good food, and possess their own motor cars and aeroplanes ; and industry will be intelligently organised to meet the demands of the consumers.’<sup>1</sup>

This miracle is to be achieved in spite of the fact that the acolyte is told elsewhere that ‘the individual will receive a minimum wage sufficient for his maintenance.’

It may be objected that the above passages are the vapourings of fanatics, and therefore should not be quoted in serious discussion. To that the reply is that when exponents of Socialism do not simply assume that Socialism will make no change in markets and marketing but try to give a picture of the changes that will be made, the citations just

<sup>1</sup> Gordon Hosking : *A Summary of Socialism*, p. 49.

made are typical of what they do say. Further, it is no easy task to discriminate the degrees of wisdom and likelihood between the Socialism of Mr. Gordon Hosking, under which it appears that every miner is to have his own aeroplane as well as his own whippet, so that factories must be pulled down to make room for aerodromes, and the Socialism of the Socialist Commonwealth of the Webbs and the British Labour Party, under which all overseas, wholesale and retail trade is to be done by transfigured Co-operative Societies, the transfiguration to take the form of depriving them of the two powerful stimuli which now energise them, viz., the desire to make dividends and the competition of private retailers.

That ideals which sound inspired in a speech and arrangements which look perfect on paper are one and the same thing as life itself is the inexpugnable belief of Socialists of all schools. In Soviet Russia the granting of a monopoly of retail trading to the Co-operative Societies was a complete failure. If Russia were to-day not only a poverty-stricken country but a barren wilderness, it is inconceivable that Mr. and Mrs. Webb would alter one word of their Constitution, for its failure in Russia is to minds of their type not even presumptive evidence worth considering that it might also be a failure here. 'There were not enough committees in Russia,' they would reply; 'we shall see to that in this country.'

We are asked to conceive the development of Socialism in Great Britain as the expansion and

improvement, under the stimulus of the service-rendering ideal in place of the profit-making motive, of organisations for economic ends which are already in existence and which are regarded as improvements on alternate systems operating in competition with them under the capitalist. To-day the State runs the Post Office, the municipalities operate trams, and the Co-operative Societies supply household commodities to a very large number of working-class families.

On close examination, each of these cases is found to have three features of very considerable importance which Socialists either ignore or fail to interpret: (1) Each of them is a legal or virtual monopoly; (2) each of them adopts the spirit and methods of capitalism in its relation to its employees; and (3) each of them quite deliberately sets out to make profits. That they should achieve some success, even considerable success, side by side with capitalism, by learning from capitalism how to conduct business, is a cause for satisfaction, but it is not an argument for first of all devitalising them by forbidding them to imitate capitalism and then extending their range by the compulsion of a legal system to the whole of industry and commerce.

Every market is a market for (1) services or (2) goods and is supplied either (*a*) by a monopoly or (*b*) by a number of competitors. This analysis gives us four distinct varieties of markets.

A. Monopolistic services, e.g. railways in Belgium.

B. Competitive services, e.g., railways in Great Britain.

C. Monopolistic goods, e.g., tobacco in France.

D. Competitive goods, e.g., tobacco in Great Britain.

The easily observed facts that a monopoly is not quite absolute and competition not quite free, do not weaken the general validity of the above classification.

As is usual in economics, the difficulty is not to get at the facts or to agree in classifications. The Socialist does not dissent from this fourfold division. His mistake is to argue from one kind of market to another in an illegitimate way. Since the essential differences between them are awkward to him, he ignores them. If he does consider markets, he lumps them together. 'Sir,' he says, in the butt-of-the-pistol manner of Dr. Johnson, 'a market's a market, and there's an end on't.'

Assume a very large town (e.g. Glasgow) which owns its own tramway system and has the legal right of excluding all forms of competition with its trams. There is nothing strange in believing that such a town can manage its trams in the usual quasi-capitalist fashion with very considerable success, and one good reason for this is that it has an assured demand for the services it has to sell and the sole right of selling them. What is strange is that success in A, not always attained in practice even under these favourable conditions, is taken as assuring success in D. For the gravest injury would be done to Lancashire, and so to Great Britain as a whole, if under Socialism of any sort the cotton trade guild, or joint committee, or National Board,

were not successful in competing with Japan in the Chinese market for cotton goods. The competition of a few lines of motor 'buses which run from points outside the Glasgow boundary to 'parks' as near the centre of the city as the authorities will permit, has already seriously disturbed the Glasgow tramway system. Let anyone take, as I did recently, a municipal tram out to a Clydeside shipyard and a capitalist 'bus back again and he will be able to study for himself the difference between markets A and B, and to finish a packet of cigarettes bought in a French city and replace them by one bought in an English village is to travel the whole range from C to D with very great advantage.

Every monopoly which is not established and rigidly maintained by law, thus making competition impossible, carries on its operations under an economic sanction, to adapt a legal term, which prevents ill service and as a rule enforces good service. The monopolist has so much to lose, and may so easily lose it, that he has to maintain himself by good service. The reason is that failure on his part to satisfy his market brings into the market competitive goods of the same sort made by new firms at home and abroad, and these, being either of better quality or lower price, force him to equal them. A still more important form of competition which keeps the monopolist on tenter-hooks is that of goods or services which, though different from his, may be substituted for them. In London, trains, trams, tubes and 'buses compete with each other for passenger traffic, though each has a

complete, or virtually complete, monopoly in its own sphere. Gas, electric light, oil and candles, and even as a last resort simple daylight, compete with one another as illuminants, since each can be substituted for the other, so that no monopoly in any one of them gives complete control to the monopolists. Beef has a substitute, and therefore a control, in bread ; cotton, linen, artificial silk and wool make another group ; home-grown wheat and imported wheat another ; and so on indefinitely.

Potential competition is as powerful as actual competition. The keeper of the only general shop in a remote village has his prices kept down by the knowledge that anyone that likes can open another general shop in the same village. The line of shops in a suburban High Street is a wary watchdog over the West End ' store.'

The competition of fixed-price branded goods which are lavishly advertised, either to the public at large or to retailers only, with unbranded goods which are not so advertised is another form of competition which greatly benefits the consumer, for they set a standard both of quality and price to which the public first gets accustomed and which it then insists on maintaining.

Everyone but a Socialist recognises the necessity of this competition between sellers of the same articles and of articles which are substituted for each other. It is only when the State is the one and only monopolist, with everything in its grip, that monopoly for some subtle reason known only to the Socialist becomes the friend of all. It is, however,



certain that even when the State is split up for administrative purposes into guilds or standing committees of a Social Parliament, it remains a unity because it retains all ultimate powers in its own hands. The State will never suffer the unlimited competition with itself as owner of coal-mines of itself as importer of petrol, whatever apparently independent machinery is set up to mask its unity and monopoly. Mr. and Mrs. Webb remark that to-day municipalities are allowed to run privately-owned motor 'buses off the streets. In point of fact the statement happens to be incorrect, for the capitalist 'bus, where it is not shut out by a legal monopoly, is making life hard for the municipal tram. But, and this is the point, it is as certain as anything in human affairs can be that in the New Social Order there will be no competition between trams and 'buses. Joint standing committees are sure to do foolish things but nothing so foolish as that.

Both as a buyer and seller the State is under great disadvantages. As a buyer it is supposed to have a bottomless purse. The officials who buy on its behalf are not spending their own money. When there is only one buyer to deal with and his needs are known to be inexorably pressing, the formation of sellers' rings against him is an easy matter. The natural consequence is that the law of supply and demand ceases to operate here. As a seller the State lies open to pressure from large groups of voters who want to buy State-made goods or State-rendered services at low prices, and even when this

is absent the State, meaning in practice certain high personages who are about to face a General Election, is in a weak position. This is the known state of things to-day, but under Socialism the whole range of economic activity would be laid open to these disadvantages.

So far attention has been fixed on the home market only. It is the foreign market, however, that raises problems before which Socialism stands helpless.

In an earlier chapter I have pointed out in the plainest words I could command the unique position which Great Britain has in respect of her dependence on overseas trade. If under Socialism a country like Russia, which for all vital purposes is independent of foreign markets, finds it almost impossible to carry on the fractional amount of her total economy which depends on overseas trade, so that, as we have just seen, Kameneff is obliged to threaten his subordinates with personal penalties if they cannot export grain enough to improve the trade balance and so save the 'Chervonetz' rouble from collapse, what, under Socialism, is to become of Great Britain, which must export one-third of all she produces, including four-fifths of her principal manufacture, cotton?

In our home market under Socialism, the Socialist Government would have the advantage that it could, at least in theory, 'rig' prices, including wages, which are the price of labour, either by direct *fiat* or by its control of the issue of legal tender paper-money, so as to compel its citizen-customers to

buy such goods at such prices as would yield a favourable profit-and-loss account on paper. The goods it placed on the home market would be the only goods available. Its citizen-customers must take them, or go hungry and bare.

But in the overseas markets it would have no such prerogatives. There the customer is king. I once stood in a weaving shed in Burnley amid the deafening rattle of scores of looms, and the owner shouted in my ear: 'The town of Burnley does not consume enough of its own products to keep one of these looms going.' He might have added with equal truth that it did not produce enough food to keep one of its families alive. Lancashire to-day is doing badly, and one of its leading men turned from gazing sadly at a large map of China which hung on his wall to say to me: 'If the Chinaman would only wear his shirt two inches longer, Lancashire would be saved.'

Socialism, even in instalments, would ruin the overseas trade of Great Britain. For that trade is, and will remain, a competitive trade. It must fight or die, and the fighters must be men with the joy of battle in their hearts, not tepid students of statistics in Whitehall.

## CHAPTER X

### ENGLAND UNDER SOCIALISM

THE study of the economics of Socialism is directed to the end of forming a reasoned judgment as to the probable effects of the introduction of the economic changes proposed by Socialism on the wealth and welfare of any given country. Those effects, though having much in common from country to country, since all men are much alike in fundamentals, will also vary from country to country according as these differ in their economic structure and in the political skill and experience of their populations. A dose of Socialism which would kill a highly and artificially organised country like England in a month merely ruins the factories of a land like Russia, where factories are not of vital importance. Admittedly we are here in the region of economic forecasts, but economics is enough of a science to be able to predict when all the data are known, which is, however, very seldom the case.

To seek a general and sufficiently accurate knowledge of what effect British Socialism would have on Great Britain is no longer a merely academic question. The *New Social Order* is the campaign guide-book of the Opposition in the House of Commons, and the *Constitution* of Mr. and Mrs. Webb does

beyond any doubt give in much detail the lines on which the policy of that Opposition would run if it became a Government with a majority of its own. The considered opinion of the writer is that Socialism is the natural economic enemy of the crowded millions of industrial townsfolk who live on the patch of land between the Grampians and the English Channel. There is plenty to be done by them and for them, and the share of successive governments in doing it is an important and growing one, but it is not Socialism.

Consider a case in point. The Health and Unemployment Insurance Acts, the Workmen's Compensation Acts, the Old Age and Widows' Pensions Acts, all of them the work of the last eighteen years, form a code of social legislation which has been of the very greatest service, not only to the British working classes, as all admit, but to British industry itself, as some deny. In all of this legislation, which sets a standard for the world to follow, there is not from first to last the slightest tincture of Socialism. Not one of them impairs in any degree the private ownership of capital or interferes with the carrying on of business for profits. The test of a Socialist measure is that it does both of these things; the test of a non-Socialist measure is that it does neither of them. The Labour Party definitely proposes to do both of them, on a large scale even to begin with, and thereafter to extend the ambit of socialised industry as largely and as rapidly as possible. It is therefore a Socialist Party, and our present and final purpose is to suggest what the economic effects of the new

policy would be if it were once inaugurated. Some effects there would of course be. Can they be disentangled from the skein? The numerous non-Socialist proposals and purposes of the Labour Party are of no concern to us. They confuse the plain issues I have placed before the readers of this book. They are meant to confuse them.

Our Socialists assert that the introduction of Socialism would have certain specified results, of the general character of which the preceding chapters have given some account. Some guidance is available, as a check on their prophesying, and to begin with it is available from experience.

In his chapter on Socialism, Herbert Spencer drew a famous parallel between the socialised state and an army.

‘A complete parallelism exists between such a social regimentation and the structure of an army. It is simply a civil regimentation parallel to the military regimentation; and it establishes an industrial subordination parallel to the military subordination. In either case the rule is: Do your task and take your rations.’<sup>1</sup>

In Spencer’s view this was an induction from the known facts of experience as interpreted by economics and psychology. It was much more than this, for it was an exact prophecy as to what was to happen in Russia twenty years after it was written. Socialism turned the Russian worker into an industrial conscript on rations.

<sup>1</sup> *Principles of Sociology*, vol. iii., 1896 edition, p. 577.

Of the Sòbinka cotton operatives, Mr. Brailsford says that they 'had been promised food rations on the so-called "armoured" scale.' Rather dubiously he adds: 'If that is really available punctually and in full measure, the workers will be adequately fed.' Soviet 'shock troops' have nothing to do with warfare, but are better rationed and strictly regimented workers who do rather more adequately than the worse-fed some of the more pressing work. A body of German workers who went under contract to Kolomna found themselves, as one of them reports, 'fallen prey to slave dealers.' 'Our ration,' he says, 'consisted of 200 grammes of bread per day and of soup made of fishbones.'<sup>1</sup>

M. Deslinières, a Socialist in whom there is no guile, obviously expects some curious results in a socialised France and quite definitely and fearlessly says so :

'The Trade Unions, then, will necessarily disappear after they have accomplished their historic task, in like manner with all the organs born of evolution and eliminated by evolution.

'The co-operatives will share the same fate. Socialism itself will be nothing else than generated co-operation, but it is an error to suppose that Socialism is compatible with the existence of separate co-operatives.'<sup>2</sup>

Two of the cherished institutions of the British workman are thus knocked on the head in a very

<sup>1</sup> Quoted by Pasvolsky, *Economics of Communism*, p. 196.

<sup>2</sup> *The Coming of Socialism*, p. 23.

summary fashion, but the French 'New Social Orderist' is only at the beginning of his constructional work. There is 'the instinct of craftsmanship' to be considered, the creative urge which makes an engineer at the bench, busy on the blades of a turbine, thankful he is not a travelling tinker. M. Deslinières is as thoughtful for him as he is for the Co-operatives and the trade unionists.

'Save for a few specialists, who will remain indispensable, the working masses will be employed at whatever may turn up; or, to speak more precisely, each worker will be able to pursue one of several kindred occupations.'

Moreover, this ruthless theorist, quite unconscious that he is interpreting Lenin and commenting on the Webbs, goes on :

'We must start from the principle that the less efficient workers are to receive a minimum wage which, in view of the actual cost of the necessities of life, will furnish them with a trifle more than bare subsistence.'

Naturally they will not like it, but as 'public liberties will be suspended,' their dislike of it will not enable them to alter it. Moreover, there is a very good reason for it, which M. Deslinières puts in very emphatic terms :

'We should defy common sense and should betray the workers with gross flattery should we

<sup>1</sup> *The Coming of Socialism*, p. 22.

<sup>2</sup> *Ibid.*, p. 29.



attempt to make them believe that there are no limits to their capacity, and that they are able to throw up out of their own ranks managing engineers, accountants, heads of factories and emporiums.<sup>1</sup>

It defies the common sense of a French Socialist to imagine that working-men should 'throw up out of their own ranks' the very type of men that they are perpetually throwing up in this country and the United States.

We are here faced with our usual difficulty. These things happen under Russian Socialism in Russia ; they are not to happen, and nothing like them is to happen, in the New Social Order, though the kind and amount of change postulated as necessary in England as a condition precedent to the full establishment of the New Social Order does not materially differ from that actually carried out in Russia. Therefore, though we are very earnestly told that these things will not happen here, no information is given us as to why economic forces which produce certain economic results in Russia will, if brought into operation here, produce results entirely different.

The likelihood that revolutionary Socialism will succeed in establishing by a *coup d'état* any one of the forms of Socialism we have passed in review, from Syndicalism to the New Social Order, is so remote that not one paragraph need be spent even on the formality of dismissing it. The use of Russian experience to us is cautionary and guiding,

<sup>1</sup> *Ibid.*, p. 51.

not prophetic, but that caution and guidance will not come from the leaders of British Socialism, whose cowardly reticence on Russia is one of the unforgivable crimes of British political history. The effect of British Socialism on Great Britain can only be estimated in advance by the application of economic criteria in the light of a full appreciation of the fact that British industry functions on a razor's edge.

Herbert Spencer could forecast the general result of Socialism in Russia as accurately as the Russian economist, Pasvolsky, can describe it after the event. True, simple, archaic, unindustrialised and politically inexperienced people like the Russians make general reasoning more easily applicable, but some broad lines of economic causation can be laid down in our own case.

Let us begin with the most important question. What does British Socialism definitely offer the working-man that he has not got now?

It does not offer him higher real wages. It does not assure him, independently of increased efforts of his own, of better housing, better food, better clothing, more leisure and more varied amusements. It cannot offer any of these things because the wealth to offer them with is not available out of the present national income. Sir Josiah Stamp's figures are decisive on that point.

It does not offer him freedom from what is called 'wage-slavery' in any sense of the term. In the New Social Order working-men will definitely have to work stated hours in a known factory for a

known superior for agreed money wages which they will turn into real wages by purchases in some form of State shops, Co-operative Stores being suggested merely because they are familiar with them and get dividends out of them.

It does not promise him any new method of getting a job, any better treatment if he is inefficient or insubordinate, any assurance of continuous employment or better provision if he is unemployed.

On all these vital matters the first stages of Socialism will keep him exactly where capitalism has placed him. He will remain, as he is now, a worker bargaining with his employer through his trade union for the best terms he can get. It does promise him that his trade union shall take part in deciding the policy of the industry in which he works, but in the shop in which he works he is to have no other power than he possesses now, namely, that of interviewing the manager.

In no respect whatever is the individual workman to be placed in a better position than that he now occupies when in the employment of private capitalistic firms of the highest grade ; and his fractional share of deciding the policy of his industry is not to be greater than that now possessed by a railwayman through the share the National Union of Railwaymen takes in the National Railway Board.

He is to be an elector for a new institution, the Social Parliament, a standing committee of which, subject to confirmation by the Social Parliament, is to be his ultimate employer and paymaster.

In return for this not very imposing list of

economic concessions, the working-man is to be a consenting party to the gradual supersession of the personal employers he now knows by the salaried officials of National Boards, and to the abolition of the private ownership of all fields, factories, mills, mines, workshops, shops and all production units whatsoever by men of the type he now knows familiarly as 'the boss.' When it comes to bargaining under the proposed Constitution the worker, acting through his trade union, will be in a decidedly inferior strategical position to the one he occupies to-day, since a discrete body of workers will be face to face with one sole and powerful monopolistic employer—the State. To-day, the officials of a trade union in dispute with the representatives of an employers' union, can bargain in the knowledge that all the employers have not exactly the same economic standing and do not hold the same views as to policy. Further, and most important, their employers lose profits and incur losses all through the strike. Both factors tend to a compromise favourable to the men. In the New Social Order they will negotiate with one person—the State, which has no need to consider monetary losses.

One other point is of great importance. To-day the worker is engaged under a wage-contract with his employer the terms of which the State, acting through a judge in a court of law, will enforce in favour of the workman when the employer seeks to vary them. When the employer is the State, the State will do no such thing as use its legal power against itself in its economic capacity. This result

of the revolution is of the greatest disadvantage to the Russian worker, and the British worker has no armour-plate protection against it.

If the British workman so steadily hates being in the employment of a private person who owns the industrial unit in which he works that he is prepared to pay any price to get rid of him, the minimum price he will be called on to pay for the satisfaction of making the change will be as stated. Instead of the personal 'boss' whom, in most cases, he knew and liked, he will have an impersonal employer, the State, which, through the mouths of its constitution-makers, promises him all sorts of ideal advantages, but does not, since it cannot, propose any improvement in his standard of life; and in the struggle for any such improvements which he may demand he will be fighting with one strongly-entrenched and all-powerful employer, the State. The fairy tales about democracies of producers and consumers are only the paper-trimmings of a hambone without any ham on it. For the one rule of statecraft which all statesmen in all times and under all constitutions rigidly apply, is that the State comes first, and this for two reasons: in the first place it is a good and necessary rule, and in the second place those who apply it benefit by it. That they call themselves builders of a New Social Order has not the slightest influence in modifying their conduct. So much of Russian experience would come to pass in this country, to the great disadvantage of the workers. There will be, since there must be, an infusion of the 'Do your task

and take your rations' spirit; a small dose to begin with, since there is to be only a small dose of Socialism, but steadily increasing as the need for it imposes itself on the economic autocrats who operate behind the camouflage of the 'Social Parliament.'

These plain declarations will surprise the working-man because they are in such black contrast to all he hears from the Socialists themselves. He will ask why things will be so very different.

The explanation is simple. Socialism is the direct cause of increasing poverty to the workers. That is its nature, that its inevitable consequence. The redistribution of the existing stock of wealth would, as we know, make no addition worth having to the existing standard of life of the workers. The inevitable depletion of the future stock of wealth will compel the future standard of life of the workers to be lower than the existing standard. This depletion of the stock of wealth is inevitable because the economic drive which gives British industry its present standard of productive efficiency will be sensibly weakened by the change. Socialism would be smashed by 'the Government stroke.'

The efficiency of industry, its power to provide a high standard of comfort for a people, is determined, as I have shown, by the efficiency of the capitalist-employers who direct its operations and the capitalist-merchants who discover its markets. Working-men may not be enthusiastic over the position, and the constant assertions of untutored Socialists, who vainly imagine that certain persons called 'advanced thinkers' have provided them

with a new body of economic science on which they can rely, may make them actively dislike it, but that is the position and, in their interests most of all, that must remain the position. An awkward fact is a fact, and economic action of a certain kind will have economic consequences of a disastrous kind, in complete indifference to anyone's likes or dislikes. The results of legislation have nothing to do with, and are entirely uninfluenced by, the intentions of the legislators. That Mr. Sidney Webb, if given his head, would ruin British industry is as certain as that he intends to transfigure it. If a man jumps out of a tenth-storey window on to a stone pavement he is killed, quite irrespective of the pathetic truth that he jumped out because he was in a hurry to fetch a doctor to his ailing child.

British railwaymen are not Russian railwaymen. Let us give the former every possible point of superiority over the latter in character, grit and industry, and then turn to a recent speech delivered at Moscow to railway workers by Radzutak, 'the People's Commissar for Communications,' that is, 'the Chairman of a Standing Committee of a Social Parliament.' He gave a mournful account of the whole position, in the course of which he said :

'Inspection and management were carried out in a slipshod manner and accidents were on the increase. Drivers and firemen sometimes fell asleep, closed signals were passed, points set wrongly, station inspection of trains neglected,

incorrect coupling and loose brake nuts were common. Fifteen miles of track visited by the Commission a week after it had been relaid had 80 per cent. of the nuts not properly screwed up and 90 per cent. of the spike dogs not properly driven in. . . . The condition of the permanent way and rolling-stock did not permit of faster speeds in actual travel, and their improvement depended on funds from outside for capital expenditure.’<sup>1</sup>

No one supposes that in 1917, Lenin, forestalling the title of a book by Mr. George Lansbury, decreed ‘ These things shall be,’ but here they are, on the authority of the Commissar responsible, and done under the eyes of the Commission.

Is there, or is there not, a sufficient resemblance between the Russian and the Englishman as economic men to compel us seriously to consider the above evidence as valid for us in discussing the proposal of our Socialists to socialise our railways as soon as they get into power? To that clear, important and decisive question the exact, scientific reply is twofold: First, there is sufficient resemblance to make the evidence admissible in the court which each of us must hold in his own mind before he delivers judgment; secondly, even the smallest degree of the incompetence and dishonesty of the Commissar, of his Commission, and of his railway staff revealed in the above extract would be disastrous to this country. Neither Committees nor Commissars could root it up because they had

<sup>1</sup> *The Times*, April 21st, 1926.



begun by destroying the economic motives which alone can prevent the rank growth. The economist does not hold a low view of human nature but an exact one, when he asserts that these results necessarily flow from these causes.

There is no escaping the conclusion that the introduction of the really Socialist proposals of the New Social Order would mean the simultaneous and unavoidable introduction of tendencies making for diminishing economic efficiency. As the circle of socialisation expanded, the effects would become apparent, but the reason and the remedy would be rejected if the Socialists retained power in their hands. The Socialist leaders would not admit failure and retrace their steps. They would be obliged therefore to commence a civil war against poverty, and that would involve a gradually expanding circle of regimentation and rationing, the irksomeness of which, even in a Socialist society, would be borne exclusively by the governed workmen and not by the governing committee-men. The latter would remain human and would look after themselves.

The economic structure of Great Britain is peculiarly subject to danger from Socialism because of its intimate dependence on foreign trade. As soon as the inevitable tendency to inefficiency began to affect results, two things would happen. The credit of a socialised country in a non-socialised world is inevitably weak. Imports therefore would have to carry the burden of this risk, and would be dearer and consequently fewer. Exports would be

produced less efficiently and would consequently be dearer, leading inevitably to a reduction of paid-for exports. The Socialist Government, however, would be obliged to export in order to maintain its supplies of foreign exchange with which to finance its imports. It would first be tempted, and in the long run obliged, to sell its exports on any terms that would achieve its purpose, probably even at or under cost. Foreign markets would be retained by cutting British wages or, which is the same thing, by raising British taxes.

Economic inefficiency, inevitably introduced by weakening or destroying the personal motives which create it, would in a short time be made worse by a deficiency of new capital. Spike dogs, which are new capital to a railway, would be driven home less thoroughly, and consequently there would soon be fewer to drive home. For this interaction of inefficient labour and deficient capital, the known and tested remedy is capitalism. But the essence of capitalism is strong personality urged to action by strong motives.

Socialism is an economic danger to any country, and to England a greater danger than to any other. Moreover, it is a danger which there is no reason whatever for calling on the working-classes to run. If the extremely limited range of advantages which Socialism offers to the workers is detached from the foolish and incoherent verbiage in which they are smothered for propagandist purposes, it is found to be something which capitalism already betters beyond recognition.

It would be absurd to ignore the powerful appeal which Socialism makes to the working-classes, and not to them alone. The workers are not content with things as they are, and if they were it would be the plain duty of every right-minded citizen to do his best to make them discontented. But Socialism, exactly understood and placed apart from things which are wrongly confused with it, is in its nature a making worse of existing social evils. It is true that social progress is due to efforts towards an ideal. The case presented in this book is that Socialism is the wrong ideal to aim at. In a country like England, which has the most experienced and public-spirited electorate in the world, the propaganda of Socialism can be countered in part by public discussion, but the arch-enemy of Socialism will be an intelligent, understanding and human-hearted capitalism. As an economic creed Socialism is wrong and the economists can prove it wrong, but it will be foolish to leave the defence of the existing order to the economists. Capitalism will be saved, but it will be saved by the capitalists.

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