The Origin of the World Crisis and Britain's Task

by

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PUBLISHER'S NOTE

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INTRODUCTION

These few notes make no pretence at being an exhaustive study of the problems involved in the "World Crisis" which has overwhelmed all of us, nor do I claim any originality in the analysis of the problems or in the proposals for their solution. They are an attempt to co-ordinate the views of others more qualified to write on the various aspects of the question, and to evolve a workable synthesis, in the hope that a brief study of the nature of the problems will assist the general public to a clearer understanding of them; for they have to be faced and solved to help to win the war and to create a better and happier world afterwards.

T. GAVIN JONES.

March, 1941.

CHAPTER I.

Evolution and Revolution

WHETHER we like it or not we are all enmeshed in that network of relation that binds us together to make up human society. We are parts of one great process—the process of human history. We ourselves are events in history. Things do not merely happen to us, they happen through us. Therefore, history and the trend of social development should be studied by everyone.

The development of civilisation depends on the interplay of two factors, individual initiative and social cohesion. If the forces which maintain social cohesion manage to overcome individual initiative, civilisation stagnates and deteriorates. If the forces making for individual independence and initiative, in fact for individualism, become overmastering, they disrupt social unity and produce a catastrophe.

Humanity never stands still, but in the process of social evolution is constantly endeavouring to balance these two forces in which politics, economics, and psychology all play their part. In short, humanity progresses by means of a succession of compromises.

Man has passed from the tribal state of society to the city states of antiquity, the imperial absolutist states like Rome, feudalism of the Middle Ages, the monarchies with aristocratic rule of more modern times, to Liberalism with its capitalist society, which attained its zenith of popularity in the nineteenth century and is now in rapid decline.

Owing to the ignorance of the masses, the inherent conservatism of human nature, and the tendency of privileged classes to cling to their privileges after the functions for the exercise of which they were permitted to rise to power no longer exist, these changes have generally taken place by means of violent revolutions, which have almost invariably

been followed by violent reactions or counter revolutions. At last, the world attains peace through what Mr. Churchill with sombre grandeur called Britain to face in the present crisis—"Blood and toil, tears and sweat"—and society eventually settles down to the new order, until that also has served its purpose for humanity, and yet another change is necessary to conform to the development of mankind.

It is not necessary that a revolution should be violent, and it is hoped that humanity may some day learn to carry through these changes without violence. But human nature being what it is, revolutions generally are ushered into the world with violence.

The great Swiss historian-philosopher Jakob Burckhardt once made the apt remark that "no revolution in the history of the world has carried out its programme or achieved its goal. And yet all great revolutions in world history changed the world, but, in quite a different way from that intended by their initiators."

When it becomes clear that the essential idea of a revolution has miscarried, then that revolution becomes war-like and imperialistic, and in so doing develops immense offensive energy. The best example in history is Napoleon. Napoleon was not ruined owing to any kind of coalition, but owing to this inner discord—he, the executor of the French Revolution for Europe, himself destroyed that revolution in its essence, indeed had to destroy it, in order to carry out his imperialistic programme. It was because of this discord that the original revolutionary energy of his first attacks on the old aristocratic order gradually ran dry.

Revolution may mean the reaction of the governed to bad government, or nothing more than a violent change of policy. In the latter sense there will always be revolution in the world, and it will usually be salutary, but the term also means something very different, namely, the destruction of human life and reason which has been gradually

acquired in the evolution of humanity. Marx openly professed that it was his object to produce "a new *man*" *consisting of a complete divorce from those* qualities which are the essence of man. This experiment was made in Russia through a revolution which was nothing other than a rebellion against human nature. The Marxist revolution was based upon the discord produced by the overwhelming of liberty by industrialism. It attached itself to one class, aiming at the annihilation of all other classes, and it set out to make "new men" of the class that it proposed should survive.

Barbaric Prussianism recognised the possibility of advantage to itself by a similar creed, and proceeded to create a world of slaves directed and exploited by itself. It made use of the Marxist doctrine of class strife, but instead of the proletariat class, *proceeded to enrol all the youth in an invented* theory of racialism.

The cleavage was not between the oppressors and the oppressed of the Marxian creed, but between youth and the older men and women, who could never endorse the absurdities of this tyrannical creed. It is a sign of the uncivilised to believe that they alone are endowed with gifts and power. Germany will no doubt endeavour to educate youth everywhere in this monstrous creed. The theory will not support a new Europe, let alone a new world, and is held together by nothing more permanent than a temporary predominance of armaments.

The causes of this World Crisis are to be found in the inevitable passage of the political and economic structure from the semi-democratic, *laisser-faire*, individualist society of the nineteenth century, to a society of organised mass-democracy, economically highly developed and rationalised.

In this new society the vital necessity is long-term and large-scale planning, which is incompatible with the nineteenth-century conception of individualist freedom. Hence the international conflict which is racking Europe to-day. A radical change is all the

more necessary on account of the great advance in social technique and scientific development which have profoundly modified our social life.

The problem is to discard totalitarian methods of planning and control, which create slave states, and are outstanding examples of "conditions in which the forces which maintain social cohesion have overcome individual initiative, when civilisation stagnates and deteriorates," and to adopt a system of planning which will maintain individual freedom and foster initiative and enterprise, without injuring the social structure or jeopardising the body politic.

Liberalism gave the world a new conception of political liberty, but it failed to provide economic security, without which political liberty is a meaningless token. The process of social evolution of the human race demands planning to attain economic security, but civilised European society also stands for liberty for individuals and families to live their own lives in their own way; freedom of speech within the limits of decency and social safety; suppression of violence or the rule of brute force; opportunity for the advance of culture; and the recognition of the basic equality of men as the possessors of immortal souls.

A very clear distinction must be made between the social and the political successes of a revolution. Nearly all revolutions have failed politically in the end. But, in spite of, and after their political defeat, every great revolution has, by a slow process of infection and penetration, made incisive changes in the social condition of the world.

To-day we are in the middle of a totalitarian collectivist revolution which, like all revolutions, has its roots and a measure of justification in the evils of society, against which the revolution is directed. This does not imply the acceptance of totalitarian or collectivist principles, but it is necessary to understand the true causes of a revolution in order to introduce effective reforms to cure the evils and successfully counter the revolution.

The rise of Stalin, Mussolini, and Hitler to their positions of authority and power was only possible because of the moral, spiritual, and economic disintegration of the societies in which they found their opportunity.

The Russian, Italian, and German revolutions were the result of social, economic, and political crises, and are all of one and the same crisis, which has held the world in its grip since 1914. The World War; the ensuing chaos in Russia, Italy, and Central Europe; followed by the world economic crisis of 1929-32, which paved the way for President Roosevelt's New Deal in the United States; and the Nazi Revolution in 1933, which was the prelude to the present war, are all essentially only aspects of the present World Crisis, the basic cause of which is the collapse of the Liberal capitalist society of the nineteenth century.

These revolutions were predicted by Marx, although they have taken place in a way flatly contradictory to Marx's ideas of the role to be taken by the proletariat in the Socialist revolution he foresaw; in fact, this collapse of the capitalist system is the only part of his prophecy that has been fulfilled.

The great French Revolution of 1789 was nothing but the realisation of revolutionary ideas on an international scale, which had originated with the first English Revolution (Cromwell), and continued with the American War of Independence. These events contained a programme of a new social order for the world in the shape of ideas of liberty and self-government, but the French Revolution finally expended its energy in the imperialistic régime of Napoleon.

The Russian Revolution contained the International programme of Marx's Theory of Communism, but its idealism was gradually abandoned, and finally purged by Stalin, and disappeared, as far as it concerned Russia, with the death of Trotsky.

The Italian Revolution revived in the world the Corporate or Guild organisations of the Middle Ages, and did great things for Italy, but led by Musso-

lini's ambition to build a Roman Empire has expended its energy in imperialism and foreign adventures which will inevitably end in disaster.

The German Nazi Revolution, with its façade of National Socialism, but its reality of racial superiority and domination, offers the world nothing but servitude to the Prussian race, which has been predatory and bellicose from the days of Frederick the Great. This revolution has attained its maximum output of energy in its barbaric effort to subjugate the world, and, like all such revolutions, is doomed to failure, leaving nothing for the world to remember but the destruction it has caused.

It is Britain's task to achieve this objective for herself and for the world, but before discussing Britain's task it is necessary to consider the cause of the decline of Liberalism, which has culminated in the present world crisis, and the causes of the major revolutions which have occurred since 1914.

CHAPTER II.

Liberalism

LIBERALISM gave liberty to the individual, but it also created the opportunity for the rise of the modern capitalist system, with the result that so much power has been placed in the hands of a few that the liberty of the majority of individuals is now in jeopardy and endangers the very object for which Liberalism was established.

The triumph of Capitalism, the child of Liberalism, is an outstanding example of " the forces making for individual independence and initiative becoming overmastering, disrupting social unity, and producing a catastrophe."

This liberty was attained by a long process of some 500 years, which included the English revolution (Cromwell) and, before that, the decay of the corporate or guild system. The French Revolution greatly accelerated this process and destroyed the power of monarchies and aristocracies.

Liberalism is rooted in the struggle for the protection of the individual against the spiritual and secular tyranny of absolute kings, and of the aristocracies who supported the kings and shared in their power.

It is primarily concerned with the limitation of the power of the State over the individual. The rise of Liberalism was due to the decay and degeneracy of the aristocracies and kings, especially in France, where they exploited the people and failed to carry out the functions for which they were created. The kings especially failed in their true function, which was to protect the common people against the greed and misrule of their overlords. The last remnants of this system collapsed in the Russian Revolution of 1917.

The immediate object of Liberalism in the eighteenth century was to establish constitutional monarchies on the English plan in all European

capitals, and the policy had a large measure of success throughout Europe after Napoleon had been defeated.

The bankers, financiers, and international controllers of money, in short, "the money power," which in those days was centred in Geneva, Amsterdam, and London, very largely instigated this policy. They knew full well that constitutional monarchs, who had surrendered to the bankers their sovereign right to issue currency and control the means of exchange as William III. had done in Britain, would have no real power in practice, but would be controlled by the money power.

It is probable that this surrender of power by William III., which he was induced to make in order to obtain the support of the bankers to finance his wars on the Continent, was the beginning of the decline of monarchies, for it was one of the most important functions of kingship to protect the people from false or debased coinage, depreciated currency, and the evils of inflation or deflation. The fall of the French monarchy in the French Revolution of 1789 was largely instigated by international financiers, especially Necker, the Swiss banker.

Mr. McNair Wilson, in his book "Monarchy or Money Power," throws an interesting light on the history of Napoleon's economic policy. Napoleon realised that Liberalism contained the seeds of disruption owing to the freedom of money to exploit the people and the State. He suppressed mob rule and the extremes of the French Revolution, he gave the peasants their land and they adored him and fought for him to the bitter end, he restored religion to its rightful place, he created the finest army in the world and defeated all foreign aggressors, he made a code of laws, and introduced a system of local government which holds good to this day.

He defined the order of importance of the activities of the nation in the following words:—"Agriculture is the soul of the people and the foundations of the kingdom, industry ministers to the comfort and

happiness of the population; foreign trade is the super-abundance which allows of the due exchange of the surplus of agriculture and industry."

To his mind foreign trade was an object of secondary importance and should be the servant of agriculture and industry, which should never be subordinated to foreign trade.

He instituted tariffs to protect agriculture and industry, took complete control of the financial system of France, and effected the complete separation of the Treasury and the Bank of France, of which latter body he was the president. He repudiated none of the debts of the State, but refused to contract any new debts. He became his own banker and transformed the monetary system of his Government into a mere accountancy department. If he wanted money he borrowed it from himself; when he had ceased to need money he paid it back to himself. He made loans to agriculture and industry at low rates of interest, so that the borrower could pay it back as soon as possible. He said: "One has only to consider what loans lead to in order to realise their danger. Therefore I would never have anything to do with them and have always striven against them. Loans are not part of my system."

Napoleon's system did not suit the controllers of money at all: they flourished on financing foreign trade, shipping, insurance, and foreign loans. To them foreign trade was first in importance, industry next, and agriculture a bad third, the very reverse of Napoleon's economy. They wanted free trade, the free transfer of goods and treasure from one country to another to enable them to establish the Gold Standard, and to hold and manipulate the stocks and movements of gold, which they subsequently succeeded in establishing throughout the world.

The English aristocracy which fought Napoleon so tenaciously only partially understood the system of international finance, of which London was already the centre, and in so far as they understood they approved. Within four years of Waterloo, Parlia-

ment was to hand over to the Bank of England one of the major attributes of sovereignty, the control of the quantity of currency, in spite of the protests of the governors of the Bank, honourable men who dreaded such powers. The doctrine was established in England, a doctrine looking back to Adam Smith and linking up with the political theories of Whiggery, that government should stand aside and interfere as little as possible with economic laws. The same spirit led to the Monroe Doctrine to keep the Spanish colonies open for economic development, the spirit which made Napoleon seem a sort of Antichrist, shutting out from Europe the English manufacturer and the English lender of gold.

The triumph of the City of London was complete. Europe, like South America, was saved for the system of international trading and international lending which stamped the nineteenth century. The yoke of the money system was fastened on to the necks of all the peoples. Napoleon, who only admitted a foreign loan in the extremity of the Hundred Days after his return from the island of Elba when he found the Treasury depleted by the Bourbons (he raised it in London; it was one of his sayings: "Money has no motherland"), understood the far-reaching effects of the gold system and he made it the pivot of his much-admired reorganisation of France, to be his own bank, and to make currency the servant of industrial and agricultural production. He produced and maintained plenty in France.

It is a mistake to look too closely at his day-to-day diplomacy, and temporary improvisations, and to miss seeing his large objectives. It is a matter for debate whether he might have succeeded, and whether the millions born through the nineteenth century would not have been better off if this great protagonist of the rising tide of money had established the States of Europe on a basis which shut out and exposed the alien money power. The only answer, said Napoleon, which mankind has ever found to the usurer is the King by right divine.

This is a profoundly startling remark, the fruit of his high political intelligence, which will be remembered increasingly as the twentieth century finds itself able to stand clear of the nineteenth and see it for what it was, the moneylender's golden age.

The hatred of national frontiers, armies, and navies, of strong monarchy, and of the peasant state, is the ideology of international finance in quest of its profits, and since Napoleon died at St. Helena the money system against which his lofty genius was the last challenge has established its dominion over the bodies and minds of men, and 150 years have passed before men in general are even clear about the distinction between money and real wealth.

In the economic field Napoleon was 150 years in advance of his time, but in the political field he failed, probably because his experience of the excesses of the French Revolution had destroyed his faith in democracy, for he had learned to distrust and have a contempt for the town mob, and the peasants were not educated at that time and not organised. He followed a retrograde policy, contrary to the principles of the French Revolution, and established absolute monarchies, and attempted to establish an Imperial dynasty with himself as the first emperor. This policy was doomed to failure, even his military genius could not establish and maintain his continental system. The command of the seas by Britain; the enmity of the nations he had conquered, and the monarchs he had dethroned, or whose prestige he had marred; the war weariness of the people of France; and last, but not least, the bitter enmity of the money power who financed his enemies combined to bring about his downfall.

The principles of the French Revolution had come to stay, and the internal conflict between Napoleon's autocratic principles and the Liberalist principles of the French Revolution were bound to end in disaster for Napoleon—a tragic end for so great a man who, in spite of his excessive ambitions and mistakes,

restored law and order, established a balanced economy in France, gave liberty to the mass of the people of France, and left his indelible mark on Europe.

On the termination of the Napoleonic Wars the influence of the French Revolution spread throughout Europe, and popular parliamentary institutions, with constitutional kings or presidents, were adopted in the capitals of all European and American countries.

In Britain, the franchise was progressively extended until now it embraces the whole of the adult population; the Lower House became all powerful in financial matters, education became universal; the Corn Laws were repealed and free trade established, which for the time being gave a great impetus to foreign trade and industrial development, but gave a staggering blow to agriculture, and ruined Ireland, thus earning for us the lasting enmity of the Irish people in Ireland and America.

During the nineteenth century the oligarchy of international finance virtually ruled the world, screening its activities behind the façade of constitutional democracy. The exploitation of the peoples has been accomplished with a great show of liberty of both Press and speech, but it has been overlooked that money very largely controls the Press, and Members of Parliaments are by no means free from financial pressure, while the sources of party funds are kept secret.

Parallel with this political and economic movement there occurred a phenomenal development in scientific knowledge and invention, which gave an amazing impetus to the improvement of industrial technique, especially in facilitating rapid and cheap communications by land and sea, which brought about undreamed of prosperity during the nineteenth century.

Towards the latter half of the nineteenth century the continental nations found that they had to protect their agriculture from the flood of cheap food

from overseas and their industries from British industry with labour fed with cheap food from overseas. The U.S.A. also had to protect their industries from cheap supplies from Britain.

Eventually Britain also had to adopt a policy of protection to defend her industries against unfair competition from other countries who had themselves established industries. In fact, the free trade fetish had to be abandoned, and the time came, just before the present war, when Britain had to seriously consider the protection of agriculture, for it has begun to dawn on the British people that Napoleon's dictum that "Agriculture is the soul of the people" is correct, for the land preserves the best of the race, and, if given a fair chance, can supply pure, fresh, and nourishing food for the urban masses, without which they must deteriorate physically, decline, and perish. We are beginning to realise that cheapness and volume of trade are not everything, and that commercialism and foreign trade and finance must become the handmaidens and not the masters of industry and agriculture.

There is no doubt that the phenomenal material advance of the nineteenth century was greatly accelerated by the free trade, *laisser-faire,* Liberal capitalism of that period, but it was attained at a terrific cost. The exploitation and destruction of the material resources of the earth was devastating; new lands were opened up, overcropped, overgrazed, and turned into deserts; forests were destroyed regardless of consequences, causing floods, erosion, and denudation of soil, which, if cultivated with due consideration for the preservation of the soil, could have given permanent homes to thousands.

Dr. G. T. Wrench reviews the "Rape of the Earth," by G. V. Jacks and R. O. Whyte, in the "New English Weekly" of June 1, 1939. The following is an extract:

"LOOK WHAT WE HAVE DONE."

"The Rape of the Earth" is a world survey of soil erosion, its extent, its causes, its effects, and its prevention.

The first six chapters deal with the extent and causes of erosion, which are already known to readers of "Erosion and Soil Conservation" by the same authors, issued last year, as Technical Communication No. 36 of the Imperial Bureau of Soil Science shows, where also are the full references upon which both books have largely been based. But the present book goes much further than the Technical Communication, and deals with social, economic and political considerations of erosion, with a truly remarkable range and comprehension.

As has been said many readers are already acquainted with the causes and dangers of soil erosion, but the very first chapter opens out the wider vista of the value of the soil to men in this memorable sentence: "Below that thin layer comprising the delicate organism known as the soil is a planet as lifeless as the moon." The past and present misuse of this thin layer is then reviewed in chapters on Europe, America, Australasia, and the Orient. The speed and extent of modern achievements in misuse have been astounding. In parts of America, alluvial deposits tell the tale of great floods for the last 50,000 years. No floods for at least 20,000 years equal recent floods. Mr. Raymond Swing reckons that, if depletion continues at its present rate, the American continent will turn into the Sahara of the Western Hemisphere in a century. Two leading causes of this have been the system of land tenure and agricultural methods, which the farmers inherited from Western Europe, but which ultimately led to the ruin of the American soil. For similar reasons South Africa approaches desert conditions even more rapidly than does the U.S.A., where remedies are now being carried out with typical energy and skill. The African problem presents the difficulties of a variety of peoples, governments, and conditions, whereas North America, even if Canada is included, can introduce nation-wide measures of conservation. Australia is threatened by a danger of gathering momentum, yet, though she, too, has one central government, there appears a complete lack of a definite conservation policy for the country as a whole. The rivers of New Zealand, flowing in occasional flood from catchment areas denuded of forest, carry so much silt to the sea that the "process threatens to leave the country like an 'emaciated skeleton.'" The tale of the Orient is that of a modern acceleration of a slow or stayed erosion. Anti-

erosion measures in India are seriously impeded, and "an adequate organisation of such projects in a land of India's poverty and population would be a gargantuan task." China shows erosion at its worst, in the area of the origin of her civilisation, the wind blown areas of the north-west, where fierce rains have so long fed the destructive turbulence of the Yellow River. Conservative, intense cultivation in other parts of China supports dense populations. Japan, by a complete national organisation, conserves the fertility of her levelled fields, which make that country so exquisite in its cultivated beauty. Such, in brief, is the record of erosion throughout the world.

There follow chapters on soil conservation devoted to keeping the soil where it is. They can mostly be applied by anybody to his land, but, as Mr. Whyte profoundly observes, "when everybody ceases to be an exploiter, and becomes a conserver of the soil, the foundations of a society that has established itself on exploitation are shaken." At present this is distant, and the artificial land boundaries prevent soil conservation becoming the concern of a community because it inhabits only one river catchment basin.

Thus we are ushered in to the grand theme of the last part of the book, the change of values needed for the restoration of the soil. The present reviewer found this particularly absorbing, as he has in the press a book upon the same subject with particular regard to India. This part of the book is from the pen of Mr. Jacks, but Mr. Whyte's chapters, as has been shown, are infused with the same conceptions, and reveal the happy and rare conjunction of the two authors upon a great objective problem.

THE PERIOD OF PEACE FOLLOWING THE GREAT WAR WAS ONE OF DESTRUCTIVE WAR AGAINST THE SOIL. "Probably more soil was lost from the world between 1914 and 1934 than in the whole of previous human history." Men enriched themselves at the expense of the soil during booms, and strove to save themselves at times of slumps by overworking and underfeeding it. The result was sickness and death of the soil. Erosion will not stop unless some economic trend definitely antagonistic to soil exploitation becomes manifest throughout the world. Profitable land must be set aside for re-afforestation, large scale monoculture converted to mixed farming, grazing restricted, and sometimes temporarily abandoned, rural and urban water

supplies and drainage carried out on a regional scale, a widespread "owner-operatorship" must take the place of the present trend of land tenure. Radical changes in the present forms of society will be enforced by the dominant position of the soil. In Africa, for example, a modified form of feudalism, in which the educated Europeans will take the part of the overlords, is suggested, if the whites do not bring upon themselves their own exclusion from the Dark Continent. In vast continental, artificially-watered plains, the social organisation may perhaps have to follow the modern Russian type; more probably a type "will have to evolve slowly and painfully to an unknown maturity."

It must be wearying for intelligent people to be so often earnestly recommended to "read the book under review." But here is one that will prune away an immense amount of other reading. It sweeps away the "limitless optimism and deceptive sense of power that comes from wealth too easily won," and many illusions concerning our poverty amidst plenty. Beneath these tenets lies something which is scarcely discernible to the urban and manufacturing millions of the modern world, the life creating soil. Upon the paramount problem of the soil this magnificent book pours a brilliant illumination.

Mines have been exhausted and minerals consumed at breakneck speed; how long these resources of nature will endure is a matter of conjecture. Also the material outlook of Liberalism and the rugged individualism it fostered blunted social and humanitarian instincts and obscured spiritual values.

The materialist conception of life and the wealth and progress it brought with it were marred by the lack of distribution of wealth, and consequently the lack of economic security to the average individual. The accumulation of wealth, and hence power, in the hands of a few led to irresponsible luxury side by side with destitution; the cancer of unemployment; the masses becoming more and more proletarianised and less and less independent; greed, with waste of the earth's products; and Government itself, controlled by the new-found power of money, used to ends that were often base.

The twentieth century was ushered in with the

capitalist system fully developed. The banking monopoly was at its zenith of power, with controlled currency, credit, and large-scale industry, which had become more and more rationalised and concentrated into combines and cartels. It had railways, shipping, foreign trade, and insurance within its grip, and the farmers were engulfed in debt. The whole economic structure was getting further and further into debt, taxation increased, and the State itself was involved in this mountain of debt.

The processes of production, distribution, and consumption had begun to stagnate. Overproduction, which, properly speaking, is really under-consumption, and unemployment increased throughout the world, and the economic system was kept going by foreign loans which were never repaid. The cycles of booms and slumps intensified and became more frequent and distressing.

The Great War, 1914-18, caused by the ruthless militarism of Prussia, burst upon the world and brought nearer the economic impasse towards which the world was moving. Russia collapsed politically and economically and turned to Communism. Prussianism, which appeared to be mortally wounded, was revived with the help of capitalism, for it was the international financiers who supplied the money to enable Germany to rearm and prepare for yet another war, more ruthless than the last.

After the Great War, capitalism temporarily succeeded in reviving its former power, having raised the burden of the British nation's debt from 700 millions sterling before the war to 7,000 millions, and having persuaded Britain to return to the Gold Standard at pre-war parity, a suicidal policy which involved the nation in the great coal strike, followed by the General Strike, which threatened the nation with revolution. Subsequently Britain was forced by economic circumstances to abandon the Gold Standard, which proved to be much to her advantage in spite of all the forebodings of financiers, politicians, and economists.

The continental nations had much more drastic economic and political upheavals, which will be considered when discussing the revolutions which followed the Great War. The United States of America, after the slump of 1929-30, had to resort to President Roosevelt's "New Deal," which was in reality an economic revolution in such a strong individualist country as America.

The failure to reform capitalism after the Great War in 1918 and the attempt to revive capitalism in its old form have not only failed economically, but have led to the political disaster of the revival of Prussianism, and the world is plunged into darkness once more. Liberalism and capitalism, as we knew them in the nineteenth century, have received a death-blow and can never recover—it is a new world that will have to be built on the ashes of the old one.

CHAPTER III.

The Russian Revolution

THE Russian Revolution of 1917 was a revolt against an effete and corrupt ruling class. The sufferings of the people and the disorganisation of Government caused by defeat in war created the opportunity for open revolt.

Kerensky endeavoured to establish a liberalist revolution on the principles of the French Revolution of 1789, but the middle classes, who have always been the main supporters of Liberalism, hardly existed in Russia, and Kerensky himself was not of the type to make a dictator, which type alone could have held Russia at that time, for the peasants were ignorant, only wanted to own the land they tilled, and were too backward to appreciate Liberal policy; so the leaders of Bolshevism very soon gained control of the revolution.

Lenin, Trotsky, and the other leaders of Bolshevism were not proletarians, but intellectuals. Lenin, the chosen leader, regarded the revolution as a fulfilment of the prediction of Marx. Now Marx's prediction was that the revolution would be a class war, the proletariat on one side and the capitalist on the other, and that it would occur in highly industrialised countries. Therefore, according to Marx, owing to the backwardness of the country, a revolution in Russia *should have been impossible.* And yet, it was in Russia that the Marxist revolution was brought about.

On the other hand, the Italian and German revolutions, both in highly industrialised countries, developed in a way entirely different from that anticipated by Marx. The dictatorships came, but they were dictatorships not of the proletariat but of a political party without roots in any class, the party consisted of déclassés, individuals subjecting all classes to their rule.

In the development of Russia there had been for a long time a deep desire among the most educated and enlightened Russians to see their country completely transformed, but there did not exist any class in the country which was willing or strong enough to carry through a revolutionary change. That there should have been a revolution in Russia, not prompted by the interests of one definite class, is quite contrary to Marx's theories of revolution, but that only shows that his theories were fundamentally wrong. The Russian Revolution was a classless revolution. The paradox is that Marx and the theory of the class struggle provided its ideology.

The Russian revolutionary movement was much more classless than any similar movement in the democratic West. In its ranks were scientists, landowners, industrialists, bankers, rich and poor members of the intelligentsia, and workers who had attained a modicum of literacy. The social structure of the revolutionary movement became a dictatorship above all classes.

The Bolshevik group was organised in accordance with Marxian ideas, but at that time the proletariat in Russia was actually very small, so that a revolution could only be led by the intelligentsia and made by the peasant masses. These two elements were too far apart, but the limited number of the proletariat did form a link between them, for most of the workers had come from the villages, and they imparted the teachings of the revolution to the peasant masses.

There never was such a thing as a purely proletariat revolution. Lenin organised his party by excluding all actual industrial workers, and only admitted, by a severely selective process, what he described as professional revolutionaries. The connection between the Bolshevik party and the actual proletariat was not real but metaphysical.

The proletariat is supposed to have an interest in the Russian Communist state, but it is, and always has been, carefully prevented from having any say

in it. The so-called party of the proletariat is in reality a party above the proletariat. The dictatorship of the proletariat is, and always has been, a *dictatorship over the proletariat.*

And this result has been deliberately attained by the Bolshevik party since its inception. It is amazing how so many people throughout the world are still deceived by this Communist illusion in regard to the so-called "rule of the proletariat."

The Mensheviks opposed the Bolshevik conception of a dictatorship by a party and defended the western democratic ideals of self-government, which is an elementary condition for the existence of a true Labour movement, but the mass of the Russian workers were too dumb and illiterate to be able to take part in such a movement. The Mensheviks' ideal remained a dream, and Russia not only had no real proletariat movement but had no Labour movement.

Bolshevism was from the beginning a sort of Fascist movement, for it was the rule of one self-appointed party. There is a deep parallelism between the Bolshevik and Nazi conception of leadership. The Russian regime has been copied in many respects down to small details by all totalitarian movements.

Russia rejected the idea of a democratic self-governing party and built a party based upon a mass movement of obedience and acceptance of the judgment and the word of one man, namely "Lenin." Later, Germany did exactly the same thing and implicitly obeyed "Hitler." Lenin did not go so far as Hitler and call himself a divinely appointed superman. Lenin was too devoted to his Communistic ideals and too sane an individual to attribute to himself supernatural powers, but the role of superman leader was implicit in his idea of a party built upon obedience. He was drawn into that role against his will and Stalin necessarily followed in his steps.

Lenin, an impractical idealist, attempted to reconcile two extremes; he set out to put into practice at one and the same time the most ruthless

dictatorship and a greater freedom of the masses than had ever been achieved in history. This was impossible; it was the dictatorship that was the reality and the Soviet regime only a dream. Conflicts arose between the two extremes. The fiercest one occurred after the counter revolution had been defeated in 1920-21, when the Soviets led the workers in a demand for better food, better wages, and more liberty, and revolted against the dictatorship with the Baltic Fleet, on behalf of a régime of Soviets without the Communist Party, but this was rapidly crushed, and there remained the dictatorship of the Bolshevik élite, which became a totalitarian bureaucracy.

Lenin and his old guard kept up the illusion of the Soviet régime and regarded the reality of the Communist dictatorship as a temporary deviation which could easily be corrected. It was this illusion which caused the downfall of the old guard of Bolshevism, of whom Trotsky was the leader. Stalin was the only one who realised, faced, and welcomed the reality of the despotic regime. In order to carry on he had, by means of a ruthless purge, to get rid of the revolutionaries who stuck to the dreams of the past.

And so Russia became, in effect, a totalitarian state, and the so-called representative gatherings, with all the Communist jargon about rule of the proletariat, do no more than keep up the illusion of a confederacy of Soviet States.

The vast mass of humanity called Russia is emerging from a primitive form of social life, and anything may come out of Russia.

CHAPTER IV.

The Italian Revolution

THE Fascist Revolution of 1921-22 was due to the anarchical conditions of Italy brought about by economic frustration, and is a part of the World Crisis in which we are all involved. After the Great War the economic condition of Italy was far worse than that of her Allies, for Italy is a poor country with limited natural resources, and the Great War had exhausted her completely. Moreover, her parliamentary system was rapidly declining even before the war, her politicians were corrupt, and the people lacking the temperament necessary to make parliamentary government a success.

Italy, however, had not suffered defeat in war, and the people still had faith in their King, their aristocracy, the Church, and clung passionately to their ancient traditions and the culture of a great nation.

The Fascist Revolution was really in the nature of a counter revolution against the disintegration of the nation by the Communist creed. It was a revolution for the preservation of certain liberties, the maintenance of a certain level of culture and standards of living; it was not an effort to bring the people down to any level of riches or poverty, but a refusal to surrender a great cultural heritage.

The revolution brought in a totalitarian government with Mussolini as dictator—namely, rule by one party. But the Fascist Party had its roots in the traditions of the nation; they were not a gang of adventurers such as the Nazi Party of Germany. The movement was essentially a mass movement to save Italy from the chaos created by the complete collapse of parliamentary institutions, coupled with economic conditions which were paralysing the country. Parliamentary government in Italy was the result of undiluted democracy which, unlike

Britain, was untempered by a strong measure of traditional aristocracy so indispensable for pure administration. The power of all governments is fundamentally a power of prestige, and this had vanished from the parliamentary government of Italy.

Industrially the country was facing anarchy, and the Fascist Movement grew up in an infinite number of small circles of patriotic men in every town and village determined to hold together in the general post-war chaos. These small groups, "Fasci" or bundles, as they were called, were formed among workmen in factories like small patriotic soviets. Others combined to protect their property against gangs of thieves, for in the year immediately following the war the police could not give adequate protection. So bad had things become that Government was ceasing to exercise its most elementary functions.

The currency fell rapidly to one-fourth of its former international value, and prices in Italy soared to five and six times their previous level. No workman could live without a constant rise in wages and employers could not sell their goods in the impoverished market. Taxpayers' burdens were heavily increased. War profiteers made a vulgar display of their gains. Bolshevik propaganda was rampant and found a fertile field for the seeds of anarchy.

The country was obviously on the brink of an abyss. During daily strikes and riots these groups of "Fasci" remained resolutely together. Sensible workmen in these groups realised that no factory could pay as wages more than it was earning by the sale of its products, so they co-operated with employers to share sacrifices and maintain their industry.

The leaders of this movement were "National Syndicalists," of whom Alfredo Ruso and Rossoni were the most prominent. The ideal was that "all should participate in production, being associated in a genuine and productive fraternity of all classes of employers and workers." In other words, that the workers and employers should be associated and

co-operate in the production from their industry. By the time of the march on Rome in October 1922, there were nearly one million members of Rossoni's syndicates, which Rossoni gradually succeeded in binding together in one vast confederation. The result of this movement is seen in the fact that whereas 2,000 strikes occurred in 1920, there were only 200 in 1923, and in 1925 practically none. In fact, strikes and lockouts had become obsolete long before they were forbidden by the Fascist Government.

It was the working men championed by Rossoni and his fellow-syndicalists who brought about the peaceful solution of their industrial difficulties. The employers were often suspicious and held back until common sense and the object lesson of success in other factories brought them into line, and in some cases recalcitrant masters were forcibly coerced into co-operation by their own workmen.

After the failure of the occupation of factories under Communist leadership directly after the war the militant trade unions were abandoned by their members, who either joined syndicates that had made terms with their employers or remained outside altogether. The trade unions were not destroyed as in Russia and Germany, but were absorbed into the Fascist system and co-operated with the employers.

Mussolini, after he had seized political power for the Fascist Party and had settled down to reorganise Italy, adopted and centralised this syndicalist system under the control of the Fascist Party. In 1925 he called a conference of representatives from the confederation of trade unions and employers and concluded a treaty known as the "Pact of Vidoni Palace," whereby each undertook to recognise the other as the sole representative of their respective categories.

The Government legalised this agreement by Royal decree, and Labour Courts were appointed to deal with all disputed questions. These courts were framed to secure the strictest impartiality, the judges were regular members of the magistracy, ranking

with Judges of Appeal. The findings of these courts had the force of law, and any party refusing to obey them was liable to prosecution.

This sound principle was adopted by mutual consent, and strikes and lock-outs are definitely ruled out as methods of violence and barbarism, which they undoubtedly are. The State, which had previously claimed to be no more than the keepers of the King's peace between individuals, now took upon itself the wider function of preserving peace between classes and industrial bodies. Strikes, the aim of which is the paralysing of the profit-making process of the employing firm until the demands of the workmen are satisfied; lock-outs, which are designed to destroy the savings of the workers and starve them until they are forced to accept the employer's terms, were rightly held to be, in the nature of wars, destructive of the welfare of both combatants, whether victorious or defeated, as well as that of the non-combatants and the nation. In fact, the Government became a sort of league of all industrial classes.

This policy is, of course, the exact opposite of the Communist aim, which is to create war between the workers and employers and to destroy all other classes but the proletariat. Hence the bitter enmity between Fascists and Communists.

Six confederations of workers and six confederations of employers were formed, embodying agriculture, industry, land transport, sea transport, trade, and finance, and a thirteenth confederation was made of professional men and women. They send delegates to the supreme National Council of Corporations, which represents the entire productive forces of the nation.

The purpose of this organisation is not only to co-ordinate the interests of workmen and employers, but also to form a basis for co-operation between factory and factory, between manufacturer and distributor, and so forth. They control finance, do not permit it to dominate industry, and help the struggling but healthy concern to obtain credit from the banks; they

discourage speculation and unhealthy ventures; they assist research, encourage inventions, and help to improve technique; they regulate rates of interest and market prices as well as wages. Agriculture in all its branches receives careful attention, and the primary producer is assured of a fair deal in all that he produces. Guilds are formed to care for the tourist trade, and every form of activity has its own organisation, which co-operates with other trades.

The Corporate State considers private enterprise as the most useful and efficacious instrument for production, and the owners, the workmen, and the industrial experts are equally collaborators in the national aim. Every class of worker is cared for in accident, illness, and unemployment. Migration of labour from provinces or districts where labour is superabundant to those where it is scarce is arranged and organised, and seasonal labour is adequately housed.

Work is expected from all and the idler is disenfranchised. Every landowner is obliged to develop his estates, and mines, quarries, and fertile soil have to be properly managed. Ownership is a real responsibility, and private property is regarded as a trust, not an absolute right. Service or active co-operation is the justification for the institution of private property. The ideal of the Corporate State is that of a nation of families and individuals free to own property and encourage enterprise within specified limits, but unfair conditions, or harm to other classes and persons is not permitted, and the result is a nation in which none are very rich and none very poor. This was the theory; in practice it has been only partially successful, because of the overmastering control by the centralised Fascist Party, led by Mussolini, who indulged in foreign adventures and a huge expenditure on armaments, which crippled Italy economically.

The Fascist Corporate State rapidly restored order, and the chaos caused by a suicidal war of classes was overcome; agriculture and industry soon

revived under the influence of the corporate system; unemployment was overcome by a wise policy of expenditure on public works in town and country, which, unlike the dole, preserved for the nation that most precious of all national assets, the industrious habits of the working people. The draining of the Pontine Marshes near Rome, and establishing townships and villages in this area, the restoration of the Sicilian peasantry, and the carrying out of public works throughout the country, are standing monuments to the success of the Corporate State in the economic field.

The tragedy of Italy has occurred in the political sphere. A self-appointed irremovable party, however popular in its inception, as Mussolini's party undoubtedly was, is a great danger to any nation, unless the dictator happens to be a man of wide knowledge and foresight, in fact a philosopher, prepared to subordinate his own ambitions for the sake of his country, and to lay the foundations of a more democratic basis of representation. Such centralised power vested ultimately in one man can never be permanent.

Unfortunately, Mussolini, although a man of ability, strong character, and not by any means lacking in culture, was vain and ambitious to a degree which has obscured his better judgment. He has been obsessed with the illusion that he is a superman and can build a new Roman Empire.

This obsession, supported by Italian youth, who he had arranged should be educated to acclaim the glory of war and conquest and the supposed economic advantages of a colonial empire, involved the nation in the conquest of Abyssinia, which achieved an illusory prestige but an economic burden, and which gave Hitler the opportunity to seize Austria and bring the German menace down to the Brenner Pass. This, together with Britain's unstatesmanlike support of the already discredited League of Nation's policy of sanctions, threw Mussolini into the arms of Hitler, in the vain hope that Germany, Italy's most aggressive

neighbour, would help Italy to acquire a Roman Empire in the Mediterranean.

In reply to a question concerning his aims, Mussolini is reported to have said:—"We want to rule Italy. Power, not this or that economic measure, is the aim of all totalitarian regimes." It was this love of power, supported, it must be assumed, by a large section of the Fascist Party, that dragged Italy into the present war, when to have remained neutral would have been of enormous advantage to her, but Mussolini had committed himself and his country to power politics, and he was evidently obsessed with the assumption that when France fell, Germany must win the war.

This decision of Mussolini and the Fascist Party is the greatest tragedy that could have befallen an intelligent, cultured, industrious, and fundamentally peace-loving people, and demonstrates the inherent weakness and danger to any nation of a dictatorship, with a completely centralised irremovable one-party form of Government.

CHAPTER V.

The German Revolution

HITLER'S opportunity was made for him by a combination of disasters through which Germany had passed: the defeat of Prussianism by the Allies in 1918 and the economic disasters which followed in its train, the period of inflation and collapse of the currency which ruined the middle classes, unemployment and its concomitant rise of Communism, and finally the world economic crisis of 1929-32.

In 1933 when Hitler came into power at the head of the Nazi Party, he took measures on a very simple principle, namely, his will to conquer and preserve power at all costs without considering the consequences to the nation. Hitler has no other principles whatever. He seized power by means of deceit and the most ruthless treachery.

He won his elections by deceiving the workers, and under the title of "National Socialist Party" called the "Nazi Party" a "Workers' Party." It has never been anything of the sort. It was a lower middle-class movement composed of a nucleus of disgruntled and desperate adventurers who, like Hitler himself, had never been in regular work in their lives and had nothing but contempt for the working classes.

He offered the Social Democrats, at that time a strong party in the Reichstag, to recognise trade unions, and they imagined that they could collaborate with Hitler to fight reactionary forces—actually at that time the reactionaries were secretly supporting him. When, by the help of the Social Democrats, he succeeded in attaining a strong position in the Reichstag he proceeded to attain dictatorial powers in the most unscrupulous manner.

In January, 1933, by means of an intrigue with von Papen and a clique of Junkers and other reactionaries behind him, he became Chancellor and

thereby acquired supreme executive power at a time when the Nazi Party had nothing like a majority in Parliament.

This clique was itself deceived into believing that when Hitler revived the old Prussian ideal of world domination that the Junkers and other conservative elements, with the Army, would be able to control Hitler, but this illusion was subsequently apparent when the Nazi Party, by means of the development of the Gestapo, a secret service organisation, rapidly controlled the Army by means of the most brutal and drastic purges.

Between January and March 5, 1933, when the new elections were held, a regime of terror was instituted, and the famous building of the Reichstag was destroyed by fire (by Goering) and the country was stampeded into panic by stories of imminent Communist revolution. By means of these stories the middle classes were frightened, which enabled the Nazis to elect 288 deputies, which was still less than a majority.

The terror then became more open and pronounced, the Communist Party was suppressed. The Social Democrats still hoped to collaborate with the Nazis, and May Day was celebrated as a day of victory for the working classes and the Social Democrats voted with Hitler's Government in the Reichstag.

On May 2, 1933, all trade unions were completely abolished throughout Germany, all trade union buildings were occupied, and trade union leaders arrested.

On May 13 all trade union funds and property were confiscated.

On June 23 the Social Democratic Party was prohibited and its right wing leaders thrown into prison.

In July the formation of any new parties was forbidden, since then the working-class movement ceased to exist. Hitler, in a characteristically cynical speech, boasted that National Socialism had abolished class warfare. In reality both employer and em-

ployed had come under the control of the Nazi Party.

How the industrialists were deceived and gulled into allowing Hitler to attain power is described by Von Fritz Thyssen, once a great German industrial magnate, who subsequently stood up against Hitler and had to flee from Germany, and wrote in "Dos Nem Tagebuch," Paris, March 30, 1940, as follows:

"At the historic meeting at Von Schroder's home Hitler, true to his custom, promised us anything and everything, power and honours for Von Papen, orders and money, mountains of money, for Krupps. He assured us that he would institute a peaceful course for Germany, both at home and abroad, make an agreement with Britain, and a pact with the working class that would compensate it for the loss of its political rights and for the destruction of its trade unions, by a far-reaching system of social legislation. We had visions of a type of Christian Corporate State whose authority would be based on the Church, the Catholic Church in the West and the Protestant Church in the East.

"Neither objective nor subjective truth exists for Hitler —nothing, in fact, but his own ego, that grows more aggressively brutal and maniacal each day. I have thrown everything overboard that once bound me to this person and his advisers.

"Now I feel that at least one person must protest against the suicide of a nation, and that it is necessary to explain to my fellow-Germans what a travesty is being made of their Nation."

Not only did Hitler deceive and betray every party and every class with whom he had political dealings, but in order to make his own power secure he murdered in the most foul and ruthless manner many leaders of his own Nazi Party, who had helped him to attain power, notably on June 30, 1934, when prominent leaders of the Nazi Party were murdered. Otto Strasser, in his illuminating book, "Hitler and I," gives an excellent personal account of this period, as he himself was an ardent supporter of the Nazi Party, and managed to escape when his brother, Gregor Strasser, was murdered. Since then Ger-

many has fallen a prey to an astute gangster with his clique of adventurers.

In international contacts Hitler's principal weapon has been deceit and treachery, with the very efficient organisation of his Fifth Column. Austria succumbed owing to German propaganda; Sudeten Germans helped in the destruction of Czecho-Slovakia; Holland collapsed from traitors within; traitors assisted the invasion of Norway; Poland fell mainly by Fifth Column activities; "Flemings loyal to Hitler" are accused of having betrayed the main defence of Belgium on the Albert Canal, thereby opening out not only Belgium but Holland to the German blitzkrieg. But the masterpiece of the Fifth Column was the French debacle. Hitler did not strike until he was in touch with important Frenchmen who were ready to treat with him; the officer class had very largely ceased to believe in the Third Republic, or democracy; many had come to feel that an authoritarian regime was preferable as it would save the privileged classes; certain politicians had been worked upon, and France cracked morally. It is mainly to the Fifth Column and Hitler's genius for deceit and treachery that Germany owes her temporary triumph in Europe, but there is a limit to this kind of warfare which must eventually recoil on the experts in such methods.

In 1933 Germany was in the depths of the economic crisis and Hitler could not have kept power without doing something on behalf of the eight million unemployed and the hundreds of thousands of insolvent businessmen who at that time were walking the streets of German towns. It was the most urgent task of the Nazi regime, and could not have been handled on orthodox lines, even had the Nazis wanted to do so.

From the viewpoint of the Nazi, economics were only the means to a political end, but from the viewpoint of the masses, whose support was necessary, bread and butter questions were the most important, and it was a matter of far-reaching consequence that

these masses no longer hoped for salvation from the disasters of the slump by ordinary means, but were looking for some miracle to be worked by a saviour.

The Nazis chose to embark upon a policy of glory and grandiose expansion. They dropped the policy of deflation of their predecessors and turned towards a policy of creating work through State expenditure. They found ready-made from their predecessors an elaborate machinery for the all-round control of economic life.

The essential elements of production had been gradually brought under Government control. The Republican Government had played an important part in the fixing of wages rates, and had evolved elaborate machinery for collective bargaining and compulsory arbitration; they had made serious attempts to control prices; some of the biggest banks had collapsed and were taken over by the Government together with the industries they controlled; but most important of all, rigid control of foreign exchange had been established, and the Government controlled all exports and imports, and through that every branch of production.

With this machinery in their hands, the Nazi Government succeeded in abolishing the outstanding symptom of economic collapse, namely, "Unemployment." This was accomplished, however, without raising the standard of living of anyone. The level of consumption and standard of living of the German people had sunk very low. To bring about an apparent recovery the Nazi regime set all the unemployed to work forcibly, but without raising the total of the national consumption, in other words, to make the unemployed work for something like the dole.

If Germany had tried to raise the level of consumption of her masses she would have had to raise her imports, and to raise her exports proportionately. She would then have found herself involved in all the intricacies of world recovery. That would have been difficult and not at all miraculous. She chose instead

to raise the level of production without, at the same time, the level of consumption. This was done by turning the larger part of her industries into producing goods for non-consumption purposes, such as public works and armaments, and to cut loose as much as possible from international trade by the production of synthetic goods, with the object of making Germany as far as possible self-sufficient.

Many British and American businessmen, who can think only in terms of orthodox finance and capitalism, are amazed at how Germany has been, and is, financing the war without apparent inflation, but that part of the problem is easy once all production and distribution is under control. The State controls the banks, and monetary policy is subservient to the national interest, as it should be in Britain during the war. Credit is based upon productive capacity; thus Hitler can and does use all the labour, material, and equipment that is available to Germany.

Since 1935 Germany has been working at full pressure, and all the resources of the country have been strained to full capacity, mainly on armaments and preparation in every sphere of production for war, in a wild gamble for world domination, without any increase in the consumption of the people. This is how the apparent economic miracle was achieved.

The Nazis have achieved what appeared to be impossible, but it has broken the spirit of the German people, who have become subservient, apathetic, and fatalistic. The Nazis are quite aware of the tension their policy creates, they know that they are running a race against time. Not only the willing obedience, but the physical capacity for work of the masses is rapidly running out. The question for them is, can they conquer the world before the strength of their own people has collapsed? The leaders of the Nazi group are a set of desperate adventurers who, as Hitler said in his first war speech, have nothing to lose.

The Nazi economic régime is directed against the

interests of every class of the German population, with the exception of the Nazi bodyguard and its foul Gestapo.

Their economic policy has been achieved by stamping out every spark of private enterprise, the employers are nothing more than executive functionaries of the State; they have bolshevised the masses; it is a penal offence for certain categories of workers to change their job unless ordered to do so; jobs are allocated to individual workers, and they are prohibited from leaving them; unskilled workers are mobilised in millions under military law for building and bringing in the harvest; Poles, Czechs, and other foreigners, with prisoners of war, are mobilised practically as slaves. They have deceived the conservative classes by promising the destruction of Marxism, but in practice have established an economic system in no way differing from that of Russia, where the economic system was established by propagating the illusion of the rule of the proletariat. The genuine Communist in Germany never realised the Russian illusion, and actually helped the Nazis by violent opposition, which made the conservative element think that the Nazi regime would be different from the Russian regime, and deceived many conservatives into believing that an alliance with the Nazi Party was desirable.

In order to understand the true nature of the Nazi regime and its danger to the world, it is necessary to consider in detail a psychological aspect of the regime which is unique and quite different from the Russian or any other regime. Germany has never been impregnated with rationalism so thoroughly as Britain, France, or Italy, while they are a nation inclined to metaphysics.

Economic advantages only satisfy a part of their make-up, and that not the most important part. After the Great War, the fall of the monarchy, and the shock to their faith in racial superiority and world domination, left the German people morally bankrupt. They wanted something to believe in. These

metaphysical inclinations make Germany an incalculable country, and they inspire the oddest movements with extraordinary vigour.

Faith was lacking. Without faith the drab sacrifices necessary for normal recovery could not be achieved. Hitler supplied the sort of maniacal outburst which could move Germany. Hitler's regime is essentially a pathological attempt on the part of the nation to throw off an equally pathological depression.

To produce in the German people the necessary faith to establish his regime Hitler adopted an old and barbarous cult which flattered the German people.

What Germany is experiencing at the present is the wildest outburst of secular Messianism ever experienced. Hitlerism is the faith, first that the Germans are God's chosen people, by nature superior to all other people, predestined to rule the world and to bring salvation to it; and, secondly, that Hitler is the chosen prophet of the chosen people. There is no more than this in Hitlerism as a faith.

Ironically enough, there is nothing in this trite creed which does not go directly back to the Old Testament, except that the German people are substituted for the Jews.

History, that great master of irony, points unmistakably to the fact that the ultimate origin of this Messianism must be sought in Jewish history, and this attitude is still very much alive to-day among a section of the Jews.

The Jewish idea of the Chosen People did not spring from the exuberance of a healthy national life. It was the outcome of political disaster, of the loss of national independence, and was the reaction against the danger of national annihilation, which has threatened the Jews almost constantly for 2,500 years. The idea was that the misery of the Jewish people involved the certainty of their being chosen for something unique in the history of mankind.

Germany, on the whole, has had a very unhappy

history. She has lacked continuity of development; she has reached national unity at a very late stage; has been subjected for centuries to worse periods of disruption and crisis than any of the other Western nations, with the possible exception of Spain. These disasters have made a deep impression on the German mind, have left it with the feeling that it is very difficult for Germans to achieve what other nations achieved with apparent ease. For this reason German nationalism, and the German belief in the special mission of Germany, always had about it something peculiarly unbalanced, something pathological. Their aggressiveness and assertiveness is the desperate expression of an inferiority complex.

The analogy between the Jewish and German fate is limited, but the German people, especially the Protestants, have until recently interpreted their spiritual experience in the light of the Bible, and their own history in the light of the Jewish fate. This Biblical influence is even more visible in Hitler's own personal role.

It is, of course, not the complete spiritualisation which the Messianic idea has undergone in the Christian faith. Nor is it the relative spiritualisation of the Messianic idea in the thought of the greatest of the prophets, where Salvation was interpreted not as a ritual and political but as a moral and spiritual transformation. These elements of the Jewish tradition could never be assimilated by the Nazis. They have rejected and thrown overboard every belief in the spiritual values which were created about the same time in Hellas and Jerusalem. The Nazis could only go back to the oldest and crudest forms of Jewish belief, to the origins of the prophetic movement, and to the horrors which accompanied it in the days of Elijah and Elisha. Then the teaching was that once they had thoroughly extirpated every foreign influence Jehovah would make them masters of all their neighbours.

It is a development to which there is more than

one parallel in history. There is nothing new in the Nazi creed, and certainly no staggering revelation of German genius. The beliefs that the Nazis return to are so old that they have been forgotten and appear as something new.

Nor are these beliefs Hitler's personal creation. They were borrowed wholesale from Austrian Nationalist newspapers, whose ignorant creeds the young men adopted.

Nor must we be misled by the apparently scientific racial superstructure of the Nazi faith. Every secular Messianism has its peculiar scientific excuse. The Goddess of Reason was adored in the French Revolution—the revolutionaries sincerely believed that their horrors were perpetrated for the sake of bringing enlightenment. This new religion found a self-styled and self-contented high priest in Robespierre, otherwise a great leader of his nation in their hour of supreme trial, of combined civil and national war, but a man of foolish vanity with a streak of madness. Like Hitler he was a celibate, a despiser of money, and a hater of all sorts of luxury. The characters of the two leaders are similar in many respects. Marx's prophecy of the millennium was created on a hugh structure of sociology and economic theory, not all of it by any means valueless, but entirely ignorant of the spiritual and psychological structure of man.

Many of the Russian revolutionaries sincerely believed that the horrors they perpetrated would eventually bring about that millennium. Stalin and Hitler have created similar regimes to consolidate their power.

The Nazis have turned to biology rather than to sociology and economics. The science of society implicitly deals with human aims for a better and a higher sort of life, which is in essence closely connected with the Christian traditions of the value of the individual soul. That value is what the Nazis most hate. Therefore Hitler, in his search for an apparently scientific theory in support of his belief

in the Germans as a chosen people, could not use the science of man, but only the science of nature.

In themselves the Nazi theories of race are worthless and do not repay the trouble of any consideration. The racial origins of man are shrouded in mystery, although the studies of archaeology, philology and ethnology tend to show that civilised man originated in peoples of Aryan speech and culture over 6,000 years ago, and spread from Asia Minor; north as far as Greenland, Iceland, Britain and Scandinavia; west, as far as Spain, Portugal, and Britain; south, as far as Egypt, North Africa; and east through Central Asia, India, China, as far as Mexico, Chile, and Peru; and intermingled with the aboriginal races.

The so-called Nordic race is an unscientific appellation, for no one can tell exactly what is the origin of the Nordic race, which vaguely comprise the races emanating from Northern Europe, including Greenland, Iceland, Britain, Scandinavia, Northern France and Northern Germany, whose origins are exceedingly mixed. So that the Nazi racial theory has nothing but a pseudo-scientific backing for applying to the Germans the belief in a chosen people.

The fact that this originally religious belief, after having been secularised, should not be expressed in terms of sociology and psychology but in terms of biology, implies a rejection of the importance of the human spirit.

This pseudo-scientific theory of race is just propaganda to capture the imagination of the German people, to establish the theory of the Germans being the chosen people, and to chain them body and soul to the old Prussian militarist objective of world conquest and dominion; the true validity of the theory never mattered to the Nazi leaders, even to Hitler himself.

The theory of race makes a distinction between the Nordic race and other races, but Nazi politics make a distinction between the German people and

other peoples. By far the greater part of all Germans are not Nordics, and this fact is well known to the Nazis themselves, primarily to Hitler, who has probably not a drop of Nordic blood. These do not matter, because the theory as a whole does not matter. It is not a question of scientific insight, but of a secularised religious belief, which is apparently rationalised through the repeated use of plausible scientific terms, which lose all meaning in the confused tangle of Nazi propaganda.

In order to gain effectively this German militarist objective of world dominion, Nazi psychology has been exploited, and the barbaric sadistic tendencies of the German people developed into a cult of simple concentrated hate.

The genuine Nazis hate everything and everybody. They hate all their adversaries, which is tantamount to hating the whole world except themselves. Their hatred goes far beyond the hatred of real human beings. They hate even more all the things, beliefs, and attitudes which constitute the background from which they spring. They hate liberty as such, justice as such, love as such, but most of all pity as such, and the only occasions on which they are really profoundly overjoyed are those when they can exert their vengeance against helpless enemies, German Liberals and Socialists, Jews, Czechs, Poles, Dutch, Belgians, or French. Nazi literature revels in advance in the abominations which the Nazis will inflict upon all their future victims. This truly diabolical Nazi faith is the most terrible tragedy the world has experienced, as it holds nothing for the future of the world but the sadistic domination of a criminal gang, who are steadily demoralising the youth of Germany. Not all Germans, not even a majority of the German people, hold with this faith, but most Germans support the regime in the hope that Germany as a nation will dominate the world and bring prosperity to the German people.

This maniacal outburst has not contributed to the

moral and physical health of the nation. The superficial effects of the disasters of the last twenty years have disappeared, but the lack of balance persists, and has created havoc in the national and international situation.

It is most unlikely that the Nazi regime will be able gradually to transform itself into something more sober and balanced. When defeat comes the regime will crack and break to pieces, and it is almost certain that it will be followed by a deeper collapse—worse than the last after 1918.

Mr. F. Borkenau, in his book, "The Totalitarian Enemy," has made a brilliant analysis of German psychology, and the writer is indebted to this author for much that has been said in this note on that subject.

The German tragedy has been brought about primarily owing to the mental characteristics of the Prussian people, who have contaminated the rest of Germany. The Bavarians, Saxons, and Wurtemburgers are not a bloodthirsty race, but all Germans admire bullies, and bullies are invariably toadies. The whole German race, contaminated by Prussians, are tyrants to their inferiors, and crude and servile time-servers to their superiors, and will put up with any degrading service to keep their position. Added to this is a strong tendency to romanticism, and the lack of a sense of humour, which denotes an unbalanced mental outlook.

Prussia has dominated and demoralised the German peoples throughout Europe; there can be no compromise, for Prussia is an end in itself for those who have built it up; it has no geographical boundaries and no traditional principle of unity. Universal falsehood is pre-supposed, so is any extreme of treachery, or any extreme of cruelty. Only one thing is demanded by the Prussian spirit and that is the profit of Prussia. So long as any act subserves this interest, that act is acceptable. This end in the Prussian mind justifies the means, whatever that may be. The continued existence of Prussia and Europe

are incompatible. A dominating power strongly armed, that can create nothing, that can only destroy, will mean the end of European civilisation. Prussia has been active in destruction since Frederick the Great, and the chief thing which it has destroyed is German culture. Prussia proclaims its intention of building a new Europe, but it has no philosophy with which to inspire the task.

The only way to end this destruction is to destroy the Prussian Army, for Prussia has always restored its power by the restoration of the Army. This Army might have been destroyed in 1918, but the peoples of Europe were tired of war, and under the lead of international finance from London and New York Prussia was restored. And the statesmen and people of Europe and America had no conception of the appalling thing they had done until it was too late.

The Western nations are, therefore, by no means blameless in this tragedy of the demoralisation of a great nation, which threatens to wreck the whole world. At the Treaty of Versailles the financiers persuaded the statesmen, who were ignorant of economics, to impose on Germany the payment of an indemnity which it was physically impossible for her to pay, and even if it had been possible Germany would have had to export such quantities of goods as would have ruined the manufacturers of other countries.

Subsequently, the financial world, and the politicians, never gave Herr Stresemann a chance to save the Republic and Germany economically or politically, but poured money into Germany on short-term loans, in the greedy desire to gain high rates of interest. The subsequent calling up of these loans which Germany could not pay, and were consequently frozen, wrecked her credit. Had Stresemann had more foreign support, politically and economically, it is possible that the Republic might have lived, and there might have been no Hitler.

America abandoned the League of Nations im-

mediately after the War, in spite of the fact that President Wilson was one of the instigators of the League ideal; Britain unwisely supported the League, even so far as supporting sanctions against Italy, although it was obvious that it could not succeed, and that the League was already moribund, with the consequence that Mussolini was thrown into the arms of Hitler, which permitted the Germans to seize Austria and come down on to the Brenner Pass—the beginning of the tragic catastrophe for Italy. Britain also succumbed to a pacifist and disarmament policy, although ample warnings were given in Parliament, including Mr. Winston Churchill's speeches, that Germany was arming rapidly for another attempt at world dominion. When at last rearmament was decided upon, it was all too slow and dilatory, and conscription was not adopted till the last moment; the Labour leaders are very largely responsible for this. These factors encouraged Hitler in his purpose of world dominion, regardless of national or international consequences, and now the forces of evil, with their destruction of all civilised traditions, are pitted in an epic struggle against the lovers of freedom and the champions of a sane and stable new world.

CHAPTER VI.

Other Dictatorships

IN spite of the disastrous examples of Mussolini and Hitler, the conclusion must not be drawn that all dictatorships are evil; on the contrary, in times of emergency they are necessary to save the State from anarchy or defeat in war.

In the U.S.A. President Roosevelt is a dictator in executive matters and has a very strong influence on the Legislatures, but his term of office is limited to a period of years.

In Britain, to-day, Mr. Winston Churchill is virtual dictator, and in all probability will remain dictator for the period of the war. He has been appointed not by a Parliamentary vote but by pressure brought to bear on the Cabinet by the great majority of the people of Britain, who demanded a National Government of all parties, and who have a unique capacity of compelling Members of Parliament to follow their will, if it is strong enough and widely enough held and expressed. There is, however, no organised one party with a Gestapo to keep him in power; he remains a virtual dictator solely by the will of the people.

There are quite a number of dictators who have done great things for their countries, such as the dictators of Portugual, Greece, and Turkey.

The essential for a successful dictator is that he should realise primarily that no dictatorship can be permanent and that the State must be led into organising some system of representing the will of the people when the urgent necessity of the dictatorship has passed.

Kemal Ataturk did wonders for Turkey and reformed the country in the most amazing way; when he died he left it with a balanced and strong Government.

General Metaxas seems to have done wonders with Greece, and the entry into the war against the totalitarian powers of that small, ill-equipped, but gallant country is an epic of modern times.

But it is Portugal that has produced in Salazar the most unassuming, philosophic, and unique dictator. Mr. John M. Winder writes of him as follows:—

Salazar has no political ambitions; he is the only dictator who came to power without the aid of a private army, without intrigue or revolutionary organisation.

He has no illusions about the greatness of his task, and says so in no uncertain terms: he believes that the results of his reforms will not be conspicuous in this generation. "If we suppose," he has said, "that everything has been done, or, on the contrary, that nothing has been done, we do not understand that which is taking place nor the difficulty of that which we have set out to attain. In a revolution so great and so profound as ours, either we get nowhere at all or we succeed by the slow absorption of the new principles which inspire the life of men, and our progress will be just so far advanced as we can feel the improvement within our own selves. But, thanks to the patriotism of the people and the support of physical force, one can affirm that the foundations of the work of organisation are already laid and the more solid pillars already built."

This is the manner of speech of a dictator who is also a statesman.

Salazar has not exaggerated the magnitude of his task. When he was summoned to power from the comparative obscurity of a professorship of political economy at Coimbra by the military dictatorship in 1926, Portugal had reached the lowest dregs to which twenty years of Republican maladministration could bring it: twenty years of political, social, and economic chaos ended in the complete breakdown of democracy. Parliamentarism lay on its deathbed, and the death-rattle was distressingly audible in the Chamber of Deputies when the minorities fought the Government on the terms of the tobacco monopoly. For more than a week the disgusted deputies silenced the Ministerial speakers by drumming on their desks with the arms and legs of broken chairs; session after session had to be suspended on account of the pandemonium. Then General

Gomes da Costa went to Braga to summon the garrison to march on Lisbon. Before he went he advertised his project and challenged the Government to stop him: he gave a public interview to the journalists on the station platform: the police looked on and the train left. Within a few days he was marching on the capital at the head of an army, the politicians had disappeared over the frontier, and the military dictatorship had begun. The soldiers selected responsible civilians, men without political antecedents, to take charge of the Administration, while they themselves undertook the maintenance of public order. Among those summoned to the Cabinet was Salazar. He stayed exactly four days and then returned to his work at the university.

In 1928 the efforts of the new regime to restore the financial position of the country had to be recognised as a complete failure. It was a critical moment. The Government, in their distress, had recourse to the League of Nations. A delegation of international financial experts was sent to examine the situation on the spot. Their conclusions were that, though the situation was not altogether desperate, it would be an indispensable condition of any financial aid to establish certain guarantees to safeguard the interests of Portugal's creditors. Some of these were so humiliating that the Government rejected the plan out of hand.

Such conditions as the appointment of a foreign controller in the Ministry of Finance, and of overseers to supervise the limitation of their armed forces, were too degrading to the national pride. It was in these circumstances that Salazar was asked to return and take over the Ministry of Finance. Having examined the plan of the Geneva experts, Salazar undertook to solve the nation's financial difficulties without recourse to external help and on the country's own resources.

To accomplish this he had to thrust his hand deep into the pockets of every class of citizen; but he started at the top and demanded drastic cuts in Ministerial salaries and Departmental expenses. His most amazing suggestion, however, came to the army, the officers without whose countenance he could not hold power for a day; he suggested a reduction of their pay. This was already so reduced that many officers had to spend their spare time as private tutors, or even as rent collectors, to make ends meet. They accepted the reduction.

ORIGIN OF WORLD CRISIS

When he took over the Ministry of Finance there was an annual deficit of £5,000,000, which, in a period of six years, would have amounted to £30,000,000. In the six years of his administration from 1928 to 1934 there was a total credit balance of over £8,000,000, and he had, in that period, reconstructed roads, repaired and improved harbours, and ordered fourteen new and up-to-date units for the navy; and this during the world economic crisis. During this period Salazar also became Prime Minister, and virtual dictator, of Portugal.

Salazar has been the only dictator to seek a real return from the temporary expedient of absolutism to some practical form of political representation. After a dictatorship of ten years he has begun the return journey, not along the old tracks of Parliamentarism, but on a new road which he is pioneering to the Corporative State.

Everyone who is disturbed by the failure of democracy in so many European countries and by the drift towards either Fascism or Communism should be watching with interest the experiment being carried out in Portugal. Salazar's theory, being tried out in a small country with fewer complications, may provide a useful object lesson on the new principles of representation which, he believes, will have supplanted in twenty years the older forms of Parliamentarism in many democratic countries. The attempt to adapt the English Parliamentary system to all European countries he considers to have been one of the greatest mistakes of the nineteenth century, and he attributes to this error the breakdown of democracy in Europe and the imposition of the Absolute Party system on the liberties of the real nation. Even in countries where he admits that democracy has been able to acclimatise and function in an orderly fashion, he thinks modern problems are too complicated and too urgent to stay for the cumbersome machinery of Parliamentary Government.

The underlying principle of the Corporate State is to regard the people less as "citizens" and more as individuals, each with his own particular interests and vocations. Democracy lumps together all elements of society, dismembered of family, class, profession, degree of culture and economic status, and confers on them all alike the common title of "citizen" with the right to intervene in every undertaking of the State. This abstract grouping of the nation is contrary to reality and foreign to the natural constitution of society.

At the base of the social structure, Salazar places the family, which he calls the "irreducible atom" or the first element in the organic construction of the State. The family, as represented by its head, groups itself by natural instinct, according to its individual interests and needs, into associations which represent and further its own legitimate ambitions and aspirations. Civilisation has, therefore, created by instinct such corporations as universities, scientific academies; literary, artistic, and technical circles; agricultural, industrial, commercial, and colonial associations, and many others embracing the various activities and interests of the people. In the Corporate State these form the basis of political representation and are a more natural and real grouping of the people for the purpose of effective government than the artificial and heterogeneous grouping of the party system of democracy. It is the business of the New State to encourage the formation of these corporations, to multiply them in order to embrace as many of the national activities as possible, and to enlarge them into confederations as the principal factors of national organisation. By abandoning the fiction of party politics and adopting the association as the unit of national representation Salazar believes that he is gradually building up a State which will be freed from the pettifoggery of the political game, and will be efficient and untrammelled in the vigorous work of national reform.

At the present moment the Corporate State is in the process of formation, but it will be some time yet before the experiment is functioning completely enough to allow of one's forming a judgment as to its feasibility. The new Constitution gives a very definite status to the Corporate Assembly. Its scope of activity is to study in advance and to report all motions and bills brought before the National Assembly and to give technical advice or other information requested by the latter body. It is eminently competent to do this, seeing that it is composed of the representatives of the various corporations and can provide an expert judgment on all matters relating to the welfare of the community. Its sessions are held during the same period as those of the National Assembly. It sits in private and in separate specialist sections, doing the work of a permanent committee of inquiry. Its membership is composed of the representatives of local autonomous bodies and social in-

terests. Though it has no legislative power, it must be remembered that it has full representation in the National Assembly through the presence there of the representatives of the confederations.

The National Assembly in the New State is returned by popular vote and has legislative powers in common with parliamentary forms of government. The difference lies in the important fact that there are no parties or other possible combinations, for the simple reason that there is no possibility of Cabinet rank open to members of the National Assembly as such. The President appoints his own Council of State, and their tenure of office is for life and is not dependent on the confidence of the National Assembly. The initiation of laws comes from the President with his Council of State or the members of the National Assembly, but the Government is independent of the Assembly for its tenure of office, whether the Assembly approve or not of its policy, "The Government," says Salazar, "is independent of the Legislative Assembly and, in that way, of the electoral body, so that it has not to be preoccupied with the confidence of the Chambers, nor with the artificial movements of opinion, nor with the canvassing of party support."

Thus Salazar's New State is anti-parliamentary. It is equally opposed to National Socialism, to Fascism, and especially to Communism, all of which are based on the concept of the Totalitarian State. In all these systems alike we find the State set up as the party, subordinating the whole activity of its citizens to the interests not of the individual but of the State itself. The unit of the totalitarian concept is the party: the unit of the Corporate State is the family. The Totalitarian State may succeed for a time, a time of distress when the interests of the State coincide with those of the large majority of the people, but it is doomed to collapse in normal conditions, because its foundations are contrary to the natural rights and liberties of the people.

Salazar, in veering away from Parliamentarism, has avoided the temptation of State domination. He has suppressed political parties, but not the individuals who belonged to them. These he has persuaded to throw away their party banners, whether Monarchist or Republican, Conservative, Liberal, or Socialist, and to unite in a common endeavour to reconstruct the New State on the ruins of the old.

CHAPTER VII.

The Fall of the Third Republic of France

THE history of the Third Republic has been mostly the story of men with a sense of national self-preservation and of those men without one.

Since the last war and the passing of that sturdy nationalist, M. Clemenceau, especially since 1934, the sense of self-preservation seemed to decline rapidly. The Right pandered to Hitler regardless of the true national traditions of France. The Left, always incapable of thinking in terms of world affairs, proceeded to carry out economic experiments of lower output and shorter hours, apparently oblivious of the fact that next door to them, in Germany, they were working night and day feverishly on rearmament.

In the pacifist activities of the Socialist Party in the last war in 1917, M. Laval was one of the principal defeatists who attempted to lose the war for France; twenty years later, over the Abyssinian affair, under a different party, M. Laval abandoned France's policy of collective security; five years later he is one of the principal negotiators for a peace at any price with Hitler, and the formation of a Fascist form of government with Marshal Pétain as dictator under the heel of Hitler. Since then this unprincipled politician has done nothing but intrigue, entirely for personal aggrandisement, until at last Marshal Pétain found him out and dispensed with his services in the Vichy Cabinet. The history of this politician is typical of many French politicians of the past decade.

The French politicians of the last decade have shown an extraordinary lack of economic understanding, and both Left and Right showed how impotent they were to deal with the 300 families of France who controlled the financial and industrial activities of that country, avoided taxation, and finally sacrificed

the national interests of France in a fatal capitulation to Hitler from fear of the Communist element in the country. This element had attained considerable influence in the towns owing to maladministration and the corruption of the politicians.

Professor D. W. Brogan, in his book, "The Development of Modern France (1870-1939)," gives a comprehensive history of the decline of French politics, and the military collapse of France becomes more comprehensible in the light of the position of the army in 1914 as compared with that of 1870. "The Economist" of August 10, 1940, quotes from this book as follows:—

There was the same reliance on one or two weapons, without a sufficient study of their tactical use, their possibilities and limitations; there was the same under-estimation of the potential numerical strength and efficiency of the enemy. The Army of 1940 was still suffering from these disadvantages, with one or two others in addition. In 1914 the commanders were at least trained in the offensive spirit. By 1940 the Maginot mentality had supplanted this earlier school of strategy. In 1940, too, the size and equipment of the Army was probably even more unsatisfactory than in 1914. France's man-power had fallen steadily, and the years of hegemony rendered the French armaments obsolete (a state of affairs apparent as early as the Riff War). When the time for intensive re-armament came, France was plunged into the economic upheavals of the Popular Front.

The war of 1914 drove a wedge between the Army and the politicians. The Left were always anti-militarist, and in the dark days of 1917 their discontent led to mutinies against the officers who ordered "senseless massacres" while the politicians lived comfortably at home. The officers, too, resented the political control of the Government. After the War the distrust persisted. During the Stavisky scandals men deserted and officers gave up their commissions on the grounds that the politicians had betrayed them. Not that the distrust showed itself in indocility. The Army of France did not betray the Republic. It merely drifted into apathy and defeatism.

The France of Clemenceau and the victory was, to some

extent, a myth. The Republic of the Revolution and the Empire of Napoleon haunted the memory of the statesmen at Versailles, and France was saddled with a hegemony which fewer and fewer of her politicians were in the coming years to desire. Radicals with the vigour of Clemenceau were growing rare. France desired not dominion but security. This pacifism was not a post-war product. It had been strong after 1870, as Jules Ferry found when he was turned from office for engaging France in colonial wars. Only in 1914, Alsace-Lorraine and the policy of Revanche still acted as counterweights to the totally unbellicose outlook of a people who had fought a century of wars, had endured a century of revolutions, and wanted a quiet life. After the war of 1914, and the return of the "terra irredenta," France asked nothing but security, the only policy compatible with a falling birth-rate and a stationary economy.

Against this general pacifism of a state, which was in process of abdicating from an historic role, must be set the pacifism bred of opposition to the form of state. Gambetta's phrase, "France entered the Republic backwards," expresses well enough the opposition to the Third Republic in its origins and the deep hostility it continued to arouse. To the Right, Orleanists and Bonapartists, after the bitter disappointment of the Boulanger fiasco, made terms with bourgeois Conservatism; but the extremists, the old Legitimists and the new disciples of Charles Maurras and Leon Daudet, felt towards the Republic something of the same moral horror with which Voltaire looked on the Established Church. The evils of France were laid at the door of 1789, and the doctrine of a "pure monarchy" attracted the young Camelots du Roi, who in pre-1914 France may well be reckoned Europe's first Storm Troopers.

To the Left the same spirit of non-co-operation prevailed. Bred in the tradition of 1789, 1830, 1848, and 1870, the workers of Paris had the doctrine of anarchy and "direct action" bred in their bones. Trade union activity, as one of its first manifestos—the Charter of Amiens—shows, was no friend of parliamentary action and relied on agitation and the strike. Left Wing sympathy was further alienated from the Republic by the practice of most rising political careerists to begin on the extreme Left, and in their parliamentary career move with all possible speed towards

the non-committal Centre. Clemenceau, Millerand, Briand, to name only a few, lost their proletarian faith as they evolved; and the workers could be pardoned their disillusion. They got nothing out of the bourgeois state and lost their leaders to it.

The Republic could have fought disintegrating tendencies on each wing only if the Radical Centre had provided decent stable government. And this it never did. The machinery itself was partly to blame. De Broglie's and Gambetta's failure in the first Parliament to form solid parties to Right and Left was not retrieved. Not until the Popular Front of 1936 did a coalition go to the country on an electoral programme, and even then the coalition had broken within the year. The individualism of the Deputies was encouraged by President Macmahon's misuse of the weapon of dissolution. An omnipotent Chamber and fleeting Cabinets were the result. The reform of the Senate introduced an element of stability, and most of France's successful Prime Ministers have been Senators, but it could not fully compensate for the incredible irresponsibility and vapidity of the Lower House.

Yet the machinery might have worked had the men been different. But from the dawn of the Republic to the collapse at Bordeaux, the record of the French politicians is an unworthy one. Careerism was inevitable. It was the degree of corruption which gradually undermined the whole prestige of representative institutions. Within ten years of the Republic, the first major scandal had implicated the President of the Republic. Grévy resigned when his son-in-law's sale of decorations was brought to light. The Panama scandal revealed depths of corruption and blackmail. Close on its heels followed the long-drawn-out agony of the Dreyfus case, in which the honour of the Army was involved. And after it a host of major and minor financial scandals, of which the post-war Oustric, Hanau, and Stavisky affairs were by no means the most grave. The scandals had the particularly repellent character of combining a wide range of vice, for example, the Dreyfus case, which "ended in a stink of shabby lying and spying and the obscurity of a vulgar sexual scandal."

The more scandals, the more hostilities there were, the more old scores remained to pay off. The French political world tended to be a network of personal hatreds and group

vendettas. The words Professor Brogan applies to the Dreyfus case might be extended to the whole series: "A bloodless civil war which took its toll of honour and truth on both sides."

The loss of the great national tradition, the war weariness resulting from the last war, in which France was bled white, the easy-going complacency which seems to have overwhelmed public men in France and deeply affected the masses, a complacency which, alas, was shared by the military, the diplomatic service, and all the other institutions, are responsible for the tragedy which has overtaken France. The Fascist clique seized power and betrayed France, but they could not have succeeded if a suitable atmosphere had not been created for their activities.

A French commentator, M. Tout, in the "Weekly Review" of August 29, writes as follows:—

The British Empire has now the honour of standing alone against the powers of aggression. Small numbers of Poles, Norwegians, Dutch, Belgians, Czechs, and French are doing, and hoping to do, their share of the fighting beside their British comrades. This straightforward and honourable struggle is unfortunately not the only one going on. There is also a war of words and ideas raging everywhere, and it is important that we should not allow ourselves to be confused. The masses of the English, of the French, and of the Germans, who only know their own countries, run the risk of being misled by wholesale condemnations of the other side's theories. Some of the ideas put forward by the Nazis, especially in the economical sphere, are true, and the masses instinctively realise this. It seems, therefore, dangerous to condemn the Nazi ideology "en masse." Nothing that is right must be rejected. It should, on the contrary, be used to clarify our position and make it stronger. Some of these notions, for the Germans, may only be a mask behind which they are trying to conceal their thirst for power. But that does not destroy the value of these notions. Let us point to one of these as an example.

The victors of 1918 have been unable to tackle, as they should have tackled, the great economic problems which have confronted their countries and the world in

the last twenty years. Germany's bad faith and obstruction have certainly made these problems worse, but it cannot be said that Germany is responsible for the existence of these problems. It is too easy now for the Nazis to announce a new order and to dangle in front of the world the promise of a prosperity born of German reorganisation.

In England and France it has, however, never been deemed necessary to announce the planning of any future economic order. This absence of far-sighted designs is one of the most important hidden causes of the present war. In the last twenty years we have witnessed an appalling succession of economic crises. The victors of 1918 have contented themselves all along with palliative remedies. Germany now claims that she alone will have the courage and the tenacity required to replace all this disorder by the new order that the world is craving for. The silence of England and of France in this respect has served German propaganda only too well.

Another point to bear in mind is that in the political sphere the spectacle given by France in the last twenty years has been deplorable. For years, all conscientious French people have had the greatest misgivings regarding the future of their country. France had relied too much on her traditional faculty of "pulling herself together" in the hour of danger. When that hour came recovery was too feeble to undo the harm that had been done during all those years, and France was defeated. It is only natural that the French people should turn away from such a disastrous political regime. The Third Republic had dug its own grave and is now truly dead. It is impossible to blind oneself to that fact. Although one feels bound to condemn the present French Government of Marshal Pétain for its defeatism and for breaking France's pledge to her ally, one must keep in mind these two points, which go far to explain how such a Government became possible and which also explain some of its deeds

As for General de Gaulle, I am sure that for millions of French people he rightly represents France's sense of honour, surviving France's collapse, and I believe that his following will keep on increasing as time goes on and as the German invader unmasks himself. I believe that his soldiers are eager to find themselves again in battle, shoulder to shoulder with their British comrades. General de Gaulle

has preserved for the French the hope of regeneration born of the fulfilment of duty. His first thoughts are certainly of his task as a soldier. At the same time it seems necessary that every Frenchman should try to make a clear choice of the ideas which in the political, economic, material and spiritual spheres will help such a regeneration. Clear notions and common ideals, clearly expressed, are among the best ingredients for victory.

Marshal Pétain is an honest patriot and believed that he was doing the best for his country when France capitulated to Hitler, but it is a tragedy that he did not realise that it was a fundamental error to capitulate to so unscrupulous and utterly unprincipled a dictator as Hitler, whose objective is nothing short of complete world domination, and with whom compromise is impossible. Surrender to such a régime is the end of civilisation and all that France stands for. It would have been better for France, and more honourable, to have followed the example of Holland, Belgium, Poland, and Norway, with the greater advantage for France of being able to withdraw the Government to North Africa, with their fleet intact and as much of their army as possible, to continue the struggle with Britain. But he feared the Communist element and political anarchy in France, and did not wish to sacrifice more of the steadily declining population of France.

Robert Davis points out in the "New York Herald Tribune" that:—

In the preamble to his new constitution Marshal Pétain insists that the renaissance of France will be achieved by a sustained, sincere, and nation-wide will to work. It must be an effort engaging both imagination and manual skill, both brain and the sense of balance.

The venerable soldier statesman warns that his compatriots have been bewitched by the mirage of unduly short hours and unjustifiably high wages. The French workman of the present generation has been wooed away from his thousand-year tradition of meticulous hand labour, upon products which enjoy international appreciation, not because of their low price, but because of their harmony of line and colour, their originality of design, their finished workmanship.

In the mind of the head of the French State it is folly for his nation to attempt competition with the United States or with Germany in mass production. Wholesale manufacturing has never been the role of France, nor can it be now. In that race she is beaten before she starts. But she does have a recognized part to play in the world's economy. It is a role of which she may be proud, in which she can succeed, in which she has few, if any, rivals. And that is the capacity of her people for individual, painstaking craftsmanship. Her men and women have the gift of working slowly, but beautifully well. Their articles of style, charm, and taste are unsurpassed. But for them to be herded together, ten thousand under one roof, turning out some hundreds of automobiles per diem, by the assembly line system, runs counter to their instinct. This method of conglomerate production derives no benefit from the worker's particular aptitude.

Marshal Pétain's desire that France shall regain her true function, which is to be the furnisher of quality goods, and that hand labour shall be revived and encouraged, in what may be designated "Cottage industries," is a return to the standards of the medieval trade guilds. These corporations of master workmen dominated Continental industry until the era of Napoleon. They only fell into eclipse after the French Revolution.

It is this competence in the practice of a manual art that Marshal Pétain is endeavouring to revive among the workmen and workwomen of his nation. It is their birthright. Not to claim it would be spendthrift.

This demonstrates that Marshal Pétain is a man with ideals and genuine love for his country, but it is inexplicable that he should have failed to understand the true aims of the totalitarian enemy.

It is impossible to say what form the future Government of France will take; that it will change is inevitable, for the Third Republic has come to an end.

Charles Maurras, who has a facile pen and once had great influence in France, is a Royalist; and is free from the stigma of corruption, which has blackened the reputation of so many of the politicians of the Third Republic. He has always been anti-democratic, which is not surprising considering the

state of parliamentary government in France. His proposal was the restoration of the monarchy combined with a very complete system of local self-government, the link between the central power and the provincial authority being provided by means of deputations which were to arrange all points at issue, and to fix with the Government the amount of taxation to be raised by each province. There would be no central Parliament, and the Government would be carried on by a number of councils. It is doubtful, however, whether Charles Maurras's ideal would be suitable for France.

Reform in France has been long overdue, for the Parliament has been corrupt and rotten for some time, and was the cause of the spread of Communism, the disastrous " Front Populaire " administration, and finally the complete and sudden collapse of the Government under military defeat and the Pétain dictatorship, but only a dictatorship so long as Marshal Pétain obeys the behest of Hitler and governs his country to support the Nazi regime—a pathetic situation for a great and proud nation.

Whatever may be the political outcome in France after Hitler has been defeated, France with her traditional culture, which has given so much to the world, will survive.

CHAPTER VIII.

Britain in Evolution

BRITAIN is following her traditional rôle. Her power has always been closely connected with, and dependent upon, her tradition of free government. And that traditional British liberty always consisted in checking extremes, for no extreme is compatible with liberty.

She has undergone the most tremendous economic and social revolutions, but she has always worked them out gradually, because in contrast with continental countries (with the exceptions of Holland and Switzerland) the liberty of the politically mature classes to combine has never been broken. The one attempt to break that liberty led to the Cromwellian Revolution, very soon followed by the restoration of the monarchy and the old régime. The individual in Britain had never been an isolated atom crushed by an overwhelming bureaucracy.

There has always been in Britain a strongly developed, but never unlimited, freedom of corporate life. At one time they were corporations and guilds, organised on vertical lines, with masters and men in the same organisation. Now they are federations, trade unions, and professional associations, organised on horizontal lines. The content has changed, but the liberty of corporate action remains. It is a liberty more important than that of the isolated individual, though the liberty of the individual and the liberty of the corporate bodies cannot be rigidly separated.

It is this liberty which permeates British history. It has proved its living strength in the hour when Britain chose to fight. It is what must be preserved in all inevitable changes and adaptations. It is this which enabled Britain to attain the full development of Liberalism and Capitalism in the eighteenth and

nineteenth centuries without a definite break with the past.

Britain defeated the immediate outcome of the French Revolution in the person of Napoleon, who had gone to extremes. But the fundamental change in the French political and economic structure remained, and a few years later Britain, in an era of reforms, adopted most of the economic and many of the political results of the French Revolution.

In so far as the revolution was concerned, in freeing the road for the development of Capitalism and capitalistic industry, Britain in the end went further than France. Under Pitt she checked the excesses of the revolution and of its great heir, Napoleon. Under Canning she equally checked the excesses of the counter-revolution, thus opening the road to the long period of comparative peace and prosperity of the nineteenth century.

And now, owing to her faith in these traditional liberties, she finds herself at the head of an alliance against the totalitarian nations, and for a time was fighting alone, with gallant little Greece and the other allied countries stricken and overrun.

The problem for Britain is primarily to defeat Nazi barbarism, to destroy the Prussian menace for ever, and to annihilate the absurd German faith in racial superiority and world domination. At the same time this war against Prussianism must not be fought in vain once more. The fundamental cause of the totalitarian revolution must be recognised, and Britain must prepare for the peace and the new order of things which must emerge from the catastrophe which has overwhelmed the world.

In the early months of the war there was a flood of literature on war aims written by such well-known men as Lord Halifax, Sir William Beveridge, Lord Davies, Sir Norman Angel, Harold Nicolson. H. G. Wells, Sir Richard Acton, Lord Lloyd, and many others, but much of their effort is rendered obsolete by the collapse of France and complete change of government and policy in France. So

that it is of no use to consider in detail the future of Europe.

Britain is fighting for the broad principle of "live and let live," which has been the traditional policy of Britain and the United States of America. The British Commonwealth itself is evidence of this traditional policy. Similarly the long undefended frontier between U.S.A. and Canada and the relations of the U.S.A. with the American republics of Cuba and the Philippines, is evidence of the same policy in America.

During the war, however, it is essential to prepare for the peace in the economic field, since it is the collapse of Liberalism and Capitalism that has been the prelude and opportunity for the rise of the Totalitarian States. This challenge in the economic field has got to be answered.

Before considering this problem in relation to Britain it is necessary to consider the political evolution of Britain and the direction in which it is tending, for economic reforms cannot be separated from political reforms.

The British Constitution is unique and has proved to be eminently suited to the British temperament, because it has been evolved during centuries of experience. It is not a written Constitution, and is consequently elastic and capable of alteration and modification to fit in with changing conditions.

The success of the British Parliament in the eighteenth and nineteenth centuries was largely due to the fact that it was evolved without a complete break with the past and had a long and firm tradition of aristocracy—namely, "Class Government." The aristocracy and middle classes continued the leadership of the people, and maintained that leadership in Parliament by their ability, integrity, patriotism, and traditions of leadership, in spite of the periodical extension of the franchise until it embraced the whole adult population.

The British people have a genius for recognising and being loyal to leaders, and dislike violent

changes or mob rule. Class government has given Britain leaders with a traditional social discipline, whom the masses could recognise and instinctively follow. This cadre of leaders gave great strength to Britain, maintained her traditional sea-power, and built up the British Empire. During the period the Civil Service was the least corrupt and best-informed in Europe. No other country had such a well-knit and at the same time elastic political arrangement for the discovery of talent and character serviceable to the State.

The basis of this class government dates back to the Middle Ages, when the lords of the manors and squires governed England, and when the Universities of Oxford and Cambridge produced educated and cultured leaders. The public schools kept up the tradition through the nineteenth century. In the long history of England there was only one short break during the successful Cromwellian rebellion of the City against King Charles I., very soon followed by the restoration of the monarchy.

The basis of this kind of class government was the desire of the mass of the people for authority of this kind; it was not imposed by force or stealth, it was the product of the national character, which instinctively looks for a governing class of character and integrity. Consequently, the basis of that Government was democratic but the leadership aristocratic. That habit creates a Government which is a compromise between aristocratic government and democratic government, and no democratic government can be a success that cannot produce and be loyal to leaders of traditional integrity. It has borne fruit in abundance for Britain, it has created uniformity and unity of the nation, continuity and a passionate patriotism. This spirit has extended to the Dominions.

A further cause of the success of British parliamentary government has been that, after the Napoleonic wars and in spite of the difficulties experienced during the industrial revolution, Britain

experienced, on the whole, a long period of progress and prosperity, and there were no fundamental differences which would make it impossible for the minority party to acquiesce in government by the majority party.

This position is gradually changing. The Crown, although a valuable asset as a rallying centre for all British subjects in the British Empire, and whose influence would be invaluable in the event of a violent clash between parties in the British Parliament, has not the same influence and power as in the eighteenth and nineteenth centuries. The House of Lords has been gradually divested of all power, except the valuable one of delaying hasty legislation. Several attempts have been made at reforming that legislature from within, but without success. If it is to be a House of elder statesmen to interpret the real will of the nation, it must be reformed.

The centre of power and development of the leaders of the nation has been the House of Commons. In that House the traditions of class government gave Britain, during the eighteenth and nineteenth centuries, political progress, with unity and continuity in all her affairs, and an admirable selection of leaders for generations. This tradition still exists, but is decaying, the composition of the House is changing, the aristocracy and the squires no longer lead the nation, their place has been taken, on the one hand, by plutocrats; Press magnates, the heads of huge industrial combines and their satellites, and lawyers trained to politics and in search of advancement—men who can put up the money for party funds and elections; and, on the other hand, by professional Labour leaders, who are not altogether free Members of Parliament, but have to toe the line to a caucus in the shape of the trade union organisations.

In the early days of the twentieth century the growth of important economic problems created an element of uncertainty which steadily increased

until the war of 1914, which was to make the world safe for democracy, shattered the capitalist system.

The Liberal Party rapidly changed with the decline of Liberalism and Capitalism. Its *raison d'être*, when the franchise had been fully extended, ceased, and its policy of free trade and *laisser faire* could no longer cope with modern economic problems.

As the conflict of 1914-18 grew fiercer it became imperative that the executive should have a free hand, and with the diminution of the power of the legislatures the ideals of the old Liberalism received its death blow.

The Armistice found the capitalist system still in existence, and the attempt was made by means of party coalitions to revive the declining Liberal capitalist system by a return to the Gold Standard and foreign loans to boost up foreign trade, but in reality the system had been weakened everywhere by the four years of impotence and was incapable of withstanding the storm that burst upon it in the slump of 1931.

A coalition had been formed to keep Great Britain on the Gold Standard, but she was forced off it and profited greatly by the enforced change, in spite of the prophecies of economists, politicians, and financiers as to the dire consequences that would follow. The United States of America, led by President Roosevelt, adopted a revolutionary New Deal. The Two Party system in Britain was dead; in 1929 there were already three parties and coalitions became the fashion.

To-day, since the outbreak of war in 1939, the executive have, of necessity in total war, become all powerful, and the parliamentary system is in reality suspended. It is doubtful whether the system, as we have known it in the past, will recover entirely from this last blow.

Without any opposition we have rapidly accepted conscription and a national register; a council of industry has been set up representing big indus-

trialists and trade unions at a Ministry of Labour; vast measures have been adopted for the control of industry; taxation has been enforced which brings all classes to their knees; public opinion has been controlled; all and sundry have been enrolled in military or semi-military organisations for home defence. The people have agreed to accustom themselves to the unquestioning acceptance of orders affecting their whole lives. In short, Britain has rapidly marched along the road to the establishment of a totalitarian state, hardly realising that it has done so. This is necessary to win the war, and although it is a temporary necessity it is bound to have its effect after the war, and some aspects of this regime will remain.

The Liberal State, as we have known it, with its *laisser faire* policy is past. The freedom of industry to combine, and not only hold up the consumer to pay what is demanded but frequently to retard the progress of the industry itself; the freedom of the distributive organisation to compel producers to sell at a bare margin of profit, or even at a loss, and the consumers to pay high prices; the freedom of labour to unite and wreck not only their own industry but to hold up the nation; the freedom of finance to dominate over all and sundry, industry, labour, trades, and to control the nation, must definitely come to an end, for it has led to war and disaster.

The weakness in the political organisation of the country to-day lies in the lack of proper machinery for the choice of leaders. Mr. Winston Churchill is a traditional aristocratic leader, not only a man of ability and strength of character—for those qualities are to be found in the ranks of the leaders of the vested interests and of labour—but he is one of the old aristocratic stock, with the traditions of independent thought, integrity, and passionate patriotism, a born leader of men, with an intimate knowledge and sense of history, and love of the British people. It is to the credit of the Labour leaders that they were the first, rather than the Conservative representatives

of vested interests, to recognise in him the leader that the nation needed in its hour of peril.

There are others in the House of Commons and House of Lords—for instance, Lord Halifax—with the same traditions and broad outlook on world affairs, but the choice is becoming more and more restricted as time goes on; the danger of the future is a violent clash between plutocracy, which more and more controls the Conservative Party, and Labour, which has strong leanings towards a Socialist State.

If agriculture is not adequately represented in the House of Commons, and the nation fails to realise the national necessity of the revival and maintenance of agriculture; if, owing to the power of money, the representatives of the urban plutocracy tend to become more numerous and powerful in the House; if, again owing to the power of money, to form huge combines of industry, commerce, and trade, the small independent man is further eliminated and the people become more and more proletarianised by being forced into the ranks of the wage earners; if the spirit of compromise should disappear, then the differences between the parties will become fundamental, independent traditional leadership will disappear, and the British Parliament will become corrupt and will fail to function, as parliaments have failed in most of the countries in Europe.

Since the industrial revolution the urban vote has gone from strength to strength and the representatives of plutocracy have become overwhelmingly powerful. Agriculture in consequence has been grossly neglected and sacrificed to commercial and financial interests with their investments in foreign lands, which have been exploited to pay interest on loans and supply cheap food to the urban population in Britain. Nevertheless, agriculture is still Britain's most important vocation and employs a greater number of people than any one other industry. The farmers pathetically cling to the traditional Conservative Party, which, however, no longer holds the old traditions of the landed aristocracy, but is under

the influence of plutocracy and the urban voters, who know nothing and care nothing for the land. Yet the revival of agriculture is of vital importance to the future well-being of the British people, for it is at last being realised that it is the foundation of the sturdy race that has made the nation, and, if given a fair chance, will produce the fresh nourishing food so necessary to maintain the physical and mental fitness of the urban population.

In spite of the weakness and decay of parliamentary government in Britain, the system has done great things for the country. In the course of centuries it has helped to mould the character of the British people, and it is that character which has pulled the country through one crisis after another in spite of the defects of the system. Therefore, the principles of the system should be maintained at all costs, but it can only be maintained by reforms and adaptations to meet changing circumstances.

The essence of the democratic principle is to provide safeguards for the protection of persons, property, and opinion, within limits laid down by laws openly discussed and agreed upon, namely, effective provision for the redress of grievances, with special regard for the case of minorities. There are degrees in all things involving the human element. No form of government is perfect, nothing is final. "A brave new world" that achieved finality and perfection would be intolerable.

The British Constitution, with all its apparent defects and illogicality, has worked so far because there are enough people with a sense of proportion and humour ready to accept anomalies, irrational compromises, even derogation of liberty up to a point. That stage would never be passed so long as there was a sufficient basis of character amongst the people as a whole who would "play the game," whether he be king or commoner.

A system which in the last resort depends on the character of the individuals comprising society must give full consideration for individual rights, and is

therefore frequently and dangerously subject to delays in action. That is the penalty that has to be suffered for the advantages of the system. A dictator decides by his own will—or thinks he does—for it is probably a question of which interest catches his ear. The British system involves judicial inquiry, publicity, and an attempt to reach a compromise between conflicting rights.

Abuses and delays occur, but who can doubt that the system has an educative value for character, which stands the nation in good stead when contrasted with Italy or Germany, which are virtually slave States, with no chance of the development of character and individuality.

The British Constitution affords an assurance that whatever reform is just, honest, and intelligible will sooner or later appeal to, and be implemented by, a people whose character has been formed in the working of free institutions.

Whatever political reform is introduced, or adaptation made to suit changing circumstances, the fundamental characteristic of the British Constitution must be maintained to attain enduring and fruitful results.

That Britain is mentally preparing for changes and adaptations in her future political and economic life is evident from the following extracts from the Press:—

"*The Times*," *July* 18, 1940:—

In the European disorder of the past twenty years Hitler finds one of his easiest targets. He finds another in the contradictions of our economic system. German propaganda in recent weeks has been treading familiar ground. The chronic unemployment, the inequalities of social privilege and vested interests, the burning of wheat and coffee while men went hungry, the senseless accumulation of gold in Fort Knox, Kentucky—all these reproaches have been flung once more at the old order in the attempt to convince Europe that the time is out of joint and that Hitler was born to set it right. The first of these propositions admits no denial. The second can be most effectively countered by proving to Europe and to the world that we have, as we believe we

have, a better way than Hitler. Preoccupied though it is by the needs of defence and offence, the British Government should not allow Hitler's challenge to go by default. Much harm may be done to our cause, both in Europe and overseas, by the insinuation that we stand for the old order and that our only aim is to restore the *status quo* in Europe and to maintain it at home. This charge should be emphatically and authoritatively refuted.

"*The Times*," *August* 5, 1940:—

. . . This war carries with it a clash of social orders and social purposes. It has become a truism to say that we cannot put the European House in order unless we put our own house in order, too. . . .

The national standard of living stands urgently in need of an overhaul; for, however depleted our resources, there are some whose standard not only cannot be lowered but must imperatively be raised. This will dictate the aim. Attempts in the past to get the economic machine back into gear have gone awry because we thought it enough to organise and stimulate production, bringing upon ourselves the anomalies of under-consumption and "poverty in the midst of plenty." The consumer has too long been the step-child both of economists and of politicians.

No British Government can afford indefinitely to have a war policy and nothing else.

This is the moment when we should begin to think in concrete terms how to rebuild the good life. . . .

The "Manchester Guardian," August, 1940:—

England is willynilly involved in the problem of Europe's future, and our contribution to the design for post-war living must be a pattern of democracy and freedom which has substantial meaning for Continental peoples under the harrow. Against the specious talk of reconstruction with which Hitler is deluding those Germany has enslaved we should set to work to think out outlines of the positive programme to give an indication that responsible quarters here are planning ahead for Europe as a whole. We must not shirk the responsibilities of leadership. There is a big interim job of thought and discussion to be done.

The "Guardian" commends the speech by Mr. Bevin, in which it remarks: He said well that post-war reconstruction cannot be thought of only as affecting these islands,

but as international reconstruction which will take into account not only industrial interests but those of primary producers—agriculturists and peasants of the world. War itself is bringing developments that, as he said, must profoundly affect the conditions of peace—collaboration between the Dominions and the United States, the leasing of American bases and weaving together of American and British interests, defence of China, survival of the spirit of freedom in peoples enslaved by Germany. It is extremely important that we should encourage, as Mr. Bevin is doing, right thinking about the economic foundations of peace.

Commander King-Hall, "Newsletter," of October 3, 1940:—

In the nineteenth century Britain gave the world a new conception of political liberty, but failed to provide the economic security without which political liberty was for a large part of the population a meaningless token. The revolution which is now taking place—in the characteristic British way of not recognising changes until they are accomplished facts—is a logical development of total war. In total war every man and woman is an integral part of the State machine for waging hostilities, and his or her welfare is, consequently, a matter of first importance to the nation.

The trend is visible over the entire length and breadth of the British home front. For instance, tremendous strides are being made to raise nutrition standards and the general welfare of millions of working people in Great Britain. The problem of distribution is being boldly tackled by the British Government in co-operation with the Dominions, by buying up the entire production of different parts of the world of key commodities which, thrown upon an open market, would cause economic and financial chaos at this time. Profits are being controlled on an unprecedented scale, and the power of money in the hands of private individuals is rigidly curtailed. Domestic production and distribution, as well as the supply of essential raw materials, are the subject of State regulation, based on the war-time needs of the community.

Thus, while Nazi Germany offers Europe political serfdom plus economic control by the State, Britain is fumbling on the way towards the ideal of State control of British economy, but with the additional boon of political liberty. To date, authoritative statements of British war aims have been limited to the promise of political liberty for the peoples of Europe. Exactly how these peoples are to share in the

economic ideal towards which Britain is moving, remains to be stated by political leaders in this country. The moment when British statesmen can show in a clear and positive manner how a British victory can guarantee to Europe not only liberty but economic peace and security, this country will find ranged on its side new allies throughout the world, anxious to make certain that it is the British pattern of a post-war society which will shape the lives of to-morrow's children.

An "American Observer" writes as follows:—

There has come over the British people, under the leadership of Winston Churchill, a great change in ideas and outlook. Britain is not only fighting a war, she is going through a revolution. British thought is not confined to military problems of the moment. It is able, with remarkable detachment, to appraise the nation's long-term needs and lay plans for meeting them. They give a hope that a new Britain will arise which, in the practical application of democracy, will out-distance the world.

The spirit of progress by discussion and compromise is very much alive in Britain, and there is no doubt that the people, awakened and chastened by the hard experiences of the war, will rise to the occasion in due course, and demonstrate to the world that the British Constitution is a living organism that can, by example and free association with other nations, develop a new world out of the chaos which the decay of Liberal Capitalism has brought about, and which Prussianism has precipitated into a catastrophe.

CHAPTER IX.

The Totalitarian Challenge

THE main contention of the totalitarian Powers is that liberty is no longer compatible with the social and economic needs of our time. This challenge has got to be met, not only by force of arms to defeat the criminal gangs who have taken the opportunity to seize power, but to expose the illusions created by them in order to maintain their power, and to offer a better solution of the economic problem.

The totalitarians take pride in being the strong arm of necessity. They look upon themselves as the young and vigorous forces fighting against an old and decaying order of things. Their solution, with the destruction of liberty, must be opposed by a constructive one, based on liberty, with a correct understanding of those powerful trends of social development, which no individual and no country can resist. Both in the national and international sphere some positive programme must be worked out to overcome the social evils which exist. And this programme must be such as will be a powerful moral weapon to overcome the totalitarian solution of the economic problem.

When Hitler says that he is fighting the evils of a demo-plutocratic system he is partially correct. The alternative he offers of the domination of the superior German race is the most crude and ancient of barbaric ideals which could not have been put forward had Hitler been a great man. The challenge, however, is there, that the democratic nations are very largely controlled by plutocrats, a challenge which has got to be met.

The Duke of Pistola, in a recent speech to the Blackshirts at Turin, after warning the United States of America to keep out of European affairs, said:—

"The rule of Gold and Raw Materials must come to an

end for ever and be replaced by the domination of the whole people who produce and labour."

This is, of course, mere jargon, like the jargon of "the rule of the proletariat," for in Italy it is not the people who produce and labour who rule, but the Fascist Party who have forced Italy into a war which the people did not want. But the challenge has its appeal, and the only answer will have to be the proof that gold and the owners of property do not actually rule the democracies.

The theory of Communism and "the rule of the proletariat" is a myth inherited from Lenin, for it is the party who actually rule; neither the proletariat nor the peasants have any say in the matter. The appeal, however, is a plausible one, appeals to the ignorant, and is a strong appeal throughout the world, and forms the most disruptive element in all nations. It has been the cause of the rise of dictators and Fascism from fear of Communism and its danger to the body politic. It does not seem to have been realised by the supporters of Fascism or Communism that both cults inevitably lead to the same system of totalitarian government.

The answer to that appeal is a government with a democratic basis, but with sufficient bureaucratic control to ensure that the liberty of the individual is not utilised for un-social purposes: at the same time to uphold liberty of speech, liberty of opinion, liberty to own property within such limits as will prevent social wrongs, such as unemployment, destitution, under-nourishment, appallingly low standards of living, and bad housing conditions.

The Communist theory assumes that all men are equal and therefore that all men should be economically and socially on the same level. In reality there is no such thing as equality, all men are different, variety is almost infinite, it would be a dull world if it were not so. A "Brave New World" of equality in all things would be intolerable, it does not and cannot exist. The answer to that challenge is that Com-

munism means a slave state, the loss of initiative and liberty, and must be met by the democracies with a system that recognises infinite variety, but gives to all equality of opportunity to live their own lives in their own way, with the family as the unit, to acquire property according to their talent and services to the nation, within the limits necessary to protect their neighbours from injustice.

The despotic governments of to-day gibe at democracy, and are hostile to all forms of parliamentary governments, which they hold up to derision and hatred as being really plutocracies. The so-called free Press, they say, is controlled by the power of money, to found and maintain huge circulations and to be at the beck and call of wealthy advertisers. These allegations have a foundation of truth, and if the totalitarian enemy is to be deprived of all moral standing the challenge has to be answered and adaptations made in the political and economic spheres to correct these defects.

In the economic sphere, the climax predicted by Marx has arrived. The totalitarian revolution marks the transition from an economic system run by individual property owners at their own risk for their own profit to a centralised and planned State economy. The freedom permitted in the capitalist system has resulted in the formation of cartels, combines, trusts, and monopolies by the sheer power of finance, controlled by a few people, which has brought about an economic crisis, only relieved and postponed by the horrors of war—a condition which, if not reformed, must end in the complete collapse of the capitalist system and the triumph of the collectivist ideal, and the servile State.

A change in the capitalist system is therefore inevitable. The necessity of the change has been made obvious by the various inquiries held into the powers and actions of trusts and combines, more especially in the financial sphere. The Banking and Currency Committee in the Senate of the United States of

America, instituted by President Roosevelt in 1933-34, revealed an amazing state of affairs, which is very fully explained by Ferdinand Pecora in his account of the evidence given before that tribunal, in his book entitled "Wall Street Under Oath." Without breaking the law, but by merely circumventing it by ingenious methods, the managers and directors of the most trusted national financial institutions in America displayed a complete lack of any standard higher than that of individual greed and acquisitiveness, which gives unimpeachable evidence of the corruption, decay, and demoralisation of the capitalist system. Laws were subsequently passed to prevent a continuance of these abuses.

The democracies are gradually introducing changes to deal with the deadlock to which the present capitalist system has brought the economic life of the world. President Roosevelt's "New Deal" was a veritable revolution in such an individualist country as America, and more changes must follow which will be accelerated by the war. That President Roosevelt should have been elected for the third time has a deeper and wider significance than the immediate objective of helping to defeat the totalitarian enemy—it is the American people's seal on all that for which President Roosevelt stands.

Speaking on January 6, 1941, to Congress, on the state of the nation and of America's enormous expenditure on defence, he said:—

"No person should try to be allowed to get rich from the programme. In future days they would look forward to four essential freedoms: freedom of speech and expression everywhere, freedom of and right to worship God in their own way everywhere, freedom from want, and freedom from fear."

These are the words of a great man with great ideals, speaking to a great democracy, which should give hope to all who value real freedom.

That Britain is preparing to meet the totalitarian

challenge of a new order for Europe is exemplified in the following articles in two journals devoted to economic problems.

"The Economist" of August, 3, 1940:—

Dynamic Democracy.

The case was made in these columns two weeks ago for an immediate return, as an urgent part of the national war effort, to the native English tradition of progressive reform. Dictators are not the only ones who cannot stand still; any social structure, in a dynamic world, must move either forwards or backwards. The merit of our tradition, which has given us to-day not merely our wealth and strength but our magnificent national unity, is that it has solved the problem of securing steady social and economic progress, as rapid on the average as in any other country without the brutality and bitterness of revolution. From generation to generation Great Britain has been in the van of progress, until to-day we have more freedom, more welfare, more unity than any other country in the world, save only those who have inherited the same tradition. If we are to hold our lead and rally the peoples of the world to our standard, we must show that the English way can still achieve as much as any revolution.

It is not enough, however, to issue a call, however stirring, for a return to the native tradition. The principles must be given embodiment, the abstractions must be given a concrete form. What, in fact, can we do? What actions, at this critical moment in our history, would the English tradition dictate? We can be sure that it would not bid us wait until we have reached agreement on some grand economical ideology of universal application, or bid us postpone action on any partial plan until we can evolve something really revolutionary. We can also be sure that the English tradition would not tell us that it is impossible to do anything in war-time. Time was found in all the preoccupations of the years 1917 and 1918 for such things as Fisher's Education Act, the Representation of the People Act, the Sex Disqualification (Removal) Act, and for considerable extensions of unemployment insurance and the health services. As in these years, we shall be compelled by the exigencies of the war itself to do a number of radical things. It is surely better to do them with our eyes open to the future, to do them logically and consistently than to do them

haphazard and provisionally. Under the tremendous pressure of the war, the social and economic life of the country is, in any case, going to be forced into new shapes. Let us take a hand in the moulding.

To draw up anything in the nature of a complete programme would stultify every word that has been written above. But it is possible—and necessary—to mention, by way of example, the sort of practical progress that we might now be undertaking. There is no need to go in search of subjects for reforming. All that is necessary is to see what is under our noses, to take some temporary expedient that is forced upon us by the war and, with such adjustments as are necessary, build it into the permanent structure of our growing democracy. We have, for instance, been compelled to realise since the outbreak of war that the community has greater obligations to the citizen, and the citizen greater obligations to the community, than either has hitherto been prepared to admit. When the needs of war make it necessary to enforce a general lowering of the standard of living, the idea of a national minimum standard of living, hitherto no more than a notion, begins to take on the semblance of a concrete fact. Public money is devoted to the cheapening of food and the increase in various social insurance payments. Faced with a challenge to the whole idea of democracy we are compelled to think out afresh, and defend with fresh vigilance, the basic liberties of the citizen. On the other hand, when the community is under a direct threat the citizen discovers in himself an unsuspected anxiety to serve.

There are here the makings of a new social contract between the citizen and the State. By the gradual addition of one temporary expedient to another we are, in actual practice (though we may not realise it), drawing up a modern Bill of Rights, whereby the citizen is guaranteed not only his personal liberties but the minimum of economic welfare and security that will enable him to enjoy those liberties. Let us make a list of the minimum requirements for decent living. It will include the familiar basic guarantees of the dignity of the individual—freedom of speech, writing and religion, the right to a fair trial, the subordination of all government to the rule of law. But it will also go much further; it will establish minimum standards of housing, food, education and medical care. It will provide security

against the various undeserved misfortunes, such as unemployment, accident, widowhood and old age, that can reduce an individual's sufficiency to destitution. It will relieve the material poverty that too often accompanies the spiritual wealth of the large family. If we were to do this, we should find that a remarkably high proportion of the whole list was already secured in this country by the unrelated provisions of a score of enactments, that many of the gaps (family allowances, for example) will probably have to be filled before the war is over, and that the cost of establishing the remainder is not impossibly high to contemplate. If, in fact, we approach so closely to such a real Bill of Human Rights, a double purpose would be served by embodying it in a formal declaration. We should be nailing our democratic colours to the mast and reinforcing our own faith in the principles to which we adhere. And we should be issuing a challenge which speaks straight to the heart of the ordinary man—a challenge which Hitler could neither ignore nor accept. "This," we could say, "is what Democracy promises and performs. What have you to offer one-half as good?"

The counterpart should be a Bill of Duties that the citizen owes to the community of which he is a member. At the moment we inevitably think of duties chiefly in terms of military service, and though we may hope that a measure of compulsory training will permanently survive the war it would be disastrous if the idea of service came to be bound up entirely with the bearing of arms. In a modern community there are a thousand ways in which the citizen can give his personal service to the State, and the minimum of rights will be the more cherished if it is paid for by a minimum of duties. For too long we have thought and talked of the State, an impersonal dispenser of free doles; we must now think of the community, the commonwealth, to which we give, from which we receive, of which we are all members. This is the democratic answer to one of the great problems of the age, the proper relations between the citizen and the State. We are fighting Hitler because we detest the solution that he has imposed. Here is a means by which, while the war is still in progress, we can establish our own solution and proclaim the faith by which we live and die.

A second field in which the war has revealed the need for drastic action is in the search for personal ability. It

has been one of our boasts in the past that our social system, with all its peculiarities, was a matchless breeder of ability, and in past generations we have certainly had less incompetence in high places than other nations. But the picture is different to-day. We realise now to our horror that in every walk of life there is nothing but mediocrity at the top—or else (what is often worse) so little ability that it is over-burdened and forms itself into a bottleneck. This is true of politics, of industry, of finance, of art, of journalism. It is most peculiarly and disastrously true of the Civil Service. But no one who knows the British people can doubt for a minute that the raw material of leadership is still as abundant as ever. The trouble is that we have forgotten how to select it. And that, in its turn, can be traced to our educational system. The existence of privileged and exclusive schools and universities is no new thing; but the convention that these privileged institutions are the only channels of entry—or at least the only channels of unhandicapped entry—into all the dominant forms of professional activity is a very new thing indeed. The result is that, in spite of the great extension of the public schools, in spite of the great growth in university scholarships, the field of selection for the important posts of state and society has been narrowed. Two generations ago, as now, it was an advantage to any young man to be able to put Eton and Christ Church after his name; but it was not then a handicap to be without these magic claims. We are unconsciously excluding a whole race of able young men and women from positions of responsibility; we are preventing them from taking full advantage of the scholarship ladder by giving them a subtle sense of inferiority (this is the only country where variations in accent are economically important), and we are depriving the State of the services of men of ability by a form of nepotism that is the more deadly for not being confined to ties of blood.

To draw from this state of affairs the moral that all education should be reduced to one dead level would be the wrong conclusion. To have special schools for leadership and to clear obstacles from the career of their graduates is a source of enormous strength to any state—provided the raw material is carefully selected. Let us keep the public schools and the universities as special channels of advancement—but let us see that only those who show proof of

ability enter upon them. As in many other respects, the need is not to throw overboard the old liberal principles, but to supplement them. "La carrière ouverte aux talents" needs to be modified into "La carrière fermée a la manque de talents." This is, of course, a tall order. It embraces far more than educational reform. It involves, for example, a disappearance of the rigid line between the director-caste and the employee-caste—a distinction having nothing to do with ability—that hampers the whole of British industry and can be seen at its clearest and most damaging in the City of London. But an opportunity for a first beginning is provided—or, rather, is thrust upon us—by the war-time coincidence of the evacuation of some schools and the financial embarrassment of others. Let us not patch and temporise, but lay the foundations of a system that can blend what is best in both our present disparate and unconnected educational systems.

A third example can be taken from a field which is familiar to readers of "The Economist." Within the last generation, the British national economy has been converted from one based on competitive free enterprise into one whose strategic centres are controlled. But the occupying forces are not those of the state, still less do they fly the flag of the public interest; they are the feudal levies of private monopolies. The effect of combining a policy of Protection with a deliberate encouragement to monopoly has been to put the country in thrall to the ring, the combine, and the cartel. Even before the outbreak of the war there was hardly an important price in the whole country that was not rigged by those who charged it. The irony of the matter is that this system was frequently referred to as control by the producers; but the emergency of war has shown that to produce is the one thing that our costive neo-feudalism finds the utmost difficulty in doing. We must at all costs end it, if the lead in standards of welfare that we inherited from our competitive past is not to be lost to other more agile and less petrified economies. Here, again, the war not so much offers an opportunity as imposes a categorical imperative. The state is compelled to exert a dynamic control in the interests of the community and with the supreme object of increased production. The aims of a peace-time economy are different; but we may learn the methods by which a controlled economy can be worked, and we may

begin to create a race of men as competent to administer British industry in the general interest as their grandfathers were to administer the other functions of the State.

These examples are summary; but enough has been said to show that there is no lack of possibilities of real progress in democratic construction lying immediately to hand. We are, in fact, faced with a golden opportunity if only we can have the vision to realise that we are neither likely nor anxious to see the world of the 1930's again, but rather that we must bend our energies to the wise construction of the new. The bricks and mortar are there—not, indeed, for a grandiose new building designed with all the tyrannous symmetry of a Versailles or a Reichskanzlei—but for a new wing to be built on to the less pretentious English structure so as to combine the beauty and the solidity of the traditional with all the efficiencies and conveniences of the modern age.

"*The New English Weekly*," 29*th August*, 1940. *Dr. K. E. Barlow writes*:—

"Lebensraum."
(Better Plan.)

In the recent weeks Hitler has shown his hand. He has laid it down that France and Rumania are to be developed as the agricultural colonies of industrial Germany. The significant feature of this scheme is that it implies a *limitation* of industrial development on the Continent of Europe. This is a very startling and revolutionary plan. Can any justification be found for it? It is not my purpose to consider how the balance of advantage is to be struck between the industrial centre and its agricultural "lebensraum." What interests me is the very obvious reversal of policy implied in limiting industry.

Elaboration of plant and ingenuity of invention have filled the markets of the world with an abundance of goods which has in time of peace proved to be a great nuisance. Every nation has attempted by tariffs to keep the products of other nations' machines from its own purchasers. Inventions have been bought up and withheld lest their use should displace labour from employment. Export surpluses have been offered for exchange to agricultural lands, and then, through the attempt to find agricultural crops for market, have exhausted and destroyed their soils. Thus since the last war we have had the curiously chaotic spec-

tacle of disordered industrial elaboration on the one hand and an agriculture of unusable (or at least unused) surpluses on the other. Meanwhile, the sort of remedy which has always been put before us has been more and more of this same type of industry, and the theoretical assumption in which we have been schooled has been that all nations could share equally in the benefits of industrial production in as far as they could get themselves industrialised. That which most obviously suffers under this organisation was, firstly, the body of men who could find no place in the industrial machine (I mean the unemployed), and, secondly, the soils which have produced crops for the international markets. The obvious social effects of the elaboration of industry have thus been damaging to large sections of the men of all nations and to large areas of the land of many continents. Up to the present it has always been suggested to us that further industrial elaboration would solve all our problems, and it has been implied that further elaboration would not in the long run mean increased unemployment and increased soil erosion.

With this implication many of us have disagreed. We have said that if industry persists in its present methods, more industry means more unemployment, and more trade means more soil erosion. We have accordingly examined many proposals for changed industrial organisation in the attempt to find a way out. What we have not hitherto considered, however, has been the proposal not merely to reorganise, but actually to limit industry.

When, however, we come to consider the character of industry in the light of this new suggestion we are reminded of certain fundamentals. Industrial development, backed by invention, is, as we are aware, capable of increasing production along a geometrical progression. Very soon theoretical limits are astronomical, and practical limits are set by available world supplies of raw materials. Since, however, it is necessary to find industrial workers, there must always be trade between some quantity of industrial surplus and available agricultural surpluses. If our aim is to bring ever more and more men into the industrial organisation, this must be done—as, in fact, we know it is—at the expense of agricultural labour—a fact which must ultimately diminish agricultural surpluses. This is true because the attempt to increase agricultural surpluses "pari passu"

with industrial surpluses leads under our present organisation to soil erosion, which is the exact opposite to the end desired.

It appears that the policy of unchecked industrial growth is not tenable for the world at large. Ultimately, nutrition and the care of soil fertility *must* impose a limit to industrial expansion. At this point the problem ceases to be one of growth and becomes one of balance. In order to get balance it becomes reasonable that we should impose conscious and deliberate limits upon the growth of industry.

Obviously there is more than one point about which such a balance can be struck. It is conceivable that the present favoured position of the industrial worker should be maintained, that industry should be the perquisite of a particular nation and that other nations should be prevented from sharing in this prerogative by force of arms. This apparently is the solution proposed by Germany. Germany proposes to veto the other fellow's factories, and by this means to give unlimited scope to his own. If we accept the desirability of industrial limitation there is an obvious alternative to this—namely, to limit our own organisation to give the other fellow a chance with his, on the understanding that big industrial units in competition with us agree to do the same.

There are certain steps taken by the British Government since the war began which may be said to tend in this direction. I refer in particular to the national wage minimum for agricultural workers. This, combined with the decision to allow farmers to make reasonable profits on the basis of the new costs, is a good beginning, in the direction of allowing the agricultural producer bargaining power comparable with that of the industrialist. Worked out on the international scale, this would prove to be the exact opposite of the German system which presumably will perpetuate the present sinking of agricultural standards of living below industrial standards. (Indeed, a monopoly of this advantage appears to be what they are seeking.) Have we here the basis of a policy on which limitation of industry with justice to all could be achieved?

Is England already "muddling through" to a new platform? If so, it is very important to recognise what is happening. Courage is necessarily bound up with our objectives and our aims—instead of bolstering up faint hearts and

corking up babbling mouths by the formation of silent columns, should we not do better to study and publicise the direction towards which our new organisation tends, so that we may get our courage from the positive reformation which we intend. We should not be unduly impressed by Hitler's promises of a new Europe, for this is but a dream which has in it no peace and no future. Even if achieved, such a Europe would be a parasite upon all other continents. It would be a matter of months only before German trade sought, by menace, to suck the vitality from neighbouring continental economic units. In spite of conquest, men remain members one of another. If Europe is to thrive it must do so within the community of continents. Until the problems of industrial expansion are solved upon *an international and not upon a continental basis*, man's obligations towards the Earth and towards himself cannot be fulfilled. Yet it is only in the liquidation of his universal obligations that hopes for a future of mankind in the sunshine of plenty and of culture can be realised. While Hitler plans for Europe, Britain must plan for mankind. Britain's voice will then fill her own people with courage and England's morale will be mightily reinforced.

CHAPTER X.

Britain's Task

THE people of the British Commonwealth believe that they can construct a system that will be stronger in war, richer in peace, and nobler in aim than the Continental tyranny. The task is to prove it.

The first phase of the task is to win the war and utterly destroy Hitlerism and Prussianism. The British are addressing themselves to this task with a single-minded purpose, and will fight through till the end. The peace must not be lost again. It is total war which must end in total peace. For this reason, the consideration of the other phases of the task cannot be postponed.

Definitions of peace aims are liable to be controversial; it is therefore natural that statesmen should approach the subject with great caution for unity during the war is the first essential. In spite of these difficulties, it is important that these problems should be faced, discussed and considered by Government, for if a sound solution is announced, even in general terms, it will have an incalculable moral effect at home and abroad, and will not only greatly assist in the primary objective of winning the war, but will prepare the world for a real peace to follow.

In the economic and social field the technique needed for war can be used to construct the outlines of a long-term plan that will be needed for peace. The war provides an opportunity to see how far a bold leadership can go towards providing productive efficiency with effective distribution, and in fostering social justice without destroying the liberty of the subject. In this Britain, if the essentials of the problem are understood and prejudices removed, can provide a dynamic example and reconquer the moral leadership of the world.

The Totalitarian States subordinate the individual

to the State, instead of valuing the State by the quality of the lives lived by the citizens. Britain must show that she can construct a system that not only gives liberty to the individual, but security with the highest standard of life that is practicable for all citizens.

Evidence is rapidly accumulating that a section of the public is beginning seriously to question the fundamental ideas upon which civilisation has been built up. It must become evident that the great choice of the century is between a totalitarian slave State, of people who have to be forced to act in the common interest of the State, and a free State, of people who act in the common interests of all mankind, not because they fear the consequences of not doing so, but because they realise that the salvation of the human race hangs upon its choosing from among conflicting desires and urges, the desire to co-operate and urge to serve. This desire to co-operate and urge to serve is apparent during the war, and is carrying the British through the present titanic struggle. Why should not this attitude be utilised to establish a just peace and stable new order after the war?

The British are making a serious effort to encourage other peoples to acquire self-control in the political sphere. This is obvious in Britain's colonial policy—the British Commonwealth itself is proof of it—but in the economic sphere it is not so clear. It is tacitly admitted to be the right policy, but it does not work out like that, owing to the power of and control by financial and industrial monopolies which work purely on lines of self-interest, independent of the State, and have a powerful influence not only in the commercial field but also in the bureaucracies and legislatures. It is this hidden influence which enables the totalitarian dictators to call the democratic governments hypocritical and pluto-democracies.

During the greater part of the eighteenth century a close control was maintained by the State over

trade and commerce, but the policy was reversed in the nineteenth century; *laisser faire* and financial domination held the field, and the spirit of grab masquerading under the guise of false economic doctrines demoralised the British people, with the result that a few, independent of the State, with no check on them of any sort, obtained great power and authority in finance, industry, and trade, on the basis of the doctrine that it is economically sound for everyone, regardless of social or international effect, to acquire wealth and grab everything they can, the idea being that these selfish men who manage to acquire wealth utilise their wealth to give work and employment to others.

Early in the nineteenth century the State had to step in to avoid political upheaval, and Factory Acts were introduced to control the exploitation of labour. Since then a succession of Acts have been passed interfering in increasing measure in business affairs. The last war accelerated the process, and this war will undoubtedly bring about still further and greater intervention in business affairs by the State.

The economists of the nineteenth century invented a hypothetical "economic man," an entirely selfish individual, who, if left free to work for self-interest only, would in the long run be working in the interest of the community as a whole. This theory is an illusion, for man is a complex being who has varied urges and desires not all selfish. It is now beginning to be realised that if man pursues his own interests only (in point of fact he never has done so completely, for such would be contrary to human nature) it must result in the complete demoralisation of man, in discord, depressions, revolutions, and war, until civilisation breaks down under the strain; for, after all, no individual and no nation can be self-contained, every individual is dependent on his neighbour, and in these modern days nations are dependent on each other. To any man who thinks at all it must be clear that economic harmony and co-operation, the increased purchasing power of the masses, with the

highest standard of living that is practicable, will lead to prosperity and contentment for all.

In the international sphere, it is obvious that a prosperous country is a good country to trade with and helps to make other countries prosperous; also that competition for favourable balances of trade leads to economic international war, culminating in physical war. As one eminent statesman said: "War is but a continuation of policy." In short, then, the sound policy is co-operation, with competition kept strictly within limits.

The policy of self-interest and the economic advantage of the business man to do as he likes, solely in his own interest, is still taught in economic schools and universities and called the "Science of Economics," and is a source of danger to the body-politic. That the British stand for pluto-democracy, as stated by Hitler and the Communists, is only partially true. In spite of the teachings of the old orthodox economists, the average Englishman is not a Shylock, responds readily to movements of co-operation, and recognises the inherent right of everyone to have a fair deal. In point of fact, those who level that accusation against the British are guilty of a far worse form of self-interested economic order, and shut out all possibility of co-operation. The Marxists aspire to the illusion of a dictatorship solely in the interests of one class—the proletarian wage earner—entirely oblivious of the fact that a dictatorship creates a ruling class of bureaucrats who dominate the proletariat. Hitler's ambition is exclusively in the interest of the German race, the crudest of all selfish creeds.

Seeing that bureaucratic control over industry and commerce is bound to increase the danger is that the bureaucrats may become too powerful—the State has already been accused of despotic tendencies—and unless the British spirit of compromise and co-operation is maintained there may be a violent clash between owners and bureaucrats, which would be the opportunity for the Communists to endeavour to establish a completely Socialist State, the logical out-

come of which is a slave state under an all-powerful bureaucracy. It is therefore essential that the political organisation of Britain should be such as to check and prevent such a catastrophe.

The war, with its air raids and imminent peril of invasion, has demonstrated the best characteristics of the British people. The economist theory of "economic man" has been brushed aside and the people have been ennobled by the desire to serve. It is this desire to serve which must be maintained after the war; self-interest, of course, always must exist, for life is a compromise between self-interest and social cohesion and harmony, but it has to be tempered with the desire to serve in order to attain a balanced and just world economy.

Owing to a variety of causes but very largely due to the revolutionary measure which brought in the Death Duties, the aristocratic class leadership of Britain is declining, and it is necessary that privileged classes, who are endowed with power by means of money and the possession of wealth, or who hold positions of authority either in the State, or in the leadership of Trades Unions and other associations, should develop the spirit which was once called by those members of the aristocracy who were worthy of their privileges, "noblesse oblige." A concrete example of this spirit is the traditional attitude of the Royal Family towards the great power and privileges held by them, of service for the nation. When the King was visiting air-raided areas, one of the crowd said, "You are a great king." The reply came back immediately, "You are a great people." A sentimental outburst like this may mean nothing to the "economic man" theorist, but this spirit of mutual regard counts a lot, and means a great deal in the settlement of all problems including economic problems.

It is important that Britain should make it clear what kind of a world the British people desire to take the place of the world which has been tottering for some time, and has now broken down completely.

It is necessary to change the outlook from the exploitation of soil and of workers, and the power of money over goods, to the prior claims of the soil over the crops, of workers' welfare over work, and of goods over money.

Before considering practical steps to do this, it is necessary to clarify the meaning of the many labels so freely used when discussing these matters, such as Democracy, Dictatorship, Fascism, Communism, and Socialism, which often have a different meaning for different individuals and for different nations.

The term "Democracy" originated in the Republics of ancient Greece, was used to denote "mob rule," and was frequently used as a term of reproach. In Britain and America it is associated with freedom of speech and opinion, freedom from different kinds of coercion, and with parliamentary government. On the Continent it is looked upon as government by a clique of politicians more or less corrupt, under the control of world finance and big business, in short, capitalist government. This continental view was substantially correct in the governments on the Continent, and it is no wonder that totalitarian governments became popular.

When the British people support democracy they are aware of the evils of capitalism, but they maintain that the only way to prevent a dictatorship or government by a clique is for all the people to have a say in the selection of their rulers. The success of any democratic system, however, depends in the balanced good sense of the people to recognise and choose leaders of integrity. In spite of a considerable degree of corruption creeping into the varied systems of democratic government, corruption is generally abhorred by the peoples and a corrective is eventually applied. If, as in Italy, Portugal, Spain, and France, the people are unable to find or select leaders of integrity, then the whole system collapses and the way is clear for dictatorship.

By "dictatorship" the British and Americans mean tyranny, which it undoubtedly is in Italy and

Germany, but the peoples of Portugal, Turkey, and Greece by no means consider their dictators as tyrants; in fact, the dictatorships in these countries are a success, and was in Italy until Mussolini indulged in imperial ambitions and foreign adventures.

"Fascism" is looked upon by supporters of the Left in Britain as a dictatorship in support of Capitalism, and by the Right as a defender of Capitalism against Communism. In point of fact, both views are incorrect. In theory it is a corporate state designed to unite capital and labour for the benefit of the nation and all concerned. In practice, in Italy, owing to the whole Government being controlled and dominated by a clique, it has developed into a tyranny, with a dictator who has led the nation to disaster. Such is the inherent weakness associated with uncontrolled dictatorship, which, as the ancient Greeks discovered long ago, can never be permanent.

"Communism" is believed by its advocates to mean rule by the mass of the wage earners, that is, the proletariat, and is supposed to be the actual rule of people by the people for the people, an illusion which never has and never can be realised, for some one must rule, and men are not equal, but infinitely varied. In practice, then, Communism is a myth, the State takes over all property, and since no one can own anything, there is nothing with which to be free. The State becomes a perfect socialist state, with a bureaucratic class in undisputed and overwhelming control of the entire production and distribution of the work of the people, a perfect slave state. This is the most destructive type of tyranny there is, for in practice it destroys not only individuality and initiative but all freedom of thought, and has a tendency to reduce the masses to the level of the ant or bee, an Aldous Huxley's "Brave New World" indeed—a truly terrifying prospect to contemplate.

"Socialism" is a term which has varied interpretations and is the source of more misunderstanding than almost any other term. Britain has become more and more socialistic, and most of the socialistic

legislation of the past fifty years has been implemented by the Conservative Party. Changing economic conditions made this a necessity. The ideal Liberal State leaves the individual complete liberty in all his personal responsibilities, and is only concerned with law and order, the defence of the nation, and the protection of the liberty of the individual and his property. This Liberal ideal, however, could not continue, and socialistic changes were imperative to relieve the individual of the responsibilities which he was unable to bear.

These changes have been brought about in Britain by discussion and compromise—a fact which demonstrates the elasticity and adaptability of the British Constitution, but it is a question whether the drift towards the socialist state is the right solution of our economic problems for it tends to proletarianise the masses, and make them more and more dependent on the state. Independence of character and the ownership of property by as many individuals as possible is the only sure foundation of liberty. Had it been possible to reform the capitalist system in the nineteenth century the people might have been able to bear all their personal responsibilities.

Socialism generally does not seek to give a sufficiency of goods as a means of freedom, but to subvert freedom in order to give a sufficiency of goods. The aim should be freedom to develop the powers of the individual to the utmost, and since the individual cannot develop without a sufficiency of goods, these must be obtained as a means to freedom. But, if the means have become the ends, and man has obtained his goods at the price of freedom, society is reduced to the level of a well-fed and contented herd of animals without individuality and initiative.

If, however, the ideal is a social organisation in which the family is the unit, to be given a fair chance to acquire independence and own property, the nearest approach to which, up to date, is the organisation being built up in New Zealand, so often quite wrongly called a Socialist State, then the ideal

is sound sense and elementary justice, and the Labour leaders are on the side of Britain in the fight for freedom, which, in fact, they are, but their objective should be clarified and not confused with Communist ideals.

So far, socialistic legislation in Britain has tended to result in the concentration of property in the hands of a few, owing to the fact that all such legislation has tended to make the people more and more dependent on the State; what is necessary is the opportunity and freedom for all to own their own homes, to control their own lives, and to be employed, with the right to acquire property within such limits as will prevent interference with the liberty and independence of their neighbours; then the present phase of dictatorships and gangster rule will pass away.

The immediate British problem is threefold:—

1. Economic, to embrace the British Commonwealth.
2. Political, to check decay and possible disruption in the British system of Government.
3. International economic relations.

Economic reform is necessary to control monopolies which, if permitted to continue and increase in power, will drive the people to extremes, on the one hand, towards a Socialist State in which the State will be compelled to take over the monopolies on behalf of the people, and on the other hand towards a dictatorship, to maintain the power of the monopolies. The inevitable result in either case is a Totalitarian State.

Political reform is necessary to devise a better representation in Parliament of the will of the people, and to bring to the front men of the best that the nation can produce with traditional instincts for leadership, integrity, and patriotism.

International economic relations require to be clearly stated, so that other nations will know that when peace is again possible Britain stands for a fair

deal between nations in trade and a fair exchange of commodities between nations, with due consideration for the primary producer, so that each nation, if desiring to do so, can attain, in its own way, a standard of living equivalent to that of any other nation and to terminate the scramble for a favourable balance of trade and unhealthy international competition in trade, which inevitably leads to war. Since economic relations between nations are the root cause of wars it is sufficient for the time being to confine such a statement to the economic sphere, for questions of territorial rehabilitation, redistribution, and European federations cannot profitably be discussed and considered till after the war.

CHAPTER XI.

Monetary Reform in Britain

IN normal times, the problem of industrial production has been solved and the problems of the day are the rehabilitation of agriculture, the conservation of the fertility of the soil and other natural resources, and distribution and consumption so that all can have equal opportunity to work and attain a healthy standard of living and that every nation, large or small, shall be in a position to balance exports and imports, with a fair deal for the producer of food and raw products.

The capitalist system has failed to attain this object, and has plunged civilisation into revolutions and war. The principal defect in the system is that it has created monopolies which are anti-social and have brought about disruption and catastrophe. The most powerful and far-reaching monopoly is the world-wide "Banking Monopoly," now centred in London and New York.

This monopoly, so far as the British Commonwealth is concerned, is centred in the Bank of England, which for all practical purposes controls the capitalist system of the British Empire. The public have been taught to believe that this institution is a national institution; in reality it is a private concern. No one outside the Bank knows who are the stockholders. Questions in the House of Commons on this point have always received the reply that the Government do not know, for it is a private company.

The proprietors of the Bank of England annually hold a general court and elect the governor, deputy governor, and the court of directors, and vote themselves a dividend which has been at the rate of 12 per cent. since 1923. No proprietor is entitled to vote unless he holds £500 stock. The governor (the Rt. Hon. Montagu Collet Norman, D.S.O.) has been re-elected governor for the last twenty years with-

out opposition or contest. The deputy governor has been re-elected for four years. The court has just recently appropriated another £30,000 a year to allow of the number of whole-time directors to be increased. The number of such directors and the reason for the increase is not apparent. Of the remaining twenty-four directors, twenty-two retiring directors and two new directors were re-elected in 1938, so that the election of directors seems to be in the hands of a clique.

Unanimity and orthodoxy prevail despite the apparent democratic constitution. If there is a minority movement among financiers they remain unrepresented in the election of directors. A director has to have a holding of £2,000 stock of the Bank, but it is the financial interest with which the directors are associated that gives the clue to their repeated re-election to the court of directors.

Not all the directors take an equal part in the direction of the Bank. There is an inner cabinet called the Treasury Committee, which deals with general policy and the Bank's relations with the Government. This committee really governs the Bank, and consists of the governor, deputy governor, and seven other directors. Who these seven are is not disclosed. The Bank is really directed by a secret council. The full court of directors meets every Thursday, when the Bank Rate is decided upon. The meetings are very brief and there is little doubt that the Bank is really directed by the secret council of nine. Since these names are kept secret, only a guess can be made as to who are the most influential directors of the Bank.

It is well known that the court of the Bank directors invariably includes directors and partners from a small ring of leading City finance houses. The following London finance houses have had a representative of their firm on the court of directors of the Bank at various times from the dates shown below:—

Baring	Since	1805
Grenfell (now Morgan Grenfell)	„	1830
Frederick Huth	„	1838
Arbuthnot Latham	„	1838
Antony Gibbs	„	1858
Goschen	„	1858
Hambro	„	1879
Schröder	„	1912
Lazard Bros.	„	1914

So that a small ring of London finance houses have an acknowledged, if unwritten, claim to be represented from time to time on the court of directors of the Bank of England. It is clear then how the ensuing years' directors are elected so easily and quickly.

Apparently a convention has also arisen that the court of directors of the Bank includes directors of leading London insurance offices, concerns which have huge sums of money to handle and consequently have great financial power.

The whole system of banking in London is interdependent and interlocked; besides the big international financial houses already mentioned, the discount issue and acceptance houses, insurance associations, large private banks such as Glyn Mills and Co., the big five joint stock banks well known to the general public, the exchange banks, Dominion and Colonial banks, nearly all have some directors who are directors in other financial concerns, and form a network of great and complex financial interests, who, although working as separate entities, help and support each other and form a world-wide financial power, frequently affiliated with the great financial interests of the United States of America. A formidable monopoly, indeed, which tends to dominate industry, commerce, and the governments of the democracies.

The active London bankers directing the more important London banks and finance houses number about 300. About half of them have been named in a book entitled "Bankers of London," by Percy

Arnold. Twenty-eight private bankers (six of whom are directors of the Bank of England) operating through nine city finance houses, seven other Bank of England directors, and seventy-five directors of the big five, etc., making a total of 114 City of London bankers or partners in finance houses, are described in this book with schedules showing the ramification of their directorates and interests in the financial world. Many of them are directors of more than one bank, and not a few of insurance companies. It is an illuminating record of the power and influence of what Percy Arnold calls the "Money Barons." Many of them sit in the House of Lords, while some of them are in the House of Commons, and have powerful political influence. It is clear that the appellation of "Banking Monopoly" to this association of financiers is fully justified.

The fixing of the Bank Rate by the Bank of England affects every industry and every trade, as also the profits of the banking monopoly. When war broke out the immediate action of the Bank of England was to raise the Bank Rate from 2 per cent. to 4 per cent., entirely without justification. No adequate reason for this action was given by the Government in reply to a number of questions on the subject. Also the rate for discounting Government Treasury Bills, by means of which the Government finances the war, was raised from 15s. per £100 to £3 14s. 6d. These charges were subsequently reduced to 2 per cent. Bank Rate, and £1 10s. for discounting Treasury Bills, after very severe criticism in the House of Commons. The incident was barely mentioned in the daily Press, for the Press is very much under the influence of the money power, and the general public remains ignorant of these financial dealings. The last war was financed on a 5 per cent. basis, this war is being financed on a 3 per cent. basis; it could be done on a 1 per cent. basis if the financiers wished to do so. No one has ever explained why the banks should not provide all the necessary finance,

for the war, over and above genuine personal savings, at the bare administrative cost of such provision.

Another incident, which again was hardly mentioned in the daily Press, and which aroused the anger of many members of the House of Commons, was that the Bank of England, at the behest of the Bank of International Settlements, had transferred £6,000,000 of gold to Germany after she had seized Czecho-Slovakia by force; the Bank of International Settlements, having decided that since Germany had seized Czecho-Slovakia, this gold belonged to Germany. This sum had been lent by the British Government to Czecho-Slovakia to assist her after the Munich Settlement, when Sudetenland had been transferred to Germany. It was as if a banker had given a client's treasure to a gang of thieves who had seized the client's house. The gold, however, had gone, so the members of the House of Commons had to acquiesce in this incredible action by the Bank of England.

The Bank of England is still associated with the Bank of International Settlements, and a Bank of England director sits on the board, in spite of the fact that it includes directors from enemy countries. It must be assumed that the financiers hope that the International Bank may yet become a centre for controlling the finances of all Europe. This, however, is wishful thinking on their part, for Hitler and Mussolini have demonstrated the power of nations to create their own credit, and have exposed the fallacy that bankers' credit is necessary for any country. The fact that these gangsters have utilised their country's credit for armaments and anti-human purposes is irrelevant, the fact remains that they have practically demonstrated that bankers can be relegated to be mere accountants, and credit and money can be created by the nation to be utilised as a medium of exchange up to the full productive capacity of the nation.

The foreign policy of Britain, when it comes into touch with exceptional expenditure upon inter-

national action, notably with expenditure on rearmament before the war, is invariably conditioned by the ultimate decision of the banking monopoly as to what should or should not be expended. The money dealers do not lay down positively what action the Government must take, but they are the experts consulted as to what the country can or cannot afford, and their advice is necessarily followed, for they hold the power to create the money. They were certainly responsible, just after the last war, for being opposed to making an adequate allowance to build up a mechanised army, in spite of the fact that the Army experts of Britain initiated and were the first to demonstrate the efficacy of mechanised war. The financiers were also responsible for the reduction of the Navy to a perilous degree. Finally, when the German menace was obvious, they were opposed to the creation of an adequate Army until it was too late. Added to these sins of omission was the fatal error of commission of the banking monopoly in Britain and America in financing Germany after the last war and enabling her to start on the path of frenzied armament construction.

Orthodox financiers still cling to the idea of resurrecting the Gold Standard, especially financiers in America, where nearly all the gold is now hoarded, and those interested in South African and other gold mines. Books still emerge from publishers advocating ingenious schemes for that purpose, but the Gold Standard has received its death-blow. Indeed, what kind of a standard is it that is too restricted in quantity to permit it to be allowed a free market, and that can be raised and lowered at will? Moreover, the injustice and fundamental falsity of a system that leaves the creation of currency and credit in the hands of a private concern controlled by a few people, who can manipulate it and profit by it, has got to come to an end.

It is at least becoming evident to more and more people that to leave the custody of this function, which used to be vested in the Crown, and which

affects the prosperity, safety, and existence of the Nation, to a private concern, controlled by men trained in nothing else but the art of making money by the manipulation of money, is now far too perilous a risk. It is also now clear that the financing of a war on the scale of the present one cannot be conducted under the old rules of money; interest on so vast a debt, be it noted, mostly created by the bankers based on the credit of the nation, would paralyse the country for ever. Already the rates of interest are being scaled down. Although not nearly rapidly enough, it is the first step in the overthrow of the "Money Power." Men are now coming to the front in the House of Commons who advocate the dethronement of this money power, as is expressed with clarity and force in the following speech:—

Extract from a speech made in the House of Commons by P. C. Loftus, M.P., in the Ways and Means Committee on the Budget proposals, July 25, 1940.

I turn now to another subject, and that is the mechanism of the creation and cancellation of money and of credit, which is vital in considering a Budget of any kind, but particularly necessary in considering the present grave financial difficulties. My Hon. Friend the Member for Kidderminster (Sir J. Wardlaw Milne) said on Tuesday last that the whole of our system of raising money will have to be looked into with fresh eyes after, or even during, the war. I profoundly agree with him, but he may not agree with the application which I would give to his text. Let me first say this. I have the highest admiration for the management of our joint stock banks. I admire the great ability and the high integrity with which they are conducted and which make our banking system the envy of the world. I have always deprecated foolish attacks on the banks, and anything I say is not in criticism of the management of the banks but of the system; for I have never concealed my opinion that the system whereby most of our money is created by companies and not by the State is a wrong system, and that it is responsible for many evils. I am convinced that under our privately controlled issue of money, money that is burdened with interest from the moment of its creation, we shall never be able in peace time to develop

fully our agriculture and industry, and we shall be able to do so in war time only at the cost of piling up vast burdens of debt. I will go further. I will say that under this system you will of necessity always be hampered and hindered and delayed, as we have been during recent years, in dealing with the great problems of unemployment, Colonial development, and rearmament. I do not believe that the delays in our rearming were due to optimism or the short-sightedness of our politicians, or even so much to the desire of the Treasury to preserve our rate of foreign exchange, but that they were inherent in this present financial system.

Now that we have reached this breakdown of the old financial system, I urge the Chancellor to do what ought to have been done long ago, and that is, that the Crown should resume the essential right of every State—the right given away by William III. in return for the Throne—to control the issue and cancellation of every kind of money. I do this in order to help my Right Hon. Friend. By this means, if and when inflation becomes necessary—and controlled inflation may be desirable as in 1932 and 1933 at a time of falling prices—the State itself could issue debt-free money and credits under due safeguards, perhaps redeeming, when desirable, by an annual instalment, and thereby getting rid of the burden of interest which raises so much the rents of our municipal houses. I hold that if the Crown resumed this ancient right, the functions of our great joint stock banks would remain, under the same ownership and the same management, just as necessary, just as honourable, and just as profitable as they are to-day.

I know that many will say that these words are merely the mutterings of a currency crank and that I shall be accused of being a Green Shirt and a follower of Major Douglas. I never have been, although I have greatly admired his diagnosis, without agreeing with the remedies he proposes. My reply is that I have learned these ideas as a result of taking the advice of Lord Baldwin, who told us to study the work of Benjamin Disraeli. I followed his advice, and I now quote the words which he used. Disraeli wrote that King William III.

> introduced into England the system of Dutch finance. The principle of that system was to mortgage industry to protect property. This system has made debt a national habit. It has made credit the ruling power, not the exceptional auxiliary of all transactions.

Disraeli described the results of this system in typical Disraelian florid rhetoric:—

> A mortgaged aristocracy, a gambling foreign commerce, a home trade founded on a morbid competition and a degraded people.

It might be objected that Disraeli wrote these words before he had the experience of office and before he shouldered the heavy burden of being Chancellor of the Exchequer. I will quote in reply the words of one who was Chancellor of the Exchequer more times than any other man in our history, Mr. Gladstone. He said:—

> From the time I took office as Chancellor I began to learn that the State held, in the face of the Bank and City, an essentially false position as to finance. The Government itself was not to be a power in matters of finance, but was to leave the money power supreme and unquestioned.

These are voices from the long distant past, but I would call in the voice of one of the greatest of living Liberals, Señor Madariaga, who at one time was President of the League of Nations. He said:—

> These great financial institutions have attained two aims—they have all but evicted the industrialist from his position as manager and controller of industry. The absorption of all powers by the dispensers of credit is one of the most fantastic phenomena of modern life.

But that is a voice from the Left, and it may not be acceptable to Right Wing opinion. May I then quote from the recent writings of Pope Pius XI., who, in an Encyclical, said:—

> It is patent that in our days not wealth alone is accumulated, but immense power and despotic domination are concentrated in the hands of a few, who for the most part are not the owners but only the trustees and directors of invested funds, which they administer at their own good pleasure. This domination is most powerfully exercised by those who, because they hold and control money, also govern credit and determine its allotment, for that reason supplying the life-blood to the entire economic body and grasping in their hands, as it were, the very soul of production so that no one can breathe against their will.

I do appeal to the Chancellor of the Exchequer to con-

sider now, in this hour of grave peril, the resumption by the Crown of its ancient right to control the issue and cancellation of all kinds of purchasing power. I invite him to read the remarkable leading article which appeared in "The Times" last Thursday. It states:

> Much harm can be done to our cause, both in Europe and overseas, by the insinuation that we stand for the old order. This charge should be emphatically and authoritatively refuted.

The Chancellor of the Exchequer can refute this charge both in Budget speeches and Budget practice.

Finally, I make this appeal, not only to my Right Hon. Friend the Chancellor of the Exchequer but to every member of this Committee and every member of this House. There are multitudes in this country and throughout the world of men and women who realised before the war that the whole modern system of finance was breaking down; that it had failed to solve in any country the unemployment problem, that it had destroyed vast stores of food desired by the people, and that the system stood condemned. But they regarded with horror the alternatives offered to them by the disciples of either Karl Marx or Adolf Hitler —the degradation of man to the level of the hive or herd, the revival of slavery of mind and body, destructive to the soul of man. They look for and believe in a better order, and many of them look to this country for a lead. I believe that these multitudes have their own vague ideal of what the future should be. They desire a varied society of free men, where the productive resources are used to the utmost, and where consumption keeps pace with productive power. They desire individual liberty to be maintained, and they desire every encouragement of legitimate private enterprise. They also wish freedom of choice in the market, and that international trade should no longer be a savage struggle to obtain favourable balances, but rather an equal exchange of goods to the mutual advantage of all nations. These people look to Britain now to give a lead and I pray God that they do not look in vain.

Nothing was said in reply to this speech by the Government except that it would be read when printed, and the Press generally left it alone. The arguments are unanswerable, but the "Banking Monopoly" is powerful.

The possessor of money is able, through his possession of it, to make those who do not possess it labour for him and support him by their labour. Our whole banking system is permeated by the idea of money being used as a means of making more money.

The world has been increasingly financed with debt money from the banks, that is, the right to draw cheques on a bank up to an agreed sum, viz., return for securities lodged with the banks for the whole sum with interest until it is redeemed in full, the services of the banks being merely administration and book-keeping entries. National debts are never repaid but are merely renewed from time to time, and so the mountain of debt continues to rise and is greatly increased by wars, in spite of the economic fact that everything that is expended during a war is created by the nation during the war, excepting debts incurred for such goods as may be purchased from foreign countries, and could be paid for during the war without increasing debts if the monetary system were adjusted to do so.

The interest paid to the banks by the nation for their services is far too high, but the more important and most serious evil is the selective power which the banks acquire over commerce and production, inside and outside the country. One business may be assisted and another ruined by a wholly irresponsible body, and one country can be placed at the mercy of another by the burden of tribute exacted in return for past benefits received. These loans to the Dominions and foreign countries are called National Loans, but the terms are fixed by the same private "Banking Monopoly." For example, owing to the disapproval by the "Banking Monopoly" of the social and economic policy of New Zealand, that Dominion experienced the greatest difficulty in the City of London in renewing her loans which recently fell due, and could only renew them on more onerous terms. Newfoundland actually went bankrupt and was deprived of her Dominion Status and internal independence.

In an address given by Mr. R. McKenna, the chairman of the Midland Bank, soon after the last war, on post-war banking policy, he said:—

I regard money as including all forms of currency, together with bank deposits readily withdrawable by cheque. It constitutes purchasing power, and at any moment represents what is available to the public, the Government, and the banks for spending. Apart from the action of a bank the public are powerless to increase or diminish permanently the total of money. The amount of money in existence varies only with the action of the bank in increasing or diminishing deposits. We know how this is effected; bank loans and their repayment, bank purchases and sales, are in substance the sole causes of variation in the amount of our money. While the banks *have this power of creating* money it will be found that they exercise it only to keep within the limits of sound banking policy (i.e., for their own advantage). If banks increased their loans and investments the result would be to increase the aggregate amount of their deposits, but to add nothing to their cash resources (which are their sole means of meeting their liabilities. In practice the cash is maintained at about one-tenth of the liabilities!!!). As regards the volume of money, the Government, independent of action by the Bank of England, are no less passive than the public. I am afraid the ordinary citizen will not like to be told that the banks or the Bank of England create or destroy money . . . we do not like to hear that some private institution can create it at pleasure.

There can be no more explicit description of the method of money creation by the banks, and a consideration of the aggregate balance-sheets of the eleven clearing house banks showed that they used it to the full in post-war finance up to the limit on which they agree among themselves, so as to keep within the strict limits of sound banking policy, as Mr. McKenna describes it.

Mr. McKenna also said:—

Bank credit facilitates every branch of production. Goods are raised from the soil, manufactured, carried and marketed with the assistance of credit at every stage. An increase of credit gives rise to a greater demand for com-

modities, stimulates trade, and brings more people into employment. To present another aspect, those who hold and control money also govern credit and determine its allotment, for that reason supplying, so to speak, the life-blood to the entire economic body and grasping in their hands, as it were, the very soul of production so that no one can breathe against their will. This accumulation of power, the characteristic note of the modern economic order, is the natural result of limitless free competition.

It is clear from these quotations from an address given by an eminent banker that finance rules the daily lives of every one. It is also clear that such a power must operate on the Government. When big business in banking, insurance, mining, chemicals, shipping, and munitions, etc., are all under the influence of finance, it is natural that a number of Members of Parliament will find benefit for the nation in approving of measures dictated by the financial hierarchy.

Sir Reginald Rowe, the President of the National Federation of Housing Societies and the President of the Economic Reform Club and Institute, has recently published a book entitled "The Root of All Evil." The following are a few extracts from this book which gives a very succinct, unbiased, and clear statement of this all-important monetary problem:—

To avoid the inconvenience of sheer barter, cowrie shells and all sorts of things were tried in the early ages as the basis for money. Naturally they did not work at all well, because Providence did not measure the supply of the commodity chosen for the requirements of exchange of value. After a time, and for many centuries, silver was the commodity most widely chosen for monetary use. It did not do so badly, in exchanges that were tiny compared with those of the world of to-day, but Providence was still necessarily disobliging. Sometimes there was too much silver, oftener too little, and the clipping of coins (before the milled-edge antidote of less than three centuries ago prevented it) partly eased and partly added to the difficulty. Then gold came importantly into the picture, lent at first chiefly by Dutch goldsmiths, and with it came what is perhaps the most disastrous discovery ever made in the

world since the invention of usury. The goldsmiths in Holland, and presently their money-lending brethren in England, discovered that they could lend far more money than they possessed; that is to say, that they could issue far more promises to pay in gold than they could meet with all the gold in their coffers. This was because it was found in practice that the promised payments were never simultaneously demanded; in fact, except in crises, never more than one-tenth of these at any time. This lamentable discovery was the origin of the world's monetary system of to-day.

In what followed in history a most important date is 1694, because in that year William III. created the Bank of England by borrowing from a financial group £1,200,000 at 8 per cent. It was a loan in gold (though only part of it was subsequently advanced in gold) and, in order to get money at this low rate of interest, the right was given to the lenders to issue and lend to the general public an additional sum of £1,200,000 in bank-notes. This additional money was thus created out of nothing. But at the present time, when hundreds of millions are created by the banks out of nothing, and lent by them at interest, that may seem a very modest effort.

On went monetary history, through occasional crises, in each of which the nation, through the Government of the day, had to save a potentially bankrupt system by shouldering its responsibilities—because if there is a run on the banks and the nation says "gold or no gold, we will see that somehow payment is made," confidence is restored.

Let the common sense of the situation be clearly understood. The bankers (not only of England but the world) issued money which pretended to represent gold, or silver, far in excess of the monetary commodity they possessed, by the issue of bank-notes. This aggravated what was already a nonsensical standard if the aim is stability of value, viz., that £1 to-day, whether borrowed, lent, or spent and represented by purchased articles, shall have or represent the same value a week or month or years hence. Clearly any commodity (and gold and silver are no exceptions) continually varies with the amount of it discovered or produced. Therefore, if the amount of gold (supposing that to be the commodity concerned), through fresh discoveries of the metal or any other cause, is doubled as the monetary basis,

the loan I made to you before this happened becomes half the value I lent to you (and vice versa). Or, if I paid for land or some article that lasts, such land or article has half the value I gave for it—each £1 I paid for it having now only the purchasing power which 10s. previously possessed. And if the gold possessed is multiplied into money of ten times its extent, the evil is proportionately increased.

All this, though stupid, would not have mattered so disastrously, if it had not continually and increasingly encouraged a desire for money itself, which tended to become a worship, and has so tended to this day. Money should clearly provide a claim to real value, goods, and services, and not be regarded and treated, as it is, as a magical thing with intrinsic value in itself. Its due service is a means of exchanging value, which was its origin (in order to avoid the inconvenience and waste of effort involved in barter). We are all so money-minded to-day that it is difficult to realise the important difference between these two views of money, but on that difference new economic theory depends. I shall try to make this point clearer later on; the point I want to make here is that there was created by the monetary methods adopted (more by chance and ignorance than by intention) an abnormal desire for gain. This led to the systematic expansion of usury and, springing from it, our international lending system, a system inevitably productive of unpayable debt.

But let us get back to monetary history. When gold came glaringly into the picture, less than a hundred years ago, fate was wickedly obliging for a time, while man did nothing to discourage that evil assistance. What happened was this. Nearly all the European countries argued that Great Britain flourished (did she truly, with misery in her factories?) because she was on the Gold Standard and had no longer any truck with silver. So, like women following frantically the latest fashion, these countries threw silver into an abyss which destroyed its usefulness, and competed for a commodity of which there was not nearly enough to go round. This would have led to manifest disaster, and the nonsense of the Gold Standard system would have been shown up long ago if California, Australia, and South Africa had not suddenly in succession belched out gold in unexampled quantities. By these discoveries the existing machinery of world trade was for the time being saved. If

this had not happened there must have occurred such a shortage of gold, owing to the immense amount more of it needed to do the immense amount more work required of it, that the absurdity of using a commodity as the measure of value would thenceforward have been manifest. As it was, London, which was then the unchallenged centre of the world's gold market, by distributing the commodity fairly, became a kind of champion in the game of honest usury—if there can be such a thing.

Now the most important discovery which the finance of the last war and its results have made manifest is this: If prosperity is to result, money must be created at the rate at which it is required. That sounds so simple that one might think everybody would agree. But the problem is complicated by the fact that most of the richest people in the world owe a great part of their riches to the creation of money at a rate, and under conditions provisional of those riches, but regardless of the best interests of the community. Very few of them have any idea that this is the case, but very naturally from self-interest, or what they believe to be self-interest, they will fight to the death against innovation. Nevertheless, the main contentions of the new economy are so certainly true that they cannot long be disregarded even by unwilling minds.

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In the last war it is true that money was created as it was required, but (apart from the quite minor issue of Treasury notes) it was created by the banks. Any addition to the circulation they made by book entries, thus creating out of nothing sums on which they received a considerable proportion of the interest charged.

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Let it be noted here that Hitler, having wrested mastery from the banks and made them his servants, has, in his huge preparations for war, avoided hitherto any serious inflation by applying the new money which he has in effect created to eliminating unemployment in Germany. At the same time, in order to provide for the vast production in Germany of materials for war and the making of new roads, etc., he has in addition been obliged to enforce severe abstinence in many ways. Clearly he could never *under the rule of orthodox banking*, an essential aim of which is the issue of money to bring in interest, have accomplished in

the time, even by his despotic methods, anything like as much as he has accomplished.

To go back to what happened in 1914 to 1918 in this country. It was obvious that to pay for the war wholly out of newly-created money would lead to disastrous inflation, so the Bank of England continually urged the Government of the day to "fund" as much debt as possible, which meant inducing people to put their savings into war loans, and to tax heavily in order that as much as possible should be paid for out of revenue. The banks made subscription to war loans an easy business. Anyone (if a "credit-worthy" borrower) with £100 saved could apply for £1,000 of a war loan, owing £900 of it to his bank, which held the security. The net result of the transaction was that the investor received slightly more in interest than he paid in interest to his bankers. Now nine-tenths of the money produced in such a case was unquestionably new money, on which the banks and not the nation (by whose authority it was created) received the borrower's interest. That, in the opinion of all new economists, is absolutely indefensible.

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The net result to the banks was that they had created a huge additional sum, something of the order of a thousand millions. They did not divide among their shareholders any considerable part of the additional interest they received thereby; it merely "strengthened their position" *and their power.*

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I do not think that any financier, however "orthodox," can dispute the following conclusion. Only real value (goods and services) can be exchanged advantageously between two countries. If there is a continuous excess of goods (over goods received) passed from the first country to the second, which is clearly only possible if the process is financed by successive loans to the latter by the former, it can only result in unpayable debt.

New Zealand bankers shortly before the present war said. "We will not sell our future to you by continually borrowing, thus getting deeper and deeper into debt and using new loans to provide the interest on the increasing total debt, but will make sure of paying the interest on existing loans by exporting to you more value than we receive in imports."

It is true that New Zealand had a difficult corner to turn and required temporary monetary accommodation, but that is the basis of her Government's pronouncement. Could anything be more sensible, or to the receiver of interest more secure, than a determination to pay by a transference of real value instead of through the channels of unpayable debt?

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Gold has, beyond dispute, failed to do what was hoped of it, i.e., to carry through the exchanges of the world's goods and services satisfactorily. This is partly because of its own nature, since the amount of it available for man's use must vary, and partly because circumstances have made its international distribution inequitable. In consequence there is no possibility of a return to anything nearly resembling the former Gold Standard system, even if it were desirable. Nevertheless, the machinery of that system is to a considerable extent kept in action. What the system did at its best, while London (up to 1914) was the world's comparatively honest gold broker, was to correct temporarily by a slow process the errors caused by the system after they had occurred. The system has depressed the poor, been on balance harmful to the trader, but has so persistently favoured the dealer in money, the financier, that it has produced, as it was bound to produce, a small ultra-rich class which through its control of money has continually gained power over the rest. Internally, it kept the value of money varying; in other words, prices continually varied as a whole, the changes in price being caused far more by the varying supply of money than by the varying supply of goods. Internationally, the scramble for gold persistently tended to lower the standard of living in any country to that of any country with which it traded that had a lower standard. The result has been to create everywhere two nations, the rich and the poor, or at any rate to intensify and perpetuate that division.

Then why has the system been maintained, even in a modified form? It is an obvious question. The system lasts because a small number of very rich men rule the world and depend upon it for their power and position. This is not highly-coloured pleading, it is inescapable truth. There is no doubt that dealings in money, especially when conducted on a large scale, make it possible for those who

conduct them to amass riches at a pace and to an extent unknown to trade of other kinds, at any rate genuine trade unassisted by dealings of a purely monetary character. The result is that a very few people, trifling in number as a percentage of the population, became inordinately rich. This might not be a matter of general concern if it were not that it gives these few owners of excessive wealth an immense control over everybody else, and perpetuates poverty on a larger scale than is necessary for the sake of perpetuating a small ultra-rich class. The power of big money, which is dependent on the system and the banks, is enormous. The banks are hardly more than its tool. And quite certainly this power is largely international. It not only controls all "big business" in the financial sphere, from international loans downward, but has great, if indirect, control over all concerns which give large employment but require to borrow. And big money has in its kingdom a large, widely spread, court circle. Most people who earn a considerable income, whether in business or otherwise, are dependent ultimately for their well-being on those who direct the world's money markets; and on every ordinary well-to-do person many others depend, as employees or in some other respect. Big money, like a stone dropped into a pond, makes ripples in ever-widening circles, ripples of powerful influence.

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I think it is clearly proved that it is our economic system which makes this ultra-rich group possible, and thereby is responsible for its existence. Moreover, that its many channels of influence reach very far cannot be denied. It is this which establishes a plutocracy, some sharing in the rule which their leaders exercise, many more accepting it as necessary to their own bread and butter. Clearly, then, the system has a defence extremely difficult to penetrate. You and I, supposing us to be ordinary members of a fairly prosperous middle class, would naturally distrust interference with a system by obedience to which we had hitherto kept ourselves alive in tolerable comfort. Even if we had been frizzled a little in past experience, the motto "out of the frying pan into the fire" would make us distrustful of change. When new economists say that the system has created the most powerful vested interests known to history, it is no exaggeration.

The thought and impulses of mankind are pressing forward convergingly towards the biggest revolution, or most rapid stage of evolution, that has ever occurred in social history. This is by no means due only to pressure from below, to the realisation of the "under-dog" everywhere, the hundreds of millions of him, that he is having an unfairly bad deal, but at least as much to the realisation by thoughtful persons that it is so, and that this wrongness, if avoidable, must be stopped.

It is no good sitting mentally still, complaining that we do not want an uncomfortable change in things; there are dynamic forces at work which are already creating a condition of things profoundly different. It is claimed by new economists that these dynamic forces are founded not only on discontent but on reasoned disapprovel of existing conditions by thoughtful persons of all classes, and that the main cause of what is wrong is an economic system which has failed and must be reformed. If it is not reformed, all peoples, it is claimed, must come under a world-wide tyranny, directed by political extremists of the Right or Left, who agree on one thing only, rule by force. If those who shun both extremes, representing probably a great majority the world over, have no prepared plan of change, but are merely anxious to delay the clock of progress, their policy, being essentially unconstructive, will fail. Great Britain may win the war, but the peace will have been lost beforehand.

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There are signs that the war, ugly and venomous, may yet be socially beneficial in one respect. There can be no recovery from the financial disaster it will have caused, when peace comes again, if the economic world continues as before. There will be no room for a very small ultra-rich class whose excessive wealth condemns many to excessive poverty. I am not for a moment suggesting that a mere transference of wealth condemns many to excessive poverty. I am not for a moment suggesting that a mere transference of wealth from the rich to the poor would do any good at all; the problem is much more difficult than that. The only means likely to bring the inevitable change about satisfactorily, for the benefit on balance of the community, is the scientific issue of money regulated for its true purpose, the exchange of goods. In effect, this reform would be revolu-

tionary; in practice, it should make a less noticeable difference than many might suppose. It should matter little or nothing to the employees of the present banking system. Their work would go on very much as before, their salaries *undiminished*. But, *if the future here envisaged comes* about, the essential difference will be that the banks will no longer be under the influence, and therefore largely the control, of the money dealers, but free to effect, solely in the interests of the nation, all the money transferences required for the exchanges of the goods of the community. The banks need lose only the monopoly of money-creation; and they must, of course, be paid for their services. One obvious source of such payment could be the 2d. now payable to the Exchequer on every cheque. At present the only service in the business world for which those who require it pay nothing is the care-taking of money. Instead, the service is provided, illogically and harmfully, by allowing the banks to profit to an indefinite extent by creating new money, by acquiescence in their assumption of an essential prerogative of the nation. It is hard to be patient with anything so stupid, and yet the general attitude to the problem has hitherto seemed one not only of indifference but of willing ignorance. The average person says, either "I can't understand," or "It can't be true or everyone would have found it out." The bankers and financiers mostly avoid thinking about it, knowing that to be the easiest way of escaping an uncomfortable truth. On the other hand, there are those who, realising that the facts are indisputable, deliberately protect their own narrow interests by encouraging the above reactions.

New economists believe that the facts are inescapable, and that, before many years have passed, our present impracticable system will be looked back upon as an astonishing *anachronism, a harmful stupidity extirpated and never more* to be revived. To predict *with exactitude* what will have taken its place is impossible, and to attempt any such definite prediction would be foolish. Experiment is required to prove practicability in a sphere that has only recently been explored. What the new economist claims is that the system, which from habit we have for so long grown accustomed to accept, was bound to produce the results which it has actually produced, as was foretold in the writings of Arthur Kitson. That is a strong argument; and the main contentions of the

new economy represent, I think, a fundamental truth which is hardly disputable. What those whose opinions I represent believe, with deep conviction, is that the essential step towards social betterment is that future additions to, or diminutions of, the money supply of this or any other nation should not be at the mercy of private profit-sharing concerns.

The remedy proposed is not by any means a mere nationalising of the banks, leaving the system otherwise intact, which seems to be the hopeful solution of many Socialists. That would in itself alter the evil very little; it would, in fact, intensify it, because a money-supply dependent on political power would be intolerably harmful. Money supply has never hitherto been a science; it should, by its very nature, be a science. We are in a new economic country, a world-wide country, in which we must recognise that a former unthoughtful process can no longer function without disaster. The supply of money must in the future be scientific, not dependent on the will of the banks (dominated by the dealers in money), or, alternatively, on the capricious and politically prejudiced will of Governments. Money must be supplied, through some scientific department, at the rate at which it will carry the exchanges of goods to the greatest communal advantage. This is not impossible or even difficult. We are unquestionably in a new economic country, have been forced into it by two great wars. They have taught us, and are teaching us, much.

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We are manifestly at the cross-roads on which the future well-being of all of us depends on our choosing the right economic turning. It is the conviction of those for whom I speak that the road we are still following leads to a precipice. I recognise that to fight free from a long-accepted prejudice is very difficult, but I submit that, unless those in monetary control free their minds of every prejudice and apply them afresh with honest and unselfish thought to our monetary problems, we are doomed to an evil fate, however complete our victory in the war.

Economic facts have pointed to a general misconception of the purpose and use of money, and go far to prove that this misconception is a primary cause of our present troubles. I am convinced that our economic system, by slow but persistent process, has turned money which should be our servant into our ruler. We have learnt to worship money,

and in so doing we worship, ignorantly and harmfully, a man-made idol. I maintain that economic history has proved that the love of money is the root of evil.

* * *

What ought to be done is to *provide money in such proportion and in such a way that it allows of uniform and general prosperity.*

This compels the enquiry, "Is not money already so provided?" The answer of the new economist is that assuredly it is not. It is provided by private profit-making organisations, by an exceedingly round-about and confusing technique, unlike anything in the world's previous history, which so cleverly divorces cause from effect that only within the last dozen years or so has it even been recognised by those in authority that the amount of money put into and withdrawn from circulation importantly affects general prosperity. The supply of money is being continually varied, and it is diminished or increased solely by the action of the banks. This has only become generally known very gradually since modern methods of banking began, and its consequences have escaped public notice to an astonishing extent.

It is extraordinary how few people realise that there is no such thing as a fixed amount of money in this or any other country, but a changing total continually and greatly varied by the arbitrary increase or decrease of bank credits. Still fewer realise that the total amount of these credits (well over £2,000 million at present in this country) is increased whenever the banks increase their loans to the public and decreased when the total of those loans is diminished. Of actual physical money there is none. Silver and copper coins are tokens, just as notes are tokens, exchangeable for value, and the gold in the Bank of England's cellars is no more money, and hardly more related to money, than if it were iron or lead, or any other commodity. By the qualification "hardly more related" I mean that gold can still be exchanged for dollars at a fixed price, but the U.S.A. can, by declaration at any time, vary that price within limits, and, of course, to any extent by future legislation.

It is not wrong that money, whether represented by metal, notes, or credit, should be varied in amount; what is wrong is that it should be varied, and especially that it should be destroyed, except in the interests of the com-

munity as a whole. There are times when more money is required, to carry more trade, and there are times when less money should be circulating to prevent inflation. It is the issue of money to the general disadvantage of the community which new economists believe to have been the cause of the great gap between rich and poor, and indeed to have been at the root of all our present troubles, national and international.

To be precise, what the new economist maintains is: (1) that it is indefensible that concerns trading for private profit should be allowed to create out of nothing and lend at interest, claims to other people's goods, or, alternatively, to remove from circulation claims to goods which have already been produced; and (2) that the policy which bankers decide to pursue is in the circumstances bound to be determined in the first place by what is likely to yield the concerns they serve the biggest financial return, which is seldom the policy most advantageous to trade and industry or most largely conducive to the common good.

It is maintained that what the system has done, as it was bound to do, has been to create a small class of people excessively rich at one end of the scale and a large class excessively poor at the other; while a still more serious result is that it has set all of us all over the world spending most of our lives and energies in fighting for monetary profit. In consequence nations too have concentrated, for many decades, on competing against each other for monetary advantage. Hence the universal passion to increase exports, every country striving to this end at every other country's expense. The ultimate result must always be, as it has proved to be, war.

* * *

I am convinced that the basic cause of all we are now suffering has been the encouragement given by the system to the pursuit of *gain at other people's expense*, to what is essentially a game of grab. Nationally, nearly all the world is now following Hitler's lead by grabbing while grabbing is good.

* * *

When money is nation-made and not bank-made, when it is spent and not lent into existence, when it is no longer created and destroyed by private concerns to provide interest for their shareholders, but issued under scientific control for

the benefit of the community, the deepest source of our present evils will have been removed, and the way opened for thoughtful and experimental approach to a greater prosperity than we have hitherto known.

* * *

Then what is practical politics in the matter we are considering? It is surely that any new money required and justified by the increase in productivity it would create, should be nation-made and not bank-made. Even if the present war should end with the existing monetary system unaltered, which a good many of us think unlikely if a satisfactory victory is to be its result, it would be a first step towards a reform that before long will almost certainly prove inevitable. That reform will be based on the principle that the increase or decrease of money should be by the will of the nation, the quantity required being decided by an independent body supplied with all appropriate statistical information for its purpose.

* * *

A number of new economists have made suggestions as to the methods by which the monetary system should be controlled in order to save the world from the present impasse and to enable the productive capacity of man to be utilised to the full, distributed, and consumed, notably Frederick Soddy, Irving Fisher, Sylvio, Gesell, and Douglas. Many volumes have been written on the subject and various schemes put forward, and opinion is by no means unanimous as to exactly what should be done, but all are agreed on one point, that the control of currency and credit can no longer be left in the hands of the banking monopoly.

Frederick Soddy, F.R.S., M.A., LL.D., is one of the world's most original scientists. He has held a series of scientific posts of high distinction and until recently was Lee's Professor at Oxford University. He has written many books on science and on economics. No one can question the power of mind he has brought to the study of monetary science. He would make it the duty of a body analogous to the institutions for standardising weights and measures to advise scientifically on the correct volume of money

to be issued to keep the average price level constant. He calls his scheme "£ for £" scheme, meaning, in the first place, that for every £ a depositor has on current account in a bank the bank must keep a £ of national money.

Sir Reginald Rowe writes of this proposal as follows:—

Soddy's proposals, in outline, are that the huge balance of liabilities for cash which the banks have in fact no means of meeting should be met by the nation by an equivalent issue of national money in the form of notes, and that there should be no further creation or destruction of money by the banks. A national issue equal to the total of current account bank deposits would be needed, say £2,000 million. The State would take over from the banks securities to this amount. Where these were collateral securities against loans, their owners could redeem them by repaying the loans.

Where the State became the owners of Government securities, having paid for them with national notes, it could cancel these securities. Any other securities could be exchanged by market process for Government securities. The conclusion of the whole matter would be that the banks would hold money (physical money in the form of notes) to the exact value of their total current account deposits. It would be real money, a great part of which (i.e., all current account balances) they could not lend, but must hold in trust for its individual owners. All money on time-deposit they could lend for the period for which it was entrusted to them, and any money they themselves owned they could do what they liked with. They could not create money to lend, as now. One obvious result would be that when £2,000 million had been issued in new notes, that *amount of national debt would have been cancelled.*

It should be emphasised that the issue of further new money would not be at the mercy of any Government, but in the hands of a statutory independent body, which would work scientifically on data readily obtainable. Its economic thermometer would be price-level, the maintenance of average price-level being its single aim when increasing or decreasing the supply of money. The normal method of increase or decrease would be as now, by the purchase or

sale of securities by a money-controlling institution; but this institution would not, as now, be the privately owned Bank of England, but a National Board. Any increase that might be required in the volume of money through an increase in production could be applied to national expenditure, thus relieving taxation. Soddy leaves details and all uses of new money for Parliament to decide, exactly as it is left to them to decide the money levies and uses of ordinary taxation.

The nation would thus create all new money that might be required, but it would not be, as now, through interest-bearing debt due to the banks. It is calculated that during the last 200 years the banks have created on the average considerably over £1,000 an hour in new money, latterly much more (over £10,000 an hour), and there is every sign that some such increase of money will be necessary in future, if average price level is kept constant, to meet the steady increase in production and consumption inseparable from the normal development of civilisation in modern conditions. This restoration by the banks to the community of an ancient and natural right would provide a fund which should be of great service to the community. I think that many new economists have formed an exaggerated estimate of the size of this fund, built up out of the annual issues of such new money as might be justified. Still, it would amount on the average to a large sum in millions and could certainly be most advantageously used.

Frederick Soddy's proposals date from 1926 as the result of post-war examination of the physical basis of economics. Irving Fisher, an American economist, produced his scheme as the result of the American depression of 1929-32. The essence of his scheme is expressed in the following words in "100 per Cent. Money," revised edition 1936, pages 9 and 10:

Let the Government, through an especially created "Currency Commission," *turn into cash* enough of the assets of every commercial bank to increase the cash reserve of each bank up to 100 per cent. of its checking deposits. In other words, let the Government, through the Currency Commission, issue this money, and, with it, buy some of the bonds, notes, or other assets of the bank or lend it to the banks on those assets as security. Then all check-book

money would have actual money—pocket-book money—behind it.

This new money (Commission Currency or United States notes) would merely give an all-cash backing for the checking deposits and would, of itself, neither increase nor decrease the total circulating medium of the country. A bank which previously had $100,000,000 of deposits subject to check with only $10,000,000 of cash behind them (along with $90,000,000 in securities) would send these $90,000,000 of securities to the Currency Commission in return for $90,000,000 more cash, thus bringing its total cash reserve up to $100,000,000, or 100 per cent. of the deposits.

After this substitution of actual money for securities had been completed, the bank would be required to maintain permanently a cash reserve of 100 per cent. against its demand deposits. In other words, the demand deposits would literally be deposits consisting of cash held in trust for the depositor. The "money I have in the bank," as recorded on the stub of my cheque-book, would literally be money and literally be in the bank (or near at hand). The bank's deposits could rise to $125,000,000 only if its cash also rose to $125,000,000, i.e., by depositors depositing $25,000,000 more cash, that is, taking that much out of their pockets or tills and putting it into the bank. And if deposits shrank it would mean that depositors withdrew some of their stored-up money, that is, taking it out of the bank and putting it into their pockets or tills. In neither case would there be any change in the total.

He therefore proposes that a permanent "currency commission" independent of the Government of the day should have the scientific duty, by the increase or decrease of future monetary supply, of keeping prices stable.

The proposals put forward by Sylvio Gesell and Douglas go much further and propose methods by which the purchasing power of the people can be equated with their productive capacity to remove the stigma on the capitalist system of "poverty in the midst of plenty." These proposals have much to be said for them; something of the kind will eventually be adopted, but the specific proposals are provocative of much criticism, not all of which is

unreasonable. The arguments for and against these proposals can be studied in numerous publications. Sir Reginald Rowe in "The Root of All Evil" gives a brief survey of these schemes.

All new economists are agreed that the power of the banking monopoly to create and destroy money must be removed from the bankers, and that is the first, the most urgent, and the most practical objective on which all new economists should concentrate.

It is an objective which can be attained now, but the money interest, which depends for its power on the present banking system, will resist it to the last. The arguments for the change are unanswerable. If it is not a question of retaining power, which all must admit the bankers have no right to retain, seeing that the State has always in the past stepped in when bankruptcy threatened the banks and bolstered them up with the credit of the nation, then there is no reason why the bankers should resist this simple and straightforward reform.

The effect on industry of financial control is a perpetual struggle for business concerns to be creditworthy, and the one motive is the desire to gain. This is an individualistic trait, and so far from providing a unifying motive for the whole system it tends to disrupt it. Society combines to operate the system, but there is no social objective to inspire the community, the disruptive principle alone is operative. What is required over and above the selfish profit-making motive is an incentive for all the various parts to work together for the general good of the whole. The workers have formed trade unions to protect their interests against the controlling interests. Under the circumstances this was an inevitable necessity, but it has undoubtedly accentuated the disruptive effect. The trade unions have secured and maintained improved conditions and numerous rights, but the tendency is for the nation to be sacrificed to the demands of the largest section without realising or making any challenge to the root cause of the economic maladjustment. The interests of the

workers have always appeared to be opposed to those of the owners. No real Court has been set up in which employers and workers are represented to deal with difficulties as they arise. In lockouts and strikes it is often the case that force wins the day instead of reasonable discussion and compromise.

In the economic process of production and distribution the product can only be sold at a profit after all charges have been taken into consideration, including rents and interest on borrowed capital. All expenditure in production does not remain in circulation, the greater part of the expenditure on rents, interest, and profits for dividends is withheld for creating fresh loans.

During the early years of the Industrial Revolution the inadequate money distributed as wages made it necessary for owners to find other markets for the products of their factories. In time foreign countries erected tariff barriers against Britain and those countries which were undeveloped incurred loans. These loans secured wealth from those countries for the controllers of money and industry, but the workers did not share in this wealth which they had helped to create. A considerable annual foreign investment was worked up. The final result of this lending was to provide these markets with capital goods, so that they were able to exclude British goods from their markets. The most recent development has been the repudiation of debts, which up to 1914 aggregated £3,000,000,000 out of the £7,000,000,000 exported from Britain in that period.

In the middle of the nineteenth century the Corn Laws were repealed to provide cheap bread for the workers, and, in consequence, lower wages, lower costs of production, which enabled manufacturers to compete with their foreign rivals. This uneconomic and unsocial process reduced the purchasing power of the home markets in two ways: (1) by the reduction of the wages of the workers, and (2) by the steady decline of agriculture, which could not produce wheat at a price to compete with the virgin soil large-scale

farms of North America. The ultimate result of this exploitation of the soil in North America has been the creation of barren deserts. Later on rationalisation was introduced, which enabled manufacturing industries to still further reduce costs and compete with foreign producers, but it also produced larger surpluses for disposal abroad in competition with other countries' systems, similarly keyed up. The latest development has been the introduction in various countries of subsidies and other government assistance, including juggling with exchange currencies, in order to assist manufacturers to compete.

Private control of the money supply and limitless free competition, without considering its social effects, have resulted in the accumulation of power which permits of the survival of those only who fight relentlessly, regardless of the effect on their neighbours, with the result that the continual struggle to save labour and reduce costs and expenditure, which means the distribution of less purchasing power to the masses, and therefore further restricted internal markets, has made it impossible to distribute the products.

In the meanwhile, in Britain taxation by the State for social services has risen to £400,000,000 annually. This suggests that the money to pay just wages is, in fact, available, and that if distributed, would cause a great improvement in the economic wealth of the nation by the better distribution of money, which means increased purchasing power of the people and better internal trade, and would also relieve Government of functions which an independent self-reliant people could carry out far better than the State.

The first and most important economic reform then is the control of the banking monopoly by the Crown reassuming its authority to create currency and credit by means of an independent body of scientific experts, as independent as any judicial body, with no connection with business or politics.

CHAPTER XII.

Industrial Reform in Britain

THERE are, however, other monopolies besides the banking monopoly which must be controlled. Industrial activities such as the steel, chemical, cement, aluminium, armament industries, and various engineering industries such as shipbuilding, electrical, structural, founders, tube-makers, boiler-makers, locomotive builders, etc., which are all under the control of or gradually tending towards control by combines and cartels, and which are now free to act solely in the interests of the owners. The coal industry, transport and shipping are enormous activities affecting the whole nation. These activities have received in the past much attention from Government, and during the war are entirely under the control of Government.

An instance of the harmful influence of these combines, especially when connected with the overriding influence of finance, is the episode of the construction of the Ebbw Vale steel plate plant recently completed in South Wales. This interesting piece of industrial history was published in the "New Statesman" of August 10, 1940.

South Wales in the last century had a virtual monopoly of steel sheet production, and the trade maintained its prosperity till the early twenties. Then American research developed a new kind of mill, in which the steel could be rolled in wide continuous strips, and to-day over a dozen such plants are at work in the United States. Other countries followed, and in the slump of 1930 South Wales was rapidly losing its export trade to the mills of the United States, Germany, and Japan, and British motor car manufacturers openly admitted the superiority and reduced cost of the foreign product made under the new process.

Sir William Firth, chairman of Richard Thomas and Co., who controlled a large number of steel and tin plate undertakings, and who was a strong advocate of cartels and supported the foundation of the Iron and Steel Federation of 1934, had set his heart on building a modern plant in Britain. Soon after the foundation of the federation he proposed that a modern steel plate plant should be erected co-operatively by the leading members of the federation, which included Baldwins, and Guest, Keen and Nettlefolds. The amount to be raised for this purpose was £10,000,000, but these firms refused to co-operate. "What was good enough for their fathers was good enough for them." So Sir William decided that his firm, Richard Thomas and Co., would do the job alone. This bold enterprising manufacturer took the whole responsibility, and because of the unemployment in South Wales was persuaded by the Government leaders, Messrs. Baldwin and Ramsay MacDonald, to erect the plant in Ebbw Vale, but the Government refused to take any responsibility in the matter.

By the spring of 1939, a few months before the war, Ebbw Vale possessed a mill 2½ miles long and ¾ mile wide. In 5 miles of continuous process rough ores were turned into steel sheets and tin plates by 25,000 workmen, and the new plant is calculated to reduce costs by 40 per cent. But this achievement was not attained without many vicissitudes and anxieties for Sir William. Between the beginning and completion of those fine works much happened which is illuminating and demonstrates (a) the danger to the development of industries that combine and form a monopoly purely in the interests of the owners, and (b) the baneful effect of financial control.

Sir William carried on in spite of the refusal of his colleagues to co-operate, and the public subscribed £5½ millions. In doing so, he was challenging the Powers that Be, as several powerful companies might be seriously hit if the Ebbw Vale Mills were successfully got into full production and thus

rendered other plants practically obsolete. What really happened between 1937 and 1939 is not yet clear; there were allegations and counter-allegations, but there were certainly long delays in the delivery of the steel plant. The Import Duties Advisory Committee, which works closely in with the Iron and Steel Federation, had pressed Sir William to use British castings, which he reluctantly agreed to do, and when deliveries were delayed for months he was forced to import some from America. There were also serious miscalculations in costs which brought Richard Thomas and Co. into serious financial difficulties. False rumours were circulated in the City to the effect that there were cracks in the reservoirs at the top of the valley, which had to be contradicted, but not before there was a serious slump in Richard Thomas and Co.'s shares.

In April, 1939, the banks demanded an inquiry into the affairs of the company, which was conducted by Mr. James, chairman of the Lancashire Steel Co., one of Richard Thomas's competitors, and a firm of chartered accountants. The report disclosed that the company required £6 million instead of £2½ million to complete the scheme and the bank withdrew their overdraft. Since completion of the plant, Sir William asserts that nothing like £6 million was spent and the balance is lying idle on deposit on which 4½ per cent. interest had been paid to the bank.

So large was the sum involved that the Bank of England had to be consulted. Sir Andrew Duncan, then Chairman of the Iron and Steel Federation, was also a director of the Bank of England. A plan was evolved by which £6 million was advanced on condition that a Control Committee was appointed with power to appoint and dismiss directors of Richard Thomas and Co. On the Control Committee were Mr. Montagu Norman, the Governor of the Bank of England, Sir William Firth, Lord Greenwood, who was chairman of Dorman Long, and Mr. Lever, of the Prudential. The directors appointed to the board of

Richard Thomas were: Mr. James, of Lancashire Steel, Sir Charles Wright, of Baldwins, and Sir Samuel Beale, of Guest, Keen and Nettlefolds, all potential competitors of Richard Thomas and Co.

It was impossible for such a board to work harmoniously. How could men whose plant might be rendered obsolescent by the Ebbw Vale Mills co-operate with Sir William Firth, their old rival. Orders and counter-orders were given and work obstructed. Finally, in the winter of 1939, in the middle of the war, a new managing director was appointed—Mr. G. H. Latham, chairman of Whitehead Iron and Steel, of Newport. In February, 1940, while Sir William was abroad on confidential Government business, Mr. Latham dismissed some of the staff and put forward a plan for the purchase by Richard Thomas of a certain company. When Sir William returned he disagreed violently, and, as the result of a difference of opinion, the Control Committee pressed Sir William to resign, but he refused to do so, and threatened full publicity if they forced the matter to a head. He was as good as his word, and at the shareholders' meeting of Richard Thomas and Co., in July, made a speech, the allegations in which were so serious that they have not yet been printed in full, but one accusation is clear; he said, " only two years ago, in very dirty weather, some pirates pushed us on the rocks, and boarded us disguised as 'National Interest-men.' "

Sir Charles Wright, of Baldwins, who is nominally under the Ministry of Supply, is now also chairman of the Iron and Steel Federation, whose leading members opposed the erection of the plant, and in 1938, owing to Sir William's financial difficulties, obtained a stranglehold on the Ebbw Vale scheme. The personal quarrels are not of real interest, but it is evident that but for the enterprise and determination of Sir William, Britain would not possess an up-to-date steel plate plant during the war. And it is a question whether the present management is the best, and whether Mr. Montagu Norman and Mr. Lever, of the Prudential, despite their financial ex-

perience, are the men best qualified to control the biggest steel plant in the country. No doubt these men are sincere and believe that they are doing their best for the nation. Can they possibly, high as is their moral integrity, keep in completely separate compartments the interests of the great industries they represent in one capacity and the interests of the nation which they represent in another?

Mr. Herbert Morrison brushed aside all idea of a public enquiry, and said that he was satisfied at the arrangement, and could not pursue disputes into the capitalist world. One would have thought that an intimate knowledge of such disputes is the business of the Minister of Supply, a knowledge of which would help in the organisation of industry both during and after the war. This incident is quoted to show the growing power of industrial combines, which become monopolies and are a source of danger to the nation, especially under the present system of over-riding finance control.

The aluminium industry is another instance of the danger to the nation of combines.

The manufacture of aluminium in Great Britain, and by British companies abroad, has long been in the hands of one great monopoly concern, the British Aluminium Company. It has naturally been the interest of that concern, as of other monopolies, to maintain profits and not allow production to be carried on by unprofitable plants. In the years between 1935 and 1939 the profits of British Aluminium rose from £246,853 to £647,546—the latter profit being equal to the remarkably high figure of 22.3 per cent. on the combine's Ordinary capital. But it is a significant fact that output of aluminium in Great Britain in these years failed in an astonishing degree to keep up with output in Germany. In both countries consumption of aluminium was growing rapidly, owing to the aircraft race. In Germany it was up from 104,000 tons in 1936 to 210,000 tons in 1939, and in Britain from 35,000 tons to 90,000 tons. Yet, whereas production in Germany rose from 98,000 tons to

200,000 tons, production in Britain rose only from 16,000 tons to about 25,000 tons. And when the war came, and Germany overran some of the countries, such as Norway, from which the British Aluminium Company had found it profitable to import aluminium, our supplies were none too abundant.

The Government selected as Government Aluminium Controller (under the Ministry of Supply) a director of British Aluminium Company, Mr. G. Cunliffe. Projects for the expansion of the aluminium industry by independent firms were not favourably received until recently, when Lord Beaverbrook took control of aeroplane production and had to appeal for aluminium pots and pans. Here is a glaring instance of the harm which can be done by industrial combines in endeavouring to maintain profits.

It would be interesting to know what vested interests stood in the way of the refusal of Lord Nuffield's offer to build a mass-production factory for aeroplanes, which was eventually accepted when the war was upon us. There are other large combines, such as the chemical industry and cement industry, into which Government should make a searching inquiry, and into all large-scale industries, to see if they are being run for the benefit of the nation or merely for the purpose of earning profits for owners.

Mr. Herbert Morrison, in a speech at the National Trade Union Club, referred to the setting up of a new organisation to assist in ensuring that all plant capable of serving the war effort was used. This will take the form of boards, on which management, labour force, and owners would be represented. These boards would not act merely in an advisory capacity, but would make decisions. He proceeded to explain that the Royal ordnance factories were a threefold partnership. Ownership rested with the Ministry of Supply, factory and technical management was in the hands of experts, and the third group consisted of the great army of workers, encouraged by every means to feel responsibility for the efficient working

of their factories. Here, he said, was the model which might well be widely followed. Mr. Morrison did not think that this would be merely a war measure, because he was sure that the great majority believed that to allow ourselves to drift back into the sort of world out of which the war sprang would mean *defeat even if it followed a military victory.*

Now this statement is all very well for Government-owned factories, but it cannot be considered as a model for the future, unless it is proposed that all factories will be taken over and owned by Government, which means a Socialist or Totalitarian State, against which the free democracies are now fighting. In the first place this proposal entirely omits the consideration of the all-important factor of finance. In the next place Government factories are not organised to work on a margin of profit, in fact they frequently produce in the most extravagant and wasteful manner; so that this model will not do for the control of private enterprise.

Perhaps the organisation of industry during war will be the beginning of a new approach to industrial organisation, but State ownership, State planning, State capitalism, and centralisation of power, under whatever name, has got to be avoided at all costs, for that is the host in which finance will lay its egg, *and on which it will feed. Moreover, it is also the* host in which Totalitarianism, with its advocates of centralised power, will develop a cell ultimately growing into a Totalitarian State, and eventually destroying all freedom—much as Hitler deliberately did in Germany behind the façade of "National Socialism" enslaving the people of Germany.

The solution of the problem of industrial organisation to avoid the evils, on the one hand of capitalist monopolies or on the other hand of State-owned monopolies, lies in the formation of regulative guilds, not to own industry but to control it from within, with an independent court of appeal in the event of serious differences within the guild. Their decision should be made final by law. Such a court

of appeal would have to be composed of men of integrity, made independent by the State, just as immune from interference and influence from politicians or business men as any judicial court is independent in the settlement of individual differences.

Every industry and economic activity that is fully developed has passed the early stages of development by competitive private enterprise and has reached the stage of over-production with a tendency to combine, and every activity that is of national importance should by law be encouraged to form a guild with a controlling board on which half the representatives would be the workers, including what are called "black-coated" workers, and the other half representatives of the owners selected from the directorate, managerial, and technical staff, to make decisions to regulate the affairs of the industry with disciplinary powers, much in the same way as professional societies maintain a discipline among their members. Such guilds would insist that all who are engaged in that industry, in whatever capacity—masters, managers, overseers, and wage-earners—should conform to the regulations of the guild, which would be concerned in such matters as wages, salaries, regulation of machinery, volume of production, hours of work, apprenticeship, the upholding of a standard of quality of workmanship, mutual aid, and the fixing of a just price for the product, in fact all matters appertaining to the conduct of the industry and the personal welfare of the members. All these functions could be controlled by the guild concerned by mutual discussion at the board, on which all members of the guild would be represented. The fixing of a just price, which concerns consumers and the nation as a whole as well as the guild, could, after agreement within the guild itself, be referred to the independent court of appeal, who would take into consideration cost of production, the standard of living of the workers as compared with workers in other industries, and a fair margin of profit for the owners, so that the price to the consumer shall be a just one.

In the event of a dispute between, say, workers and the representatives of the owners, the matter would be referred to the independent court, whose decision would be final. Strikes and lockouts in such industries or activities would be prohibited by law.

The following industries and activities would fall into this category of guilds: rail, road, and air transport and shipping; the coal industry; iron and steel industries; chemical industry; textile industry; shipbuilding and the various engineering industries; in fact, any industry that is of national importance. Some of the industries named would be split into separate guilds, such as in the textile industry—cotton, wool, and jute—and there would likewise be quite a number of engineering guilds.

Armament factories come under a different category and should either be closely controlled by the State or nationalised. Armaments are produced mainly for the State, and production by private enterprise for other States has in the past been a source of international intrigue and has had a dangerous and even sinister influence on politics at home and abroad. There is nothing to prevent the State, in the interests of the nation, manufacturing and selling armaments to foreign countries, but the trade should be controlled in the national interest and not be for the benefit of international speculators.

The distributing trades, with their chain shops, are also rapidly developing into monopolies with financial power to ruin the small traders. Examples are afforded by Woolworths, Lyons, Boots, International Stores, United Dairies, etc. The profits of these combines are frequently scandalous, and the producers, more especially the agricultural producers, who are unable to combine, do not get a fair deal. Moreover, thousands of small traders are forced out of business into the ranks of the proletarians. Taking the whole range of articles sold, the saving to the consumer by the growth of these huge organisations cannot be more than 5 per cent., which certainly does not compensate for the anti-social result of turning

thousands of young girls into low-paid and hard-worked bread-earners for the family, and destroying the once sturdy independence of the people. Woolworths, at their annual general meetings, boast of the number of small traders they buy up, without any thought of the sufferings of the families concerned, and the men thrown out of work eventually to become wage-earners. There is no reason why these trades should not also be formed into guilds to protect the small traders from unfair competition, and the workers from too long hours of work and too low pay, but it cannot be done without the aid of the law.

Many of the professions in Britain and America are already formed into associations, such as the medical and bar associations, national associations of nurses, institute and associations of architects, engineers, and chemists. These groups are organised primarily, perhaps, for the advantage of their members, but also to ensure a standard of high quality in their service. In America they are considered so important to society in general that they are granted licences by the State and a monopoly for service in their particular locality. These groups have their own professional associations, to a large extent make their own rules, and exercise discipline over their own members, but they are protected by law from the undercutting of unscrupulous competitors. The voluntary element in those associations is valuable, for the management of the activity concerned is ordered from within by those who know most about it. The activities of these associations should be recognised by the State, regularised and protected by law for the benefit of the professions and of the nation.

Guilds are an old British institution, which were originally formed in the Middle Ages to protect and improve the crafts and arts of those days. They not only maintained a just price and ensured fair remuneration to craftsmen, but also improved and maintained quality of workmanship to the great benefit

and service of the nation. The ideal could be revived and adapted to suit modern conditions.

The proposed formation of guilds, however, can only be effective if the whole system of capitalism is overhauled and organised. Disorganised capitalism can only exist under conditions of world expansion, as occurred in the nineteenth century. Organised capitalism requires the following essential controls before it can work:—

1. Control of the creation and destruction of currency and credit.
2. Exchange control for the stabilisation of import prices.
3. Price control.
4. An efficient system of raising wages and salaries in times of currency expansion and a rise in the price level, involving a stabilisation of the profit margin.

The proposed independent body for the control of currency and credit could also be responsible for Exchange control. Price control and wages control could be arranged by the Guilds under the supervision of the proposed independent Court of Appeal.

CHAPTER XIII.

Agricultural Reform in Britain

THE decline of Britain's greatest asset, the productive capacity of the soil, is due mainly to the lack of balance between agricultural prices and industrial prices, and is caused by the imports of cheap foodstuffs, and accentuated by the costly and redundant machinery of distribution. Too few manufactured goods are exchanged for a given quantity of food. That is the crux of the agricultural problem, and this equilibrium cannot be permanently cured even by debt-free money.

The growing costliness of the modern operation of distribution is apparent from the number of persons employed in the distributive trades, an increase recently of 11 per cent. to 16 per cent., together with the cancerous growth of modern advertising, all of which has to be paid for by the consumer. Theoretically, lowered costs of production should produce lower prices to the consumer, but experience shows that every lowering of factory or agricultural costs is to-day promptly offset by an increase in distributing and selling costs. This indicates the necessity of the formation of Guilds in the distributive trades with two separate courts of appeal for the fixing of just prices, (a) for agricultural products and (b) for industrial products. Two courts are necessary, for the experts for dealing with agricultural products are in a different category from the experts required for industrial products.

The condition of British agriculture is briefly and forcefully described by Lord Bledisloe, one-time Governor of New Zealand, and an agricultural expert who has held many important appointments in connection with agricultural and land enquiries, as follows:

"British agriculture is in a parlous plight. A hundred years ago, when the Royal Agricultural Society and the Royal Agricultural College at Cirencester and Rothamsted (the leading agricultural research station of the Empire), were

all commencing their salutary activities, British agriculturists of all classes were pointing the way to the whole world, not merely in the excellence of their livestock, but in the quality and quantity per acre of their arable crops, the efficiency of their farm practice, and the standard of maintenance of their farm buildings, roads, drainage, fences and other farm equipment. British farmers were then relatively prosperous, their landlords were enterprising and progressive, auxiliary village trades were thriving, happiness and mirth were in our countryside, and two-thirds of the nation's food (wholesome and invigorating) was won with confidence from our own soil. The contrast to-day is sad and humiliating. The agricultural community of Britain are now in a semi-bankrupt condition, subsidy-supported mendicants; their land has lost during the last half-century 40 per cent. of its fertility and productivity, at least one-fifth of its once most fertile area is waterlogged and badly needing comprehensive and co-ordinated drainage treatment, and, owing to the progressive impoverishment of the landowners (accentuated by onerous and recurrent death duties), farm buildings, cottages, fixed plant, and other farm equipment are, except on the estates of industrial magnates, who are in no way dependent upon them for a livelihood, in a deplorable condition of deterioration and decay, operating as a substantial deterrent to the avoidance of farming losses. The worst factor in the situation from a national standpoint is the utter lack of confidence—the absence of any real feeling of security regarding their future—on the part of any of the three classes connected with the land. Mr. Hudson contemplates the dispossession of incompetent farmers (they probably, if the truth be told, represent to-day at least 25 per cent. of the whole), and I rejoice to hear it. They are a real menace to the welfare and safety of the nation, and it would be a good investment for the nation to pay them as compensation the whole of their requisite farm capital (which in most cases is non-existent) to get rid of them. But the main reason why they are there to-day, and, indeed, why the once efficient standard of British agriculture is so deplorably decadent, is that, while (for political reasons) British landowners have been deprived by statute (notably by the Agricultural Holdings Act, 1908 and 1923) of all control of bad husbandry on their estates, and of the power under their tenancy agreements

to prevent land deterioration through incompetence or neglect, the State has in the past done nothing effective to exercise control itself. This control was vested by an Act of 1919 in the County Agricultural Committees, but in most counties the Act is a dead letter. The Committees have hardly ever issued certificates of bad cultivation, however disgraceful the farming has been. Without coercion it is unlikely that they ever will.

But all these deplorable conditions which I have outlined, and which no unprejudiced agriculturist can deny, are not due to their origin and perpetuation to any class of Britain's agricultural population, but simply and solely to a long succession of Governments (agriculturally ignorant, timid, myopic, and swayed by a dominant and still more ignorant urban proletariat) which have permitted our most vital industry to be made the shuttlecock of party politicians, and, having sapped it of its inherent stability, confidence, and enterprise, have, in the absence of any comprehensive policy or settled objective, represented it and treated it as a mendicant industry, depending upon doles and patchwork remedial palliatives, dictated by the claimant grievances or political exigencies of the moment. The only hope for British agriculture, and consequently for the future safety of our people, is that a plan should be forthwith formulated—now, in war-time, while there is a Coalition Government in office—for the entire reconstruction of the industry, not in the interests of agricultural workers, farmers, or landowners, still less in those of one or more of our political parties. But solely, courageously, and indisputably in the interests of the nation.

Adequacy of treatment of our agricultural problem in any of its many-sided aspects is *quite impracticable except after a complete revolution of our agricultural policy.* This is clearly beyond the competence of our constantly changing, and often wholly inexperienced, Ministers of Agriculture. Such a revolution, now clamantly called for, can *only be initiated by the Prime Minister, with the approval of the leaders of the Labour and Liberal Parties,* who themselves may be called upon hereafter to form Governments, and upon whose concurrence the vital element of continuity of treatment and objective depends. I, therefore, do not blame the present Minister of Agriculture, who, although not a farmer, clearly has courage, initiative, energy, and thrust.

Personally I have never favoured what is generally known as Land Nationalisation, partly because I don't believe in the efficacy of "farming from Whitehall," and partly because, although shamefully treated by all Governments during the present century, I hold that no class of the community know better the potentialities of their land and the needs of our country-side than the Squires and Yeomen of England. But, so strongly do I feel that, in establishing British agriculture on a permanently sound basis, there shall be no scope (in the public interest) either for the neglect or misuse of the land or for the raising of rents without full justification, that I advocate strongly the conversion of all freeholds into leaseholds for 999 years from the Crown, at a peppercorn rent, with covenants in these long leases to ensure that the land, whether under crops or timber, or containing valuable minerals, shall hereafter, while yielding a due return on capital expended on essential equipment and improvements, be used and operated to the optimum advantage of the British public.

Much has been written on the subject of agriculture, land tenure, and health in relation to agriculture. "The Rape of the Earth," by G. V. Jacks and R. O. Whyte, already mentioned, is a classic which should be read by all interested in sociology. Britain is fortunate in not having destroyed her soil, and her agriculture can be revived to maintain the health and comfort of the people. Sir John Orr, Lord Horder, and Dr. G. T. Wrench's publications are illuminating on the subject of agriculture and health.

"Look to the Land," Lord Northbourne's book on the "Rule of Return," is also one which ought to be studied. He insists that in urban areas, as well as in rural areas, every scrap of organic material available from both should be returned to the soil in an assimilable form after its passage through plant, animal, and man, and it is shown that the healthy condition of foodstuffs depends directly upon compliance with the "Rule of Return." Upon this simple basis a scheme of life is built up which embraces the material and spiritual sources of vitality.

Both the soil and human beings over vast areas are below par. The soil is not only being wasted by erosion, a fact which is obvious to all who inquire into the matter, but is being impoverished by loss of fertility; plant life follows suit and becomes sick with the sickness of the soil, and in turn passes on its sickness to the animals and human population, the same lack of vitality. People are sick without knowing why they are sick. If half the effort put into curing sickness were utilised to rear a healthy people the expenditure on caring for the sick would be reduced to a fraction of what it is.

Sir John Orr has frequently pointed out how the British people are declining physically through lack of nutrition, and are producing C3 men instead of A1 men. Man to regain his ebbing health must set himself to put heart into the soil, and himself return to the natural processes of life as opposed to merely increasing productivity, for the time being, for financial profit. Lord Northbourne insists that what is taken out of the soil must be returned, and that the result of such action would be stupendous in its effect on the health and happiness of the world.

All the habits of this industrial age run counter to these simple rules of life and to this natural recipe for health and contentment. Money, law, skill, science, art, and labour are treated as commodities to be bought, sold, and speculated with. In agriculture, speculation for immediate profit has taken the place of farming as a way of life, with the first interest the preservation of the health and fertility of the soil, as a legacy to our children's children. The effect of these specialised and forced methods of cultivation for profit has brought in its train the palliative of artificial manures which, if not used scientifically, exhaust the soil and bring previously unknown diseases to the crops, and the use of poisons, such as arsenic, copper, and tobacco, to destroy the increasing pests which a healthy soil and plant life would not generate. We educate without purpose, we are sick without knowing why, attacking symptoms but

never causes; we are without property, excepting for the privileged few, gradually becoming fewer and fewer and richer and richer; we are casting away all the things that make life worth living, and squandering the one thing on which life depends, the soil.

Let us look to the land and revise our laws, not only in war-time, but for all time, and build up a real asset for the nation in our fertile soil, with a healthy and happy population.

The modern farmer, who in these days is frequently heavily in debt, is continually up against the temptation to secure a quick return in some special line, and in doing so is tempted to use up accumulated fertility and trust to luck for the future. The result is that mixed farming, which alone keeps the soil in permanent health, tends to disappear. The power of machines and modern technique multiply resources very considerably even in agriculture, and the soil, which alone keeps us alive, can be harried by machinery and hustled by artificial manures into quicker bearing, but will always refuse to be plundered; it cannot indefinitely go beyond the pace to which Nature sets a limit. If it is abused and plundered, even the present generation will suffer, future generations will suffer still more, and will decline and perish.

The reform of the monetary system will greatly assist agriculture, but something more than this is necessary: there is no reason why the farmers' union should not be formed into a guild with compulsory membership, with power to fix wages and prices, an equal representation of farmers and labourers, prices being subject to the independent agricultural court of appeal which would take into consideration the cost of distribution, control of imports, and the consumer's interests. Something of this kind must be done to save the greatest of all national assets from decline, to build up a strong industry and healthy people. In the economic field agriculture should come first, for it is the basis of the health, prosperity, and happiness of the people.

CHAPTER XIV.

Land Reform in Britain

THIS is a thorny subject on which a whole library of books have been written. Grievances, scandals, disputes, and revolutions about land ownership have always been endemic in all communities. Land-ownership was the fundamental cause of the French Revolution of 1789 when so many of the aristocratic landowners abused their privileges and impoverished the peasants. The Revolution and Napoleon restored the land to the peasantry.

Peasant and occupancy ownership is perhaps the form of land ownership which is the best for all nations because it is concerned with the art of living on the land rather than of making money. The peasant clings to his real capital in his land and beasts, and money values do not interest him so much. Land has a real value largely independent of currency values, it appreciates not with the stability of the currency value, but rather with its instability. Capitalism ignores these real values, and the result is the starvation of the basic industry of the nation.

The peasantry of Britain very largely disappeared many years ago and became landless tenants. Attempts are being made in some quarters to build up a peasantry in Britain; it is a slow process, for peasants have to be trained and agriculture is an art. Without protection, also, small scale farming, except in special lines such as market gardening, poultry, and fruit farming, is not economical.

During the nineteenth century until about 1857 the system of landlord and tenant on the whole worked well. English agriculture was then at its best and was an example to the rest of the world. Even to-day many farmers prefer the system of owning and being responsible for the land themselves; they know that no landlord wishes to lose a good tenant, and no farmer a good landlord. So that there

is no insecurity for the good tenant, and the bad tenant is eliminated. Fixity of tenure and low rents often mean bad farming. In times of difficulty the landlord is available to help the tenant to carry out improvements on the land and this association affords a good example in mutual co-operation.

The aristocratic landlords and squires of England fulfilled a useful service to the community, as it was a tradition with them to help the tenants and keep the land in good heart, and to maintain buildings, fences, etc., as a valued inheritance for their children's children. Cheap imported food-stuffs have ruined the tenant, and forced him on to specialised farming to make quick profits, agricultural labour has been driven into the towns, and the death duties have steadily destroyed the good landlords, who fulfilled a useful function to the nation, were attached to the land, and lived unluxurious and dignified lives. Their destruction is a real loss to the nation.

The Death Duties Act was introduced by townsmen who did not understand, and had no sympathy for, rural life. If they had had such understanding the Act would have made an exception in favour of rural landholders in order to avoid the break up of rural estates. The land has been steadily drifting into the hands of wealthy townsmen, who farm as a hobby, or into the hands of corporations and councils, who are not controlling farms as well as the former landlords did. Individual touch, sympathy and understanding count for much in the affairs of men, but this touch in the control and management of land and agriculture is rapidly disappearing. However, the trend cannot be reversed now, and the problem is to devise a system which will eliminate the bad farmer, and give security to the good farmer, and maintain a fair wage for the farm-labourer.

The owners of land in urban areas are in quite a different category; they perform no useful service to the community, their incomes from the land are not earned, but have increased enormously without any effort on their part. Besides the few very wealthy

aristocratic landowners, who have inherited huge fortunes, which have accrued to them entirely by the work of the nation as a whole, without any effort on their part or on the part of their forbears, there are many wealthy speculators in real estate, a number of whom have amassed huge fortunes without doing a stroke of work. Rents in urban areas during the last fifty years have risen phenomenally, and the community as a whole is being literally robbed by this class of speculator, whose activities should be stopped without further delay. The chaotic condition of land ownership is a serious obstacle to social progress in all directions, for rent is a form of usury which is steadily becoming an intolerable exaction.

Sir Reginald Rowe, being president of the National Federation of Housing Societies, is an expert on the subject. In his book, "The Root of All Evil," he writes as follows:—

Henry George's "Progress and Poverty" was much read many years ago, and recently the policy there advocated, nationalisation of the land, has again come to the fore. The general new-economic attitude towards rent on land is that as a payment to individuals it is indefensible. The land of a country should belong to the country as a whole, runs the argument, and it is a very strong one. "Land rents are a charge on the source of production itself," writes Jeffrey Mark in his essay in "To-morrow's Money." "The land, therefore," he continues, "under this or any other system can only properly belong to the community as a whole; and if rent is paid for it, it should be paid to the State."

The out and out Socialist naturally wants land to be the *property of the nation, and predicts therefrom immense* revenues for lightening, if not doing away with, taxation, and making all sorts of beneficial expenditures possible. Like everybody with a pet policy he probably exaggerates its benefits. The new economist may be an upholder of individualism yet still consider it wrong that land should be individually owned. Land, with labour applied to it, is clearly the source of all production—animal, vegetable, mineral. It is obviously as indefensible economically that any individual should have the right to profit from its ownership as that he should have a similar right over the air, if he could harness

it for his personal and exclusive service. But the worst economic danger of individual ownership of land is that it need not be rightly used, and its benefit to the community may therefore be lost. For this last reason, there are thoughtful agriculturists who consider nationalisation of land an unavoidable necessity though they insist that it must be in some form which will secure permanent tenancy to the farmer who does his duty by it. Lord Northbourne, a considerable land-owner himself, adopts this view in his book "Look to the Land."

Now let us look at the problem from yet another angle. As one who has been deeply interested in, and concerned with, better housing and town-planning for over thirty years, it is the way I personally look at it. One of the very worst results of our economic system is that it grossly encourages speculation in land with a view to profit from its resale as building sites. The gain thus procured is accurately termed "unearned increment." This is undeniably sheer appropriation by an individual of value that should belong to the nation. Benefit which should accrue to the nation has been stolen—or, to put it mildly, diverted to personal profit. But a further evil of the greatest magnitude is its immediate consequence. Land is not only bought at £20 or £30 an acre, resold at £50, resold again at £100, then at £200, and so on, every speculator in turn getting his unearned profit, but the land itself is to an important though varying extent withheld from the best agricultural use that could be made of it. When such land is finally built on there follows the worst evil of all. The last speculator builds on it almost anything he likes, almost anywhere he likes, regardless of the interests either of the locality or of the country as a whole. It is true that recently some inadequate limits have been set to this deplorable spontaneity and capacity for destroying the beauty and amenities of countryside and town, but the devastation grows apace. England is now peppered with rows of hideous square boxes, so situated that transport and industrial development in the future may be fatally handicapped. The only mercy is that many of these have been so hastily and cheaply built that they may scrap themselves, instead of having to be scrapped, some forty years hence. Surely this is madness.

Much more could be said of the inadequacy of our

housing and planning procedure, whether in the country or the towns. The problem turns basically on whether decentralisation of industry and, consequently, of population is the right answer to the disastrous tendency, still growing, to overcrowd large cities, especially London. This necessitates building higher and higher in the big towns, most of all in London, makes it increasingly difficult to house the poor adequately, and creates in turn a transport problem which threatens to become insoluble. I do not doubt that decentralisation is the right policy, the only right policy, and I find that this view is shared by nearly all those who have had experience in the large field of work of housing societies, by nearly all representatives of the Royal Institute of British Architects, by everybody connected with Letchworth and Welwyn and every other form of garden city—in fact, by all except certain bureaucrats who hardly dispute the wisdom of such a policy, but find it preferable to do nothing than to do anything enterprising and therefore difficult. Decentralisation is bound to come, and it may well be that it will be hastened by the war, which has shown how fatal it may be in present conditions to have a huge proportion of this country's population congregated in huddled masses in London and other large cities.

Surely the obvious remedy for the lamentable state of affairs now existing is to set to work on the lines of the "Hundred New Towns" scheme of Mr. Trystan Edwards, or something similar. "If our whole population," Sir Raymond Unwin has stated, "were accommodated in small towns they would only take up, spread out with gardens to each house, 4,313 square miles. Whereas at present, in spite of the way people are packed into the centres of cities, they spread over 6,500 square miles."

A NEW OPTION SCHEME

I daresay I have horrified some readers by flirting with the idea of land nationalisation, but, however much we may dislike the notion, I suspect that in some form it is bound to come. The one purpose for which control of land seems to me immediately essential is to put an end to the speculation in site values which is doing such irrevocable harm, and peppering our land with unsightly cottages, bungalows, and "villas." Some time ago I hinted in a letter to "The Times" at what I considered a practical solution of the problem, and I will explain the proposal more fully here.

There can be no doubt that the chief cause of all the trouble is "unearned increment," which nobody seriously defends. This could be stopped forthwith and no further harm done if a valuation were made of the whole country and the Nation gave itself by Act of Parliament an option to purchase any part thereof at the price thus decided to be its fair present value. Up to a point this procedure would be nothing more than a repetition of William the Conqueror's Domesday Book. To make the valuation would be arduous work, but the knowledge obtained would be importantly useful in so many ways that it would be worth well the cost and effort involved. I am only concerned here with one of the purposes which it would fulfil. From the time that the nation gave itself this option to purchase its own land, no profiteering in site values would be practicable. For who would buy land at an extravagant price per acre when the nation could purchase it, after due notice given, at, say, £40 per acre? As things are, land that is thought to have prospective building value is rapidly jumped up, through speculative exchanges, to a very high figure. Who benefits except the speculator, indeed, who else does not suffer? And who would be defrauded by the national option suggested? A seller could sell his land at anything up to the option price, its proper value, and have the better chance of getting that price at any time because some day the Government might want the land and could not offer less. All he would be deprived of would be something that he ought to have no shadow of claim to, unearned increment, rightly belonging to the nation.

There would be no occasion for the nation to buy except at a suitable moment for some national purpose. If it only bought very rarely, the great good of abolition of speculation in land would still have been accomplished for all time if the option were permanent, which I think desirable, for 100 years, or some lesser term, if the option were for that period.

The New Hundred Towns scheme of Trystan Edwards can be criticised in detail, but its rightness in principle can hardly be questioned. Put very simply (all sorts of plans and details and figures are submitted in his largest pamphlet on the subject) it amounts to this. To house our people properly is a problem of which the building of a hundred new towns is the only sensible solution. By planning ahead and buying suitable sites at their agricultural value it can

quite certainly be done. There is, in fact, nothing to stop the execution of some such plan except human inertia. All the brains of architects and town-planners are at the nation's disposal, eager for the service. But the Government, like all Governments, will not move unless they are pushed—by us, the people, by votes. Now what will happen to them and us at the end of this war if no effective steps, which must be large steps, are taken to slide war-work into peace-work? The answer is obvious—vast numbers looking for a job, huge unemployment. Then why not prepare now for a Hundred New Towns scheme, or something similar?

What, therefore, I most seriously urge is that the Government should pick out a number of suitable areas, each of, say, 5,000 to 10,000 acres, apply some method of fair valuation, and by legislation give the nation the right to purchase any or all of these acres, after due notice given, at the valuation price.

There are several other points about this plan that should be carefully considered. If carried out immediately after the war on a large enough scale it should go a long way towards absorbing into productive employment the immense numbers released from war-work. If towns were being planned and built in various localities it would mean added employment in every trade, and not only the many trades directly concerned with the supply of building materials and their accessories, because money spent spreads continually. Then there are various considerations which have been well set out in "A Hundred New Towns for Britain," the work to which I have already referred. It is there claimed that the proper planning and building of a hundred new towns would not only solve the slum problem by drawing workers overcrowded in our great cities to better work and good housing conditions in the new towns, but that the scheme is necessary to save the countryside. A passage runs thus: "Instead of the present haphazard building in the neighbourhood of existing towns, by which the pure country is rendered more and more inaccessible to town dwellers, there would be concentration of the new houses in compact townships. By no other means is it possible to save the countryside." Furthermore, it is calculated that each of the towns envisaged would save England about 200 miles of ribbon development—that wasteful form of profiteering which is turning our main roads themselves into a thin,

poisonous, snake-like town that meanders all over the country. Then again, the gain to agriculture would be very great provided that a sufficiently wide green belt were preserved round each largely inhabited centre. This is a very important provision, not only because of the adjacent market it would give to the surrounding farms, saving waste in transit of supplies, but because it would set a reasonable limit to the town itself and prevent the growth of jerry-built suburbs. All housing reformers are agreed that there should be some limit to the expansion of a town. Only so will it be possible for England in the future to contain beautiful towns such as Bath and Oxford and very many more. Even these are now being rapidly spoilt by overgrowth. I cannot speak from recent intimate knowledge of Bath, but the real Oxford is already an island in a sea of suburbs.

THE ECONOMICS OF TOWN-PLANNING BRITAIN

My attitude towards the economic aspect of such a scheme will be guessed beforehand. If the banks were allowed to create as much new money as might be required and to lend it to the nation, costs would be increased and considerable inflation inevitable—assuming that they proceeded to lend that money over and over again in accordance with their usual practice. The total of money in existence would in that case soon be far ahead of the new real wealth that was being created. I am not saying that bankers would necessarily do this. I suspect that the war and modern conditions have given them a fright, much food for thought, and a wider outlook in consequence. But it is perfectly clear that under the present system they would have the *power* to do this, and the exercise of that power would be profitable to the institutions which they serve and govern. I do not think that they would distribute still larger dividends to their shareholders, or not much larger, though, of course, they could if they wanted to—through the familiar process of lending and relending what they owed to their customers.

I hope my meaning is clear. If the Bank of England created a new hundred millions of £s by crediting that sum as a loan to the Government, the Joint Stock banks, through whom the money would be spent, could create many times a hundred millions of new money and make inflation unavoidable by lending their increasing deposits faster than the rate at which the use of the money was increasing

wealth-on-sale. In the circumstances postulated it may be that they would not do so, because bankers are individually honourable men, and, knowing more about the science of money than they or anybody knew twenty-five years ago, they might realise that such action would be unpatriotic. Besides, the inclination of bankers until recently has been on balance towards deflation. This has not been a self-denying policy, because the power to destroy money is at least as valuable as the power to create it. The banks and "big money" score by both uses of that power; inflation means more money to lend for those who have it or are sufficiently credit worthy; deflation means for these same people lending less at higher interest. Those with little money, and therefore un-credit-worthy, suffer either way. I am not suggesting that the banks would willingly behave to the disinterest of the nation, though folly might bring it about; the objection here raised, with which I should have thought that everybody who understands the problem must agree, is that it is wrong that they should have the power to do this terrible harm.

The case for decentralisation of urban areas proposed by Sir Reginald Rowe has been greatly strengthened by air raids and the forced evacuation of some of the most thickly populated areas since Sir Reginald wrote his book.

That Government should not hesitate immediately to introduce some scheme on the lines suggested in the "Land Option Scheme" to check land speculation must be obvious to anyone who thinks at all on the subject. It seems, too, that those who know most about the land are being driven to the conclusion that the eventual solution of the land problem is in the nationalisation of the land.

CHAPTER XV.

Political Reform in Britain

THE statesmen and politicians of Britain proclaim to the world that we are fighting for freedom. What kind of freedom is it that they have in mind? Freedom of speech, freedom of opinion, theoretically, freedom of choice of work and service, and freedom to worship God in whatever way we think fit. These freedoms are understood, and are alone worth fighting for, but these alone do not constitute real freedom. Freedom is a term which cannot be interpreted too literally; for instance, freedom to break the laws of the land would be anti-social and lead to chaos, but how can a man be truly free who, by force of circumstances, is compelled permanently to be a wage slave on a wage which just maintains himself and his family, without hope of being able to acquire even the house in which he lives, and with the dread of unemployment ever present? There are tens of thousands of such people in Britain, and the worst feature of the economic situation is that they steadily increase in numbers.

The preservation of real freedom depends upon restoring and maintaining for the great majority of individuals the economic means to remain independent individuals. The greatest evil of the modern world is the reduction of the people to a proletarian level by destroying their savings and by making them the helpless employees of a private monopoly or a Government monopoly.

It is necessary to specify what freedoms are to be allowed and what freedoms are to be vetoed and a new system devised to encourage co-operation, each according to his ability, upon worth-while objects. It is admittedly open to argument as to what is worth-while and what is not, but co-operation on equal terms for the wellbeing of all will evolve a definition of these objectives.

To attain real freedom for the masses some form of Guild Socialism is necessary to expand organically from within, forming local groups, developing into regional groups, and culminating in a national system. Laws would have to be formulated to facilitate the formation of these groups and to prevent obstacles being placed in the way either by capitalist or trade union interests. The system should be planned and developed, not introduced by force from above, until such time as an organisation has been created from the bottom upwards. Something of the kind has been adopted by Salazar of Portugal, and, in our own Commonwealth, New Zealand seems to have adapted functionalism as the basis of her national policy.

Functionalism is the science and art of organising for a specific purpose; for instance, the Post Office is an example of functionalism. In that case it is controlled by the State, but there are numerous examples of private organisations for a specific purpose, such as consumers' co-operative movements and agricultural co-operatives. The most thorough, outstanding, and successful example of agricultural co-operation was the Danish Bacon Trust, supported by law and assisted by the Government. The British Agricultural Marketing Boards are really functional co-operative organisations. The various manufacturers' federations and the trade unions are all a tendency towards functional organisation, and if the maufacturers' federations and trade Unions in each industry could be organised to unite, instead of existing on a basis of conflict, the functional system would be complete. They can be called guilds or any other name that appeals to the people.

The Fascist form of Guild Socialism of Italy commenced well enough, but was seized by the Fascist Party, dictated to from above, and became a tyranny. What is needed is to combine the Socialist principle of co-operation with the democratic principle of self-development. A democratic functional system of co-operation would supply that need. Each individual

is consulted on that subject at which he works which he specially understands, and is thereby encouraged to take his part in the government of the community. The present democratic practice of asking for a general opinion on subjects in which the individual is not interested and does not understand makes the present form of democracy ineffective.

The present political system is a hotchpotch of, on the one hand, orthodox Capitalism and private monopoly, which is steadily breaking down, and, on the other hand, Socialism conceded from time to time by Capitalism in order to placate an ever-growing proletariat dissatisfied with existing conditions without knowing the true cause of their dissatisfaction.

Both Capitalism and Socialism are theories which do not take human nature into consideration. The fallacies of these theories soon become apparent in practice. The Capitalist system assumes that man is essentially a competitive, individualistic, selfish, and non-co-operative animal. The Socialist system assumes that if the selfish profit-earning incenitve of private enterprise is removed and prevented from recurring by law all men will willingly and effectively work solely for the benefit of the whole community, and that the chosen leaders will govern without consideration of personal advancement or aggrandisement of power, place, and social status. This latter experiment has been tried time and again since the days of Plato onwards and has always ended in failure.

Both theories are partially true, but applied as a whole in either case lead to disaster. It is necessary to consider what human nature ought to be (Ethics), what it actually is (Psychology), and how it can be brought more closely in line with what it ought to be (Political Economy). The study of Sociology is no longer possible if Economics, Psychology, and Politics are considered separately; all these branches of learning have to be studied and applied to the

problems of human development to arrive at a balanced decision on social questions.

The Capitalist system is collapsing because this theoretical assumption is only partially true, and Capitalists grope about in an economic system which they do not understand, seeking profits of which Government has to continually deprive them by taxation, an unending vicious circle of rising taxation and rising wages, followed by rising prices, followed again by rising wages and rising taxation.

The reforms proposed in this chapter are an attempt to put forward suggestions which, if carried into effect, would check the tendency to reduce the great majority of the people of Britain to the condition of proletarians, without property, and ever more and more dependent on the State. The possession of property is the very basis of security and freedom. The danger is that when the war ends, in default of a definite plan, we will be forced to carry on in the same bankrupt, barren, lack of system which has already brought the world so much misery.

The suggestion is that the solution of the problem lies in the removal of antagonism between Capital and labour by the formation of some form of guilds to unite the interests of both Capital and Labour. And that representation in Parliament be attained by grouping the electorate in accordance with occupation instead of place of residence. Economic troubles have shattered the old parliamentary system, which can only be re-established by substituting an economic political basis of representation instead of a residential basis. The residential system of distribution of constituencies was introduced many years ago, when Britain was quite different from what it is now, and an examination of the system discloses many anomalies which the people will not tolerate indefinitely.

Of course, occupational representation will eliminate local patriotism in the selection of candidates for election, which at one time may have been a useful influence in Parliament, although as a factor in

politics it has now practically disappeared. Facility of communications and the shifting of the population from one centre to another, dictated by varying conditions of employment, a process greatly accelerated by the war, have put an end to all that. Democracy, meaning government of the people by the people through their chosen representatives, can exist only when the people are free, and when neither the rich nor the Trades Union caucus has the power to override the will of free men. Democracy, under the present conditions of industrial Capitalism and Trades Union power over the individual, is a contradiction in terms, for such vested interests and Trade Unions both tend to destroy the free choice of action in the mass of citizens, who are cajoled and coerced into one or the other camp. In practice there is no real free choice of representatives, and parliamentary government in Britain is therefore in the nature of an oligarchy, the very opposite of democracy.

The daily Press, which very largely forms the opinion of the masses, pretends to express popular opinion, but in reality it is the expression of the opinion of vested interests of Capitalist or of Trades Union, according to which side finances the publication. It conceals or withholds facts which the public ought to know; sometimes gives false or distorted facts, with all the tricks of journalism, often degenerating into mere propaganda, and renders the Press quite useless to help the public to form a reasoned opinion.

Parliament is run on party lines; many of the candidates for election are unknown in the constituencies for which they stand, and the qualification for a seat in Parliament is very often merely a matter of subscribing to the party funds, or of being acceptable by the Trades Union caucus; consequently the great majority of Members of Parliament are merely party bucks and voting machines. The independent candidate, unless he happens to be an exceptional man like Mr. Winston Churchill, has a very small

chance of success at the polls. Lawyers, many of whom enter the House of Commons as a means of advancement, are by no means independent. Their objective in life can only be attained by loyal service to a party, and their legal minds are trained to talk glibly and persuasively on any subject for which they are briefed, whether they have any real knowledge or convictions on the subject or not. The system brings to the front few men of independent thought and conviction; the majority are in Parliament for the purpose of upholding the position of an orthodox plutocracy, or of a Labour Union caucus, neither of which parties desire any real radical change. It is only in national emergency, when it is almost too late to act, that their patriotism gets the upper hand and they become truly independent and British.

The old party system of Parliamentary Government is declining rapidly, if it is not already dead. Coalitions are now a necessity, and a new system of representation in Parliament is overdue. Occupational representation would mean that the electorate would know whom they are electing, and they would know that their chosen representatives have an intimate knowledge of the economic activity which regulates their lives, and which is of vital importance to them, and on the wider national and international issues, the representatives would have an independent outlook. The House of Commons would be a body of experts representing all the varied economic interests of the nation. Agriculture would have a voice in Parliament commensurate with the importance of that industry, instead of being relegated to an ever-changing succession of Ministers of Agriculture, who give up in disgust the unequal contest of battling with the urban-minded majority, to move on to a Ministry which offers them better prospects of doing something worth while.

The executive would not be at the beck and call of a party, but would be selected from the whole House of Commons for their ability and knowledge of the departments they are called upon to control, as is

being done now in war-time. There are many who think that the selection of the head of the executive, the Prime Minister, should be subject to a plebiscite of the whole nation, as is done in America, and there is much to be said for this proposal.

These suggestions of political reform are put forward in the full realisation of their controversial nature, but every form of government is open to criticism, and no government system can be perfect. They are made merely with the object of provoking thought on the subject by the general public, and to emphasise the necessity of considering a radical change in our system which cannot be postponed indefinitely.

CHAPTER XVI.

International Relations

WHAT has Britain to offer the nations of the world when the Nazi regime is broken? This question remains unanswered. That she is fighting to free the nations from the domination of the German race, and that Britain herself has no imperialistic aims and desires, no aggrandisement of territory, is understood.

British statesmen rightly refuse to be drawn into any announcement as to territorial distribution or redistribution among the nations of Europe. None can guess what will be the diplomatic or political position when the tide of war turns against Germany. Should British political leaders attempt to do so they would be likely to involve themselves in commitments abroad which would be quite unrelated to the realities of the situation at the end of the war.

Neither should political ideology be permitted to influence foreign relations. How the different nations wish to be governed is their concern; it is for the peoples themselves to evolve what system of government is most suitable to their temperament. The nations of the world have different needs, they are at different levels of civilisation, they are sometimes orderly and sometimes disorderly; to lay down one particular system of government for all would be a profound mistake. It is safe to say that never again will one form of government be regarded as a universal panacea. Among the Great Powers, the British Commonwealth and the United States of America are the only Powers that have made a success of Parliamentary government, and among the smaller nations, the Scandinavian peoples, Holland, Belgium, and Switzerland.

The history of Parliamentary institutions undoubtedly proves that Salazar was right when he said: "The attempt to adapt the English Parlia-

mentary system to all European countries has been one of the greatest mistakes of the nineteenth century." It is very doubtful whether even France will return to the Parliamentary system which has been the cause of the collapse of the Third Republic and the downfall and utter ruin of that great country. It may be that some countries can find, at any rate for the time being, no better way of government than a dictatorship. Dictatorship is but a temporary expedient, but in these times of change, uncertainty, and the decay of liberalism, it may be the only expedient to evolve stable government, and, provided the dictatorship is not aggressive towards other nations and is not imperialistic in its aims, it is not for the democracies to intervene or even advise.

Lord Balfour, in his introduction to the new edition of Bagehot's "English Constitution," has said:—

> Constitutions are easily copied, temperaments are not; and if it should happen that the borrowed constitution and the native temperament fail to correspond, the misfit may have serious results. It matters little what other gifts a people may possess if they are wanting in those which from this point of view are most important. If, for example, they have no capacity for grading their loyalties as well as for being moved by them; if they have no natural inclination to liberty, and no natural respect for law; if they have not that distrust of extreme conclusions, which is sometimes mis-described as want of logic; if corruption does not repel them; and if their divisions tend to be too profound, the successful working of British institutions may be difficult or impossible.

Systems of government, to be successful, have to be evolved from within, not imposed from outside. A system that is theoretically unsound, which has the support of the people, will function, whereas a system, however apparently sound, which has not the support of the people, will fail. We have a clear example of this in the Government of India Act of 1935, which has been a complete failure. The future Government of India has still to be evolved, but it will have to be constructed by Indians themselves after the war;

British politicians, who can think only in terms of their own institutions, can never cope with such a complex problem.

To counter Totalitarian propaganda effectively on the Continent it is necessary clearly to state what is the British ideal in the economic field of a future Europe, in place of the *laisser-faire* Liberal capitalist system of International Banking Credit Control, which is practically dead. The Totalitarian Governments are not only the enemies of the Democracies, but are the measure of the failure of the Democracies in the economic field. The Democracies will not regain dynamic purpose and initiative until they renounce the old Liberal capitalist order of things, with its cult of exploitation and spoliation for the purpose of private or national profit.

The false economic doctrine of the nineteenth century that the acquisition of colonies, the exploitation of which was supposed to mean prosperity for the nation, is the basic cause of international conflict. A conflict which in peace-time means an appalling waste of the fertility of the earth's surface, and the exhaustion of the irreplaceable stores of fuel, metals, and oil, beneath the earth's surface, is aggravated a hundredfold in war.

The British Commonwealth, with its wide colonial experience, its policy of decentralised political power, and its belief in the practice of persuasion rather than of coercion, as the principles of world influence, is in the best position to lead such a change of outlook. The age upon which we have entered should be an age of reclamation and repair in which it will be our pride to restore and return to mankind and posterity the treasures of the earth, the inalienable capital of mankind. Such a change of outlook from exploitation and greed to one of conservation and duty would be the first sound step towards pacification, and an end to the present degrading national quarrels.

On the necessity of such a change the Archbishop of York has made the following farseeing comments:

The existing industrial order tends to recklessness and sacrilege in the treatment of natural resources. It has led to the impoverishment of the agricultural community, and is largely responsible for the problem of so-called "Mass Man," who is conscious of no spiritual or social status, and who is a mere item in the machinery of production.

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All citizens should be enabled to hold such property as contributes to moral independence and spiritual freedom, without impairing that of others; but when such rights conflict with general social welfare, they should be overridden, modified, or abolished.

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The trend towards war is inherent in the internal economy of the modern nations. The essential evil in the ordering of European life has been the inversion of the proper relations between finance, production, and consumption.

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The criticisms of the existing order by new economists could not be more aptly expressed.

In an address in London during December, 1940, to the National Defence Public Interest Committee, Mr. Herbert Morrison, the Home Secretary, is reported to have said:

Hitler's new order was a vast military monopoly, and his organisation was the organisation of a slave plantation. Our own courage and strength are all that prevent this brutal nightmare becoming a reality for generations. Unless this war ends with a preponderance of military striking power in the hands of the Democracies, Europe can look forward to no constructive period of transition from war to better and permanent peace.

With this all will agree, but he continued,

I conceive us to be aiming at a co-operative international system guaranteed by an international police air force. The nations must be prepared to sacrifice many of their independent rights. They must be genuinely moved to work together to create a better life. We must have an order in which every man is free, not only to think and talk, but to work for constructive ends. I see no reasonable hope of freedom from the horrors of war until we can

achieve conscious and deliberate mobilisation of our economic resources on a co-operative international plan. If monopolies there must be, they must serve the State. We must look forward to a society that is rid of the twin pests of extreme riches and extreme poverty, a society which freely accepts a reasonable standard of living, comfort, security, and education of everyone.

This is evidently merely a statement of private personal views, and not an official announcement. With much of what was said all must agree, but the proposal of "a co-operative international system guaranteed by an international police air force," which, however attractive it may be in theory, ignores the psychology of human nature, is an extremely controversial proposal. Who is to control the police force? Who is to pay for it? Is the personnel to be international, and, if so, of which nationals are the High Command to be composed? What kind of co-operation is there to be, and who will appoint the controlling body, and have the power to remove them if necessary? Will such an international government make decisions on a majority vote, or must action only take place on a unanimous vote? Is it not probable that the international government and its police air force will become a tyranny? Will not international financial interests attempt to establish the horror of a monetary system and credit control throughout the world? These questions are not easy to answer. The proposal amounts to the revival of the old League of Nations, to which is to be added the surrender of sovereign rights, which would amount to a Federation of Nations.

The League of Nations did much good work in the collection and distribution of international statistics, and in the discussion and settlement of many subjects of international interest, but it attempted too much, and as a means of maintaining peace and goodwill among nations was a complete failure. It failed because it did not unite the nations, but merely gave them a Council Chamber in which they could spy upon each other, intrigue, and form groups against

each other. In fact, it actually stimulated national antagonism with the futile and stupid policy of sanctions, which meant economic war, the invariable prelude to physical war.

The only successful League of Nations is really the British Commonwealth of Nations, and that has been evolved gradually from Colonies and Dependencies; also Britain has borne the major burden of defence and directed foreign policy. This association has been cemented and sealed by external wars in self defence. The British Commonwealth is still in evolution, and it seems that, if the association is to be permanent, it must tend towards Federation. The defection of Eire is not helpful. South Africa, with its antagonism between the British and Dutch elements, is uncertain, but it is hoped that the war, under the able leadership of that great statesman, General Smuts, will finally confirm the adhesion of South Africa to the British Commonwealth. India is also an unknown quantity in the British Commonwealth, if and when she succeeds in attaining unity.

It would therefore be unwise to revive the League of Nations ideal in Europe, at any rate with the ambitious functions that wrecked the last league.

As to European Federation, much has been written on this subject, but the federation of varied peoples with varied languages and varied economic interests is extremely difficult, and could only be evolved gradually. Switzerland is the one outstanding successful example of the federation of varied peoples with varied languages; their economic interests were, however, the same, and the alternative to federation would have been suicidal internal warfare. The histories of Great Britain, France, Germany, Spain, and Italy are centuries of internal strife before unity was attained. Within the British Empire, South Africa was involved in several wars before unity by federation was attained. Canada, Australia, and New Zealand took years to evolve federal governments, although there were practically no racial, language,

or economic differences to overcome. India, although united administratively and economically under the paramount power of Britain for 150 years, is unable, after five years' discussion, and every encouragement from Britain, to attain federation. Indian leaders are now realising that fundamental racial and cultural differences have to be overcome in order to progress along the path of self-government and federation. The classic successful example of federation is the United States of America, which although of one race, one language, and one culture at the time of federation did not really unite till after one of the most bitter civil wars of history.

European federation, in which Britain would necessarily be included, may be theoretically attractive, but Nationalism cannot easily be eradicated, and the proposal will not be practical politics for a very long time. Moreover, is it certain that Nationalism is an evil, provided it does not become aggressive? Diversity of human development is an advantage to mankind among nations, as well as among individuals.

The first part of Mr. Morrison's statement, namely, "To end the war with a preponderance of military striking power in hand," is a difficult enough task to attain, without entering into the consideration of ideals of centralised European police forces, or centralised power of any sort, either by federations or leagues, which may not be practical politics after the war. To consider such ideals now would divert energy from the immediate urgent problem before us.

Besides winning the war the present objective should be so to frame our economic policy within and our relations with other nations that the root causes of economic conflict and war are removed. The problem can be, and should be, faced so that each nation after the war can, on its own initiative, evolve a plan of society that, as Mr. Morrison says, "can get rid of the twin pests of extreme riches and extreme poverty, and which freely accepts a

reasonable standard of living, comfort, security, and education for everyone."

To attain this ideal of Mr. Morrison's with individuals, it is necessary to extend the principle to nations and develop economic relations so that the tendency will be to develop no excessively rich nations and no deeply impoverished nations, which has come about by the exploitation of agricultural countries and communities by industrial countries and communities. To achieve this, industry must be redistributed so that each country has its proper share according to its natural resources. This process is already in progress, not only on the Continent of Europe, but in the Dominions and India, and will be accelerated by the war. More important still, agricultural prices must be brought into equilibrium with industrial prices, and, if need be, the growth of urban areas with their parasitical populations restricted. In short, agriculture the world over must no longer be exploited by industry and finance.

Germany is fully alive to this problem, a copy of the results of an investigation made by German students into European exports and imports of food and produce was published in "The Times," of November 18, 1939. According to this document the surplus of imports of food and produce over exports was £450,000,000 per annum, of which English and French imports amounted to no less than £417,000,000. It was explained that a reorganisation of European agriculture, and the planning of a reasonable price structure, would greatly reduce, if it did not eliminate this surplus. According to "The Times," it is quite clear from other German utterances that Germany is resolved to take the leadership in an economic transformation designed to make the peasants of Central Europe independent of foreign imports, and that her relations with them would then be similar to that of Great Britain with the peoples of the food-producing Dominions. Since that has been written, Hitler has made it quite clear what kind of relationship that would be, not one of

free development as in the British Dominions, but of domination, confining the agricultural countries to producing food and raw materials for industrial Germany, with a price structure that will keep these countries on a lower standard of living than Germany herself. Moreover, since the collapse of France, it is clear that the so-called New Order is to place the whole of Europe, outside Germany, on this same lower standard, the price structure to be maintained to the advantage of industrialised Germany with her over-powering war machine.

Wars are caused by the fear of commercial exploitation. It was the fear of what Germany called "Encirclement" that helped to give Hitler his opportunity to rise to power and launch a policy of armaments and power politics. Also, it was fear of German commercial expansion in Central Europe, when, by 1938, she had acquired about half of the trade of Central Europe, that made Britain and France fear that Germany would use commercial supremacy to dominate the weaker nations and exclude the commerce of other nations. These fears contributed to create the situation in which war became inevitable.

The only way to attain peace among nations is to remove that fear, and to adopt a policy the very reverse of Hitler's "New Order" by planning a system of international trade taking into consideration geographical realities and actual resources, with a price structure that will give agricultural countries the same opportunity to attain a high standard of living as industrial countries—a system that will ensure no commercial exploitation of one country by another or of a weaker country by a stronger. What is needed is a change of outlook that will recognise the principle of reciprocal trade instead of that of trade exploitation. It must be realised that a prosperous people means a good country to trade with, and this attitude will put an end to unfair commercial rivalry eventually culminating in war.

To those who think only in terms of nineteenth century economics this ideal will appear Utopian, but Britain can go a long way towards realising this ideal. She must make it clear that the British Commonwealth and Empire, with its immense areas of land and natural resources, shall be removed from the control of monopolies, and that the utmost will be done to bring economic security, not only to the peoples of the British Empire, but also to the peoples of Europe and other lands, by means of developing genuine reciprocal trade, with a system of multilateral exchange, freed from international credit control, speculation in monetary exchanges, and State manipulation of commodity values, with the object of attaining what is called a favourable balance of trade. This can only be achieved by a balanced economic exchange of real values, leading to conservation of the natural resources of the earth, now being ruthlessly exploited without thought for posterity. The British Commonwealth is the best situated and organised group of nations to initiate such an international economic regeneration.

The existing international monetary system, which the democracies attempt to keep in force, is in reality a privately-owned commercial and financial power, centred in the great industrial countries, which dominates the weaker agricultural countries which produce food and raw products for the industrial countries. The Nazi regime has carried this system to its logical conclusion by State control, and and has added power politics and armaments—the more effectively to dominate the weaker agricultural countries. This extreme policy effectively exposes the economic fallacy of the commercial and financial exploitation of one country by another.

An excess of exports from one country to another can only mean an excess of imports for the receiving country, and creates economic strife from which neither country can benefit in the long run. The country that persistently has an excess of exports can only receive payment for the surplus exported in

"frozen credits," for there is no other way of obtaining payment except by accepting an excess of imports, which interfere with internal trade and are not wanted. This economic fact has been concealed temporarily in the past by means of international loans negotiated by financiers who pass on the "baby" to the public to hold. These international loans are never repaid, and are either renewed or repudiated. Thousands of millions of pounds sterling worth of international loans have been repudiated, and the rest remain frozen and are still unpaid. It amounts to this: that countries who have consistently been exporting an excess value of goods have eventually to part with those goods to the receiving countries for nothing.

It was impossible for Germany to pay the absurd indemnity fastened upon her by the Versailles Treaty. The orthodox financial advisers to the statesmen who settled the Versailles Treaty could not see the inevitable result, because they could only think in terms of nineteenth century economics, and were blind to the realities of the present age. It was physically impossible for Germany to pay without exporting huge quantities of goods, which would have ruined the industries of the receiving countries. For the same reason the British debt to America could not be paid, and international debts were repudiated all round.

Sir Reginald Rowe, in an appendix to "The Root of All Evil," describes a scheme for international trade very similar to that put forward by the London Chamber of Commerce in 1932 as a basis for discussion at the Ottawa Conference. This is summarised by Sir Reginald as follows:—

(1) That each nation should have its own national money.

(2) That each nation should keep its internal general price level stable, using price index figures for this purpose.

(3) That the exchange values of these national currencies, i.e., the exchange rates, should be immutably fixed by agreement between the co-operating nations, regardless of gold.

(4) That there should be no international money.

(5) That all international trade should be done on Bills of Exchange negotiated, as at present, through the ordinary channels of the Banks, and re-discounted by them with the National Central Bank.

(6) That no private individual nor private institution should buy, sell, or own foreign currencies.

(7) That all the foreign currencies acquired by a nation through the sale abroad of its goods or by way of interest on its foreign loans, should be held for the nation by its National Central Bank, the individual citizens of that nation receiving their own national money at the fixed exchange rate in lieu of those foreign currencies.

(8) That there should be a Central Bankers' Clearing House which would in no sense be an International Bank, but merely a common meeting-place where the respective National Central Banks of the co-operating nations could meet one another to exchange the claims which they might hold to the goods of one nation for claims to the goods of others, and where they might cancel out their claims on one another.

(9) The object of each nation would be to keep its imports, visible and invisible, in approximate equilibrium over a period of time, with its exports, visible and invisible; each nation would, therefore, be as much interested in its import trade, and international trade would become an exchange of goods and services between the nations to their mutual advantage, instead of a desperate struggle by each to lower its general price level with a view to underselling others and getting them into a position of unpayable debt.

The announcement of the adoption of some such scheme, with the moral objective to which it aspires, would go a long way to allaying the very real fears and anxieties on the continent as to the future of

European peoples, and would bind all those opposed to the Nazi regime more firmly and closely to the cause of the democracies, and as the war progresses would also help to create an atmosphere in Germany itself which would make those who are not hypnotised by the absurd Hitler's racial domination ideal, realise that a continuance of the struggle is not worth while.

Finally, let us banish from our counsels men who, because they are absorbed in the manipulation of finance, assert that we will be too poor after the war to do anything. If permitted these men, who mostly are not evilly disposed but are ignorant of the economic world in which they live, will again impose economic restrictions, extort toil from the community, and cheat the highest hopes of mankind.

The following are extracts from a broadcast by the eminent economist, Mr. J. Maynard Keynes:—

Be of good cheer, and stop thinking that after the war we shall have to lower our standards of life. I see no likelihood of that. On the contrary, I hope that we shall have learnt some things about the conduct of currency and foreign trade, about central controls, and about the capacity of the country to produce, which will prevent us from ever relapsing into our pre-war economic morass. There is no reason why most people should not look forward to higher standards of life after the war than they have ever enjoyed yet.

* * *

Our loss of 1,500,000 tons of shipping is far from negligible. Yet this loss of ships in the course of a year is no greater than our normal capacity to build new ones in a single year.

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If we were to suffer a million pounds' worth of damage every night for a year, we should not have lost more than 4 per cent. of our buildings and their contents, or more than we could restore in a couple of years. And we have the capacity to replace what is lost by something much better. Some of the major glories of London date from the Great Fire. London will, I should hope, rise from the present mess handsomer and healthier than before.

The fact of the matter is that the productive capacity of man under modern conditions is such that the entire destruction caused by the war can be rapidly reconstructed. If the war proves nothing else, it proves how great is the productive capacity of man.

Everything that is expended during a war is created during the war, and if national and international economy are correctly adjusted there will be no insuperable burden to bear after the war, and such reconstruction as is necessary can, as Mr. Keynes points out, be carried out without distress. Except for the irreparable loss of the best young lives and the bereavement caused by their sacrifice, the world should emerge a morally purged, better, and happier world. It is hoped that Mr. Churchill, with his great gifts and historic sense, will not only lead us to win the war but will lead us and all free men to a better and happier world.

THE END.

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