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THE HOUSE OF INDUSTRY

A NEW ESTATE OF THE REALM

BY

S. G. HOBSON

Foreword by Alfred M. Wall (London Trades Council) and A. A. Purcell (Manchester and Salford Trades Council).

LONDON
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ORCHARD HOUSE, WESTMINSTER

A BIOGRAPHICAL NOTE

S. G. HOBSON, economist and writer, was born in 1870 at Besbrook, Co. Armagh, and educated in Quaker schools at Saffron Walden and Sidcot (Somerset). He was one of the founders of the I.L.P. and established its organisation in South Wales, where he also formed the first branch of the Fabian Society; a Labour candidate at East Bristol before the Labour Party was formed, and Socialist candidate for Rochdale in 1905. Associated with A. R. Orage and the *New Age* group of Guild Socialists.

A. A. PURCELL, secretary of the Manchester and Salford Trades Council. President of the London French Polishers' Union and afterwards its general secretary until the formation of the National Amalgamated Furnishing Trades Association in 1910, of which he became chief organiser. Elected to Parliament as member for Coventry in 1923, and appointed Parliamentary Secretary of the Union. Among other activities he has been Labour delegate to Russia in 1920 and 1924, to United States and to Mexico and India.

A. M. WALL has been since 1926 the secretary of the London Trades Council. By trade a compositor, he represented the London Society of Compositors at the Labour Party Conference in 1925, and the Trades Union Congress in 1926.

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FOREWORD

By Alfred M. Wall (*London Trades Council*)
and
A. A. Purcell (*Manchester and Salford Trades Council*)

What shall we do with the House of Lords? End it, say some. Mend it, say others. Transform it, says Mr. S. G. Hobson, into a House of Industry.

As trade unionists we are interested only in Mr. Hobson's proposal. With the question of the House of Lords as a mere matter of politics we do not feel ourselves deeply concerned. If it is to be dealt with, as indications rather suggest, in the way that the Liberal Party dealt with it in the Parliament Act, we shall resent the waste of energy and time such a solution will entail. The Trade Union and Labour Movement has something better to do than to become embroiled in the dreary quarrel between the two chambers, conducted in the traditional manner as a squabble over the right of saying the last word on matters of legislation. We do not want to see a Labour Prime Minister placed in the position which Mr. Ramsay MacDonald appears to be willing to occupy of having to invoke the King's prerogative of making new peers in order to enable the people's will to prevail. It seems to us that this is a childish method of dealing with the problem.

In fact to deal with the House of Lords as a problem of political democracy to be disposed of as the Liberals hoped to dispose of it, by curtailing the powers and restricting the functions of the non-elected chamber in all its active relations with the elected one, appears to us to be quite literally a waste of time. We contemplate without enthusiasm, indeed with positive dismay, the possibility of having to fight the next General Election or two on the question of "The Peers versus the People." It smells to us suspiciously like a red herring. It has nothing to do with the organisation of political democracy for economic ends.

With the author of this book, we see the modern Socialist and Trade Union movement as sharply divided into two periods which, though they overlap each other, are nevertheless clearly defined. The first period, really deriving from Chartism, is the time spent upon the conquest of political power; the second period, dating from the first decade of this century, forms a new departure, tentative, hesitating, towards the conquest of economic power. The War blurred the distinction between these periods, first emphasising the political, then stressing the economic, anon plunging the vast Labour movement into hopeless confusion. Then came the General Strike, leading to the triumph of political Labourism. In the flush of that victory the Trade Union elements in our organised Movement were driven into uneasy silence, if not into acceptance of the political

weapon as Labour's shield and sword. Experience of two Labour Governments has inevitably brought home the knowledge that confronted with economic problems of great magnitude the political arm is powerless: powerless, be it observed, for economic purposes—but it assuredly does not follow that the political arm is therefore useless in the constitutional scheme. A thousand times have we, as trade unionists, been impatient with those thousand futile efforts of the politicians to tamper with the industrial situation. And a thousand times have we, in our haste, wished the whole political machine to the devil. But quiet reflection has brought counsel and we have realised how ultimately precious to our liberty is political democracy. But political democracy is not an end in itself, but a means to economic ends, and the conviction has been slowly driven in upon us that Labour's only way of salvation is to separate the political from the economic functions, to give free play to each in its own appropriate sphere of action.

This is the attraction to us in Hobson's proposal to transform the House of Lords into a House of Industry. It offers no new gospel. Though the practical proposal of a House of Industry, legally endowed with full powers of control and co-ordination of economic affairs, be new in the concrete shape sketched in this book, it is the logical outcome of generations painfully spent by Labour in its attempted conquest of economic power. Under various names, in diverse forms,

the Trade Union and Labour movement has demanded the setting up of a House of Industry, which we have called, sometimes an Industrial Parliament, or a National Economic Council, or an Economic General Staff. We frankly admit that in our discussion of the idea of a Parliament of Industry, or National Economic Council, Parliamentary ideology has confused its advocates and influenced their vocabulary. Control of industry, the planning, co-ordination and regulation of economic affairs, cannot be dealt with even by analogy on Parliamentary lines. It is misleading to talk of Trade Parliaments, Industrial Councils, or Parliaments of Industry, when we have in mind, not merely the regulation of relations between employers and workpeople, but fundamental matters of economic planning, co-ordination and control. Hobson has called his organ of economic authority the *House of Industry* because no better title has occurred to him, and none has occurred to us. It is sufficiently denatured as to politics and positive enough as to economics, though the title is not perfect, either as a definition or as a description.

Parliamentarism and the analogies—misleading as we have suggested—of political democracy coloured the presentation of the proposal to establish some organ or agency of economic control in Labour and Trade Union discussions. This is very obvious in the report of the provisional joint committee representing the Trade Unions and the employers, arising out of the Industrial

Conference called by the Lloyd George Government in 1919. A salient feature of that report was the proposal to set up some form of permanent representative National Industrial Council. It is evident that those who framed the report were thinking more of improving the relations between employers and workpeople than of creating an organ for economic planning, co-ordination and control of industry. The proposed National Industrial Council, as was clearly indicated in the report, would have been concerned mainly, if not entirely, with the improvement of industrial relations and the prevention of trade disputes. It was to have been an agency to supplement and co-ordinate existing sectional machinery dealing with industrial questions; it was to have been advisory; and its object was to bring together the knowledge and experience of all sections concerned with industry and focus them upon the problems affecting industrial relations as a whole. It was to have been composed of 400 members fully representative of, and duly accredited by, the Employers' Organisations and the Trade Unions, elected annually as to one half by the Employers' Organisations and as to one half by the Trades Unions, and to be the normal channel through which the opinion and experience of industry was to be made available to the Government on all questions affecting industry as a whole. Among its more specific objects the following were enumerated: (*a*) the consideration of general questions affecting industrial relations; (*b*) the

consideration of measures for joint or several action to anticipate and avoid threatened disputes; (*c*) the consideration of actual disputes involving general questions; (*d*) the consideration of legislative proposals affecting industrial relations; (*e*) to advise the Government on industrial questions and on the general industrial situation; (*f*) to issue statements for the guidance of public opinion on industrial issues. There was to have been a standing committee of this body consisting of fifty members, twenty-five from each side, which was to act as a sort of executive body. The whole thing was to have been financed by the Government. In effect, it would have meant the creation of a large conference of employers and Trade Union representatives, meeting twice a year (oftener if emergency arose) to deal with questions brought before it by its Standing Committee, meeting at least once a month and oftener if necessary.

It is clear that those who framed this scheme of a National Industrial Council approached the question from a totally different angle from that of Hobson's *House of Industry*. The advocates of a Parliament of Industry, which had a short-lived boom immediately after the War, were obsessed with the fear of industrial conflict; they talked of peace and their Industrial Parliament was conceived in this spirit; it was concerned with very little more than the regulation of industrial relations, though it might conceivably have developed on wider lines. It is still true to say that in the minds of many trade unionists, the

project of setting up anything in the nature of an Industrial Council or Parliament of Industry is linked up with the problem of relationship between employers and workers. In the background lies the idea that industrial warfare is to be averted by means of discussion between the representatives of employers and workpeople and accordingly they have tended almost without exception to think of their Council or Parliament as the arena of such debate rather than as an organ of economic control.

That conception dominates to some extent the proposals recommended by the Melchett-T.U.C. Conference on Industrial Reorganisation and Industrial Relations for the setting up of a National Industrial Council with conciliation machinery for the settlement of industrial disputes. The approach is here also from the point of view of two-party discussions on matters of policy and organisation affecting industry as a whole. Economic planning and co-ordination of industry are not conspicuously and definitely the functions of the projected National Industrial Council contemplated by the Melchett-T.U.C. Conference. The resulting creation, if it had been brought into existence, would have resembled that contemplated by the joint conference of 1919—that is to say it would have been in the main a debating chamber in which the representatives of two parties in industry (employers and workpeople) would discuss their differences arising out of the conduct of industry as a whole

and endeavour to reconcile their conflicting interests on matters of industrial reorganisation. Later on it is possible that the National Council contemplated by the Melchett-T.U.C. Conference might develop into a true economic authority and organ of control. This, we fear, cannot be said of the Economic Advisory Council which the present Labour Government created, apparently at the instance of the Prime Minister himself. This body is little better than a haphazard collection of individual people connected with trade unionism, capitalist enterprise and the professional treatment of economic theory and political science. This group of trade unionists, employers and professors appear to meet infrequently. They have a secretariat which keeps them working at some sort of agenda. Their views are presumably given due consideration by the Cabinet but their limits of usefulness are manifestly fixed by the respect which the Prime Minister and his Cabinet colleagues may be supposed to entertain for the intellectual reputation of the group. A body of this kind stands obviously at a far distant remove from the Parliament of Industry, or the National Economic Council, or the Economic General Staff, which has been the subject of discussion inside the Socialist and Trade Union movement.

If Mr. Ramsay MacDonald's highly governmentalised conception of an Economic Advisory Council is to be accepted by the Trade Union and Socialist movement as the fulfilment of the idea it has cherished, there is no more to be said. To

us, at least, it is a perversion and a frustration of the idea which the Trade Union and Socialist movement has advocated. It is an anti-climax, as far removed from an Economic Parliament or House of Industry as the legislation of the Labour Government is from classic Socialist theory. Along the path which led Mr. MacDonald to his Economic Advisory Council it does not seem to us that much progress can be made.

Feeble and trivial, almost beyond belief indeed, the Government's Economic Advisory Council appears to be at this stage of crisis in economic and industrial life. Parliament itself stands baffled by the complexities of the problem. Terrorised by the ever-growing menace of an industrial collapse, imposed upon by the gaudy disguises of the class struggle, helpless to deal with the tragical paradox of an economic system threatened with death, not by an appalling scarcity of famine, but by a yet more appalling curse of plenty, how on earth is a purely political body like the Commons to deal with this stupendous problem? And even supposing it were, by a great effort, capable of exercising the economic powers which the House of Commons is theoretically invested with, where is the instrument capable of giving effect to its decree? How many are the nostrums offered by Parliamentarians for the malady of Parliamentarism! Mrs. Sidney Webb offers devolution upon provincial parliaments; Mr. Winston Churchill offers his sub-Economic Parliament; the I.L.P. offers salvation in a multiplicity of

Parliamentary Committees with increased powers of administration. These are counsels of despair. The true remedy lies surely in the creation of an economic organ, the House of Industry, as a properly constituted authority exercising full powers of control and co-ordination over credit, exchange, production and distribution.

The creation of the House of Industry has a more fundamental significance in relation to economic developments than in relation to the present inefficacy of Parliament. It will certainly serve the secondary purpose of relieving the congestion of business in the House of Commons and will remove the obstruction of an hereditary and irresponsible second Chamber, without raising the bogey of single-chamber government. But its primary purpose is to unify and co-ordinate the economic powers which are exercised outside Parliament by various bodies whose existence the House of Commons is compelled to recognise but is powerless to restrain, and the new bodies which the House of Commons is recklessly investing with control over industry. Their mere existence constitutes a problem which myopic politicians, including (we regret to say) Ministers in the Labour Government who, nurtured in Socialism, should know better, have not understood.

Chief among these extra-parliamentary organs of economic government which the capitalist system has produced are the great organisations of employers and workers, such as the Confederation of Employers' Associations, the Federation

of British Industries, the Trades Union Congress; the big banking and financial interests; the powerful groups that dominate sections of industry, transport and trade; we might even say the Newspaper Trust. These are the real governors of our economic and industrial organisation. They dictate industrial policy and decide the course of economic events, with scant deference to the views of Ministers or the authority of Parliament. On rare occasions Parliament has been goaded into an assertion of its supremacy over one or another of these bodies, and political parties have taken fright over their pretensions to equality with them where economic matters are concerned. Thus we had the frantic assertion of Parliamentary authority in 1926, when the Trade Unions, through the T.U.C. General Council, had the hardihood to deny the mine-owners' dictatorship in the coalfields and called a national strike in protest against the Baldwin Government's support of the dictatorship. The politicians' answer to the declaration of the T.U.C. that the mine-owners must negotiate and not dictate the settlement was to say first that the T.U.C. had challenged the supremacy of Parliament, then to use all the forces of government to defeat the T.U.C., and finally to try by legislation to divest the Trades Unions of their natural authority and power.

It is true that defiance of Parliament is usually submissively accepted by the politicians when it is the employers who defy: the Baldwin Government swallowed the affront put on Parliament

by the mine-owners in the later stages of the 1926 struggle. But even Mr. Baldwin plucked up enough courage in 1930-31 to withstand the attempt of the newspaper magnates, Lord Rothermere and Lord Beaverbrook, to take a hand in the management of political affairs by manufacturing a policy for his party; which he denounced nearly in the same terms as those he used against the T.U.C. in 1926-27, as an invasion of the prerogatives of elected persons. Similarly, we can imagine Labour politicians asserting the supremacy of Parliament over the Confederation of Employers' Associations or the Federation of British Industries, and even the Bank of England and its allies of finance, if matters reached an open breach between them and the Government. Then would follow legislative attempts to divest these bodies of the natural authority and power they have acquired in the evolution of our economic system.

Yet, with so little wisdom and foresight do the politicians manage their own affairs, including the defence of Parliamentary institutions, that they are actively engaged at this moment in legislating away their control over industry. Acts of Parliament are being passed to create new organs of extra-parliamentary government in the economic sphere. We need only instance the creation of the Electricity Commission and the proposed new authority for the passenger transport system of London, as illustrations of this tendency on the part of Parliament to give away its control of

economic affairs. These new bodies are the illegitimate children of parliamentary Socialism, which bears so little resemblance to Socialism as almost to deserve the name of State Capitalism. Almost, but not quite: for real State Capitalism would not tolerate the emergence of independent concerns, free from all control, answerable to no Minister and therefore not amenable to Parliament in matters of policy and administration.

This is the state of affairs in regard to these new bodies which our unreflecting politicians are happily intent upon bringing into existence. The indications are that a decade of legislation under Labour Governments will give us a whole group of independent corporations of this type, administering railway and road transport, electricity supply, the cotton textile industry, the iron and steel industry, the mining industry, and probably others. These concerns will not be, as the Post Office organisation is, under Parliamentary control, administered by Government departments, and with responsible Ministers at their head. If the proposed new passenger transport authority in London is to be taken as a model, questions of wages and conditions of employment will be handled by these new bodies in exactly the same way as any powerfully organised capitalist-controlled industry handles them now. Trade Unions will negotiate with these boards of commissioners as they now negotiate with employers' organisations; and the policy of the boards in dealing with the Unions cannot be any more

effectively challenged in Parliament than the policy of any capitalist organisation of employers can be challenged to-day. Labour members who are returned to the House of Commons at the expense of the Unions by working-class votes and paid a supplementary salary by the Unions as members of Parliament, will be as powerless to protect the interests of their organisations whose members are employed under these corporations as the group of miners' M.P's are to protect the workers in the coalfields under capitalist ownership. Our Labour members, in fact, who are consenting to the creation of these corporations, are not only voting away their own usefulness as Union watch-dogs: they are legislating against the workers' control of industry. And if anybody alleges that the principle of workers' control will be safe-guarded by the inclusion of one or two prominent trade unionists among the commissioners we can only say we do not agree. We take leave to say further that anybody who thinks the appointment of a Trade Union representative on one of these boards is a step towards workers' control under-stands neither the meaning of workers' control nor the purpose of Trade Unionism.

Parliament, then, is pursuing two mutually contradictory policies in relation to the governance of economic affairs. On the one hand, under a Tory régime, Parliament betrays alarm and resentment over the existence of powerful bodies like the Trades Union Congress claiming a decisive influence in industry, and meets that claim with

restrictive and repressive legislation in the form of the Trade Disputes and Trade Unions Act, 1927. On the other hand, under Labour rule, Parliament multiplies the number of extra-parliamentary organs of economic government, in such shape as the London passenger transport authority. In other words, Parliament is alternately engaged in asserting its supremacy over these independent bodies which have acquired power to decide the course of industrial evolution, and in creating new independent bodies invested with extraordinary authority to be exercised without reference to Parliament at all. This contradiction is inherent in the present system of parliamentary government, with its two-party confrontation and its amateurish economic and industrial experience. And the House of Industry alone is capable of straightening out this conflict of tendency. It will maintain the supremacy of Parliament, when Parliament is reformed by the transformation of the House of Lords into a second chamber charged with responsibility for economic planning and the co-ordination and regulation of industry; it will bring under a properly constituted authority the various organs of economic governance, and foster their development in harmony with a clear-cut and coherent policy of economic and industrial reorganisation; it will assign to each of them its place in the general scheme; and it will relieve the political parties of their jealous suspicions of anything and everything which encroaches upon the sovereignty of Parliament and the

integrity of Government resting upon the people's will.

Let it be clearly understood that we are not opposed to the principle of administering industry by the new method of the State Trust or Public Corporation. We are well aware that this new method is justified as a means of avoiding the evils of bureaucratic management and political interference, and places economic policy and industrial administration in the hands of technically qualified experts. We are all for efficiency. In socialised industry there must be a higher standard of efficiency, better technique, sounder discipline than in capitalist industry. What we challenge, in the Labour Government's application of the principle, is the reckless abandonment of control to corporations which are not responsive to any restraint of a democratic and representative character, and are subject to no proper authority to plan and co-ordinate their operations. Russia, under Soviet rule, has gone farther than any other country in the creation of these new organs of economic administration. There are probably more than 500 State Trusts of varying importance in Soviet Russia. But they are all under the control of the Supreme Council of National Economy. The House of Industry would exercise analogous functions of economic planning, co-ordination and regulation of industrial activities. This in our view is an essential condition of success in the working out of the Socialist programme for

industry. The Labour Government has so far ignored its crucial importance.

To sum up: First, we advocate the transformation of the House of Lords into a House of Industry because we do not want the Trade Union and Labour movement to waste time and energy in barren and futile attempts to reconcile the principles of political democracy with the continued existence of an hereditary and irresponsible second chamber possessing a suspensory veto on legislation. Hobson's *House of Industry* would have no veto, suspensory or absolute: it would legislate for industry, but the power of veto would be transferred to the House of Commons. The elected of the people would thus be in possession of the supreme power—the right of saying the final word on all matters of legislation, plus the power of the purse. The age-long quarrel between the two chambers would be settled by a simple rearrangement and differentiation of functions and powers; historical continuity and the sanctions of tradition would be preserved; friction and conflict between the two Houses would disappear; bungling, inconsiderate, amateurish and panic-stricken interference with the governance of economic and industrial affairs by Ministers too overburdened with administrative responsibilities and political pre-occupations even to check the work of the bureaucrats in their own departments would become impossible. These things in themselves are worth the effort involved in the transformation of the House of Lords into the House of

Industry. It would be an enormous relief merely to get rid of the stale and musty issue of "The Peers versus the People."

Secondly, the creation of a House of Industry, with the powers and functions it is proposed to invest it with, is in line with Trade Union and Socialist policy looking in the direction of an Industrial Parliament or National Economic Council. Advocates of this policy have been too much influenced by parliamentary ideology and the idiom of our political party system. They have conceived of their Parliament or Council as the forum of debate between the representatives of employers and workpeople, in which differences on matters of policy are to be hammered out in peaceable discussion rather than letting them be fought out in the arena of class conflict provided by the present-day organisation of capitalist industry. But the principle is sound that economic and industrial matters should be dealt with by a properly constituted chamber in which all the interests are represented, on the basis of functional representation, with power not merely to settle differences but to plan, co-ordinate and unify economic and industrial policy over the whole field of production, distribution, finance and trade. The House of Industry will do this; but it is quite certain a Cabinet of Ministers charged with heavy political responsibilities cannot do this, even with the assistance of an advisory council of capitalist employers, financiers, trade

unionists, and political economists with plenary inspiration.

Thirdly, the House of Industry is required as the keystone of the arch which carries our system of economic governance. The extra-parliamentary organs of industrial administration and economic policy cannot be left as they now are at sixes and sevens. They must be co-ordinated and subjected to authority. They must be brought together, to work together on a common plan. We are frankly affrighted, as Socialists, at the prospect of having the number of State Trusts multiplied by legislation in an unreformed Parliament without any precaution being taken to maintain real popular control over them and to bring them into accord with our ideals of industrial democracy. As trade unionists we are appalled at the levity with which the Labour Government is legislating away the sovereignty of Parliament; but we are still more alarmed at the indifference it shows towards the difficulties and dangers in which the Trade Unions will be involved when they have to negotiate with these public corporations (or State Trusts, as we think they should be called) on questions of wages and conditions of employment. Industrial conflict, more embittered and on a far bigger scale, with the scales weighted against the workers, may be predicted with absolute certainty if industrial reorganisation proceeds on these lines and no provision is made for associating the Unions integrally with policy and administration in the State Trusts; along with the subjection of these

new bodies to a competent authority such as the House of Industry we project.

This, in our judgment, is the final and convincing argument for the reform of Parliament on the lines laid down in this book. We commend it in particular to Labour Members of Parliament and to the Trade Union and Socialist movement as a practical proposal; but we invite the members of all parties, and the general body of electors, to consider it as a method of re-establishing the authority, influence and prestige of Parliament and of bringing our system of Parliamentary government into line with modern needs. The system now is giving way visibly under the strain of economic crisis. Ministers, upon whom our system throws the responsibility of initiative and decision, are almost at their limit of capacity in dealing with the work of their departments and the claims of the House of Commons. They have literally no time to think out the broad issues of policy, to get down to the roots of the questions on which they must legislate, or to inform themselves adequately upon the facts and figures, the pros and cons of the subjects they have to debate. Still less are they able to find time to study even the most important aspects of the vast and complicated problems connected with the reorganisation of industry, economic regeneration, and the revival of trade in the post-war world.

But these problems brook no delay. They are becoming increasingly complicated and acute. Every proposal made for their solution adds to

the confusion and bewilderment of plain men. Without warning and against commonsense, we may find ourselves embarked upon a policy of trying to re-establish national prosperity by cutting down our capacity to produce and making cheap things dear. This is not fantastic : already we are confronted with proposals to limit production of wheat because huge surpluses have accumulated ; to reduce the productive capacity of the cotton textile industry because our markets have contracted ; to regulate the coal trade by restricting production and fixing prices ; and to impose tariffs on imports in order to secure a fall in the wage level by raising the cost of commodities to the consumer. These may be intelligent proposals ; at any rate they are plausibly advocated and are backed by specious arguments, which have begun to influence the minds of trade unionists and Socialists.

Who is to adjudicate ? At the present time, the onus lies on about a score of hard-worked Ministers who are almost at their wits' end to find enough time in each twenty-four hours to administer their departments, read their "briefs," make speeches, and get their Bills through Parliament in something reasonably like the shape in which they were projected. It is asking these men to do an impossible thing if we expect them to combine the conduct of political affairs with the making of a new economic heaven and earth by the magic process of bringing in more Bills, which will provide opportunities for endless

parliamentary debate and go finally to the incinerator of the House of Lords; thus providing still more ample opportunities for arid discussion in both Houses and a beautifully-timed collision between the political parties in a General Election on the question of "The Peers versus the People."

That will be more than we can bear. Let us rather rationalise our parliamentary institutions. The method is simple enough. It will set Ministers free for their proper work in the sphere of politics, and make the House of Commons the effective instrument of the national will on all matters of high policy. On that ground the House of Industry will not trespass. Its task will be to plan, co-ordinate and direct the course of economic and industrial affairs, and to submit its proposals to ratification by the people's representatives in the other House.

CHAPTER I

FOUNDATIONS OF THE HOUSE OF LORDS

A NOTE ON THE ENGLISH CHARACTER

IT is said of ancient institutions that they are rooted in history. It were more illuminating to say that they are rooted in national character. Institutions that have endured through the centuries, informed with history, tradition and romance, are the mark of a strong and tenacious people. But institutions that are imposed upon a community that fret the temper or run counter to national habits soon die in tumult or under social attrition. The Englishman's proverbial regard for historic continuity can be traced to the fact that at any given period during the past thousand years, with a few significant breaks, he has had on the whole the kind of constitution (but not necessarily the kind of government) that suited his mood. Let it, however, be remembered that this fondness for ordered sequence in development has never prevented the Englishman from effecting revolutions and then adapting his institutions to the new order of society. It is this little fact that destroys Lord Passfield's complacent theory of the inevitability of gradualness.

It follows, does it not, that before we can understand the structure of society, we must first understand national character?

Now there is one ancient institution in Great Britain that has always found a ready response in English character. It is the House of Lords. Surprising, but true. Equally surprising that whilst this truth has been a commonplace amongst the possessing classes since Lords and Commons were created, the working class movement has always assumed that all citizens look to the Commons for salvation and regards the Lords as the enemy. Nevertheless, the House of Lords has remained constant (I mean in form and composition and not in power, which is elusive and transient) during many centuries, whilst the Commons have changed out of all recognition. There have been movements for the abolition of the Lords, beginning with John Lilburne and the Levellers, revived again by the Chartists, flicked once more into life by the Radicals of the 'Eighties ("End them or mend them"). Labouchere's annual motion for the abolition of the House of Lords was always a Parliamentary event—he worked up all his best jokes for the occasion—but all these movements faded away. They had no vitality; they had the fatal defect that they stirred no angry feelings. That this apparent anachronism has passed practically unscathed through innumerable crises and vicissitudes can only be ascribed to the fact, whether we like it or not, that it appeals to the English character.

It appeals to the English character for a very good reason. Notwithstanding a certain intellectual placidity, if not downright laziness, the Englishman is no fool. His *métier* is not to think but to be. We Irish were acutely aware, when the English were sitting on our heads, that they were definitely in a state of being, and not, like Gandhi, in a state of contemplation. In achieving this extraordinary state of being the English have stood doggedly on two assumptions. They have profoundly believed in liberty—liberty of thought, liberty of speech and religious liberty. This acceptance of liberty goes back beyond the Reformation to the mediæval yeomen. The Reformation crystallised it; Cromwell widened it and gave it spiritual content; the Great Industry injected it into politics.

And the second assumption has been an abiding belief in the sanctity of property. Should liberty invade property, then liberty must be restricted—of course to preserve true liberty. For when liberty touches property it instantly becomes licence. No well regulated State would permit that. A dilemma; yet, after all, capable of solution. Accordingly from the earliest Parliamentary days, the English have ever been on the alert to keep their propertied interests distinct from political developments. By all means let the politicians proclaim liberty and yet more liberty, but if political action by ill chance touched on property, then the pious prayer rose to Heaven from a million propertied hearts:—"Thank God

for the House of Lords." Piety and property are first cousins. In short, it was to the House of Lords that the average Englishman looked to preserve propertied rights and consolidate the economic system that created property.

This instinctive separation of economics from politics, begun by the Barons when they squeezed King John and finding unhampered expression in the feudal system, has been quietly but determinedly maintained ever since through the medium of the House of Lords. This explains the immunity of the Lords and is only understood when we understand the English character.

CAPITAL AND LABOUR MAINTAIN THE TRADITION

THE advent of the Great Industry, with its doctrine of *laissez-faire,* enormously strengthened the House of Lords in this particular aspect of its constitutional *rôle*. The last thing the great industrial magnates wanted was political interference. Most of them were Liberal and Nonconformist, nurtured in a tradition and atmosphere of liberty, but always conscious that their economic protection was the Woolsack and not the Speaker's Chair.

Labour has obeyed the same tradition, but with a different bias. When Keir Hardie, in the late 'Eighties, asked the Trades Union Congress to support the legal eight hours day, it was scandalised.

Its leaders, Broadhurst, Knight, Fenwick, Wilson and a score of craft union secretaries thundered against the notion of political interference. If this analysis of English character be approximately correct, then we may affirm that those early Individualist leaders of Congress more accurately interpreted the mind of Labour than did Keir Hardie. I do not mean that Labour has ever objected to meliorist legislation, such as the industrial protection of women and children, health and unemployment benefits or any measures evoked by social compunction; but none of these is even remotely State Socialism. Industrial Control (the logical end of Trade Unionism) and State Socialism are mutually exclusive and Keir Hardie was a convinced State Socialist. It was on this vital issue that the *New Age* group left the I.L.P. and turned towards Guild Socialism.

Moreover, the same insistence upon the separation of politics and economics is modern Trade Union history. It is only a few years ago that an enthusiastic band of Labour politicians urged the disbandment of Congress and complete concentration on the Labour party. Labour would have none of it. The Trades Union Congress is to Labour precisely what the House of Lords is to Capital. Again with a difference; for whereas the House of Lords is the second Estate of the Realm, Congress is under law and the constitution not many removes from an illegal conspiracy.

Chapter II

THE END OF AN HISTORIC MANDATE

If we look beyond form and ceremony, we can to-day witness an event of enormous interest. The historic mandate of the Lords draws to its end. It is only within the last decade that the possessing classes have become conscious of a more effective means of protecting Capitalism than by dependence upon the so-called "Upper House." The reason for this sees itself. For, whereas formerly economic power was vested in the Lords who spoke with arrogance for unorganised property, organised property now speaks for itself through the trusts, combines, trade and professional associations which now dominate our industrial system. To the Lords is now left the poor satisfaction of reflecting decisions already reached by the federated masters. The development of joint stock and limited liability has led to the creation of a compact array of officials who now exercise practically unlimited control over invested capital. They are now conscious of their power and naturally grow more insistent as time passes. At present they are actively digging in under the specious guise of rationalisation.

This does not mean that the Capitalist leaders have scrapped the Lords. On the contrary, they

are careful to leave it to the Lords to maintain the traditional distinction between industrial power and political life. In a sense, the House of Lords is a representative body. Most of the modern Lords are the creation of a kind of vertical or industrial vote as compared with the more definite horizontal or political vote. To be sure, they have not been elected by counting noses; they have been selected by powerful interests who have always known how to tap the Fountain of Honour.

The Capitalist leaders also know that the House of Lords has still some shots in its locker. It still possesses a remnant of political power, enabling it to retard or restrict legislation. This power it now unscrupulously uses to blackmail the Government.

It is also common knowledge that unless Labour boldly seizes the opportunity to supersede the existing House of Lords by a House of Industry, representative of all the Industrial factors, in which Labour must have a permanent majority, the possessing classes, through their own political party, intend to strengthen the Lords' power to blackmail. Labour has not a moment to lose.

DIGNIFIED PICKINGS

PLEASE do not infer from this argument that our noble Peers personally concerned themselves with trade, commerce or industry. That would have been beneath their dignity. They employed more or less scrupulous agents to attend to vulgar business affairs. Huckstering, rack-renting,

negotiating, were rather cheap; but the profits were pocketed with the calm assurance that every aristocrat accepted the Grace of God.

Nor did the Peers carry on affairs formally sitting in the House of Lords passing Bills or Resolutions. We must rather picture them and their entourage as forming a circle round the Crown, jealously guarding against all contacts with the Crown and only permitting access to the Crown on payment of tolls and commissions commensurate with the magnitude of the business and their own dignity. Nothing vulgar or sordid, you understand.

In a country like England, where law and custom prevail, the Peerage (using the term in the broad sense, that is the Peers, their families and their hangers-on) in maintaining their position had to move on some kind of rational basis in their public work. We shall discover three main motives. First to secure national power and international prestige; second, war profits, both in peace and war; thirdly, the most substantial, ever increasing rents.

From the days of Elizabeth down to Victoria, we have the record of hundreds of appeals by the City of London to the Peers for support in home and foreign adventures, and always with the refrain: Do this and rents will not only rise but multiply. If the official difficulties were great, the Peers naturally expected a greater share of the plunder. Thus when the first expedition to the East Indies was projected, the Peers were

nervous and troubled about it. To equip the convoy would be an expensive undertaking. "Fear not," said a City magnate, significantly, "the spaniel will bring back a duck in its mouth." In a generation or two, the duck had miraculously turned into an elephant stuffed with gold. Never before had the Peerage collected such pickings from a single enterprise. Compared with this, the "squeeze" of the Chinese Mandarins was crude and amateurish.

Meantime, the House of Commons was engaged in various legislative measures, which the Peers would accept, revise or reject as their fancy seized them.

Chapter III

THE INDUSTRIAL IMPOTENCE OF POLITICAL ACTION

Who can doubt that the English instinct for keeping politics and economics in separate spheres and governed by widely different motives and considerations has reason and experience behind it?

And who can doubt that the attempt to combine politics and economics forced upon the Government, partly by necessity, partly by a wrong conception of the social structure, has already resulted in tragedy and bitter disappointment?

I add this: There can be no Socialism in our time, nor in any future time, until Socialists show the courage of their logic by resolutely separating the political and economic, making it possible for each to function in its own appropriate sphere. In *tempo,* temper and method, the politician is poles apart from the industrialist. Yet the two poles are needed to complete the circle. Heaven knows there is ample scope for both, without either crowding the other. What we must have—and have quickly—is free co-operation between the two and not the three-legged race to which both are now condemned. If there were no logical and natural separation between politics and

economics, it would be necessary arbitrarily to make it. In maintaining that separation between the two, we are actually in the apostolic succession.

For twenty years or more, thoughtful Socialists have known that there is as yet no mechanism to bring about the industrial revolution. Certainly it cannot be achieved by the political arm. Should this shock the faith of any political devotee, I invite him to consider the case of the recent Coal Mines Act—a purely economic measure with no political significance. First there were wearisome preliminary negotiations; next came the rocky passage through the Commons; then the smooth and poisonous treatment of the Lords; then the disagreement of the two Houses; anon the polite squeeze of experienced blackmail; next argle-bargling that would make a costermonger blush; finally an emasculated measure, certainly not worth all the trouble it took, but possibly good enough to "save face" all round. What was it but preposterous tinkering? Observe, too, that the real value of the Act can only be found in the requisite power and authority to dovetail its provisions into the economic framework. There is no existing authority to co-ordinate this, or any other industrial measures. In other words, no mechanism to usher in that industrial change, so essential to our national health.

Chapter IV

THE ADVENT OF INDUSTRIAL CONTROL

EXIT THE HOUSE OF LORDS. ENTER THE HOUSE OF INDUSTRY

From the foregoing, certain facts, I think, come to the surface. They are not new facts; they are indeed known to all. But are they known in this connection? They may be summarised as follows:—

(1) For many generations the English have either instinctively or by reason maintained a definite separation between politics and economics.

(2) Even if they had not, it would be necessary to-day to make the separation, since in the complexity of modern life it is impossible for one body of men to undertake at once both the functions of politics and economics.

(3) Although formerly the House of Lords had large political powers, and although under the last Parliament Act those powers have been curtailed, the real business of the Lords has been economic, formerly because they were, in fact, the economic leaders, later because they led and spoke for unorganised industry.

(4) With industry now completely organised, the Lords are no longer the industrial leaders, but they still possess large constitutional powers to protect industrial or capitalist interests.

(5) The House of Lords has accordingly reached a stage in its development when it must sink into impotence or have its powers largely augmented. It is obvious that its present powers will be strengthened and fresh powers given to it when the Tories are strong enough.

(6) Alternatively, the representative principle must be adopted.

It is upon this last point that Labour must concentrate. How could or should we apply the representative principle? Remembering that the House of Lords has always been an industrial body—strange though that seems at the first glance—and further remembering that supreme need for an industrial mechanism to give effect to industrial change, the logical conclusion is to change the House of Lords into a genuine and representative House of Industry, on an industrial and not a political electorate. This industrial electorate can be found in a Census of Production. I could work it out in a week, with a Census of Production brought up to date.

In his Romanes Lecture, Winston Churchill advocates an economic sub-Parliament and on the day that I first suggested this House of Industry, Mrs. Sidney Webb advocated on the wireless a large devolution of Parliamentary powers on Provincial Parliaments. With the latter proposal I have no quarrel. But I make two comments. First, there can be no useful devolution until the political and economic functions are separated; and secondly, there would be a distinct danger

of particularism, which might retard rather than advance social legislation. Winston Churchill comes nearer the mark. But his conception is to detach members of Parliament for strictly economic service. The sub-Parliament would presumably report to Mr. Speaker. The Prime Minister would speak highly of its services, thank them warmly for their skill and literary composition, promise the Government's close attention to their report and the House would proceed to the next business. Winston Churchill knows that the economic safety of his friends can safely be left to the powerful trusts and combines.

The key to this problem is primarily the power and authority with which the House of Industry would be invested. Better not begin unless we are prepared to give it the control and co-ordination of the whole of our industrial organisation; better not begin unless we recognise the essential wisdom of separating politics from economics. But the supremacy of citizenship and all that that implies must definitely rest with the House of Commons. For after all, the only purpose of economic organisation is to enable our citizens to think truly and act nobly.

FORMAL DISTINCTION BETWEEN POLITICS AND ECONOMICS

THERE now emerges the picture of a House of Commons no longer doomed to frustration by extraneous economic influences and at long last

unhampered by an "Upper House," the creature of interests. And the picture of a House of Industry with the constitutional and moral authority to control and co-ordinate industry, happily independent of either a Mosley Cabinet or a Melchett junta, the Steward of the National Estate, the servant and not the master of citizenship. But both pictures must remain vague and unconvincing until we obtain intellectual assent to the formula that distinguishes politics from economics. A formula not easy to find.

That their lines intersect at many points is obvious; nevertheless, when we speak of politics and economics we mean two definite things. It is perhaps easier to know what we mean by economics than politics. Through the whole range of production and distribution we are clearly engaged in economic transactions. But many political acts cut across and affect economic life and conditions. The same may be said of religion. Religion has in fact played its part—a diminishing part—in business. Slave abolition, for example. Yet we have little difficulty in keeping religion in its place. Religion concerns itself more with politics than business. Do we not say of some man that his politics is his religion? Thus in the few lines here written our language naturally indicates with three different words three different things. To wit:—politics, economics and religion. If they were all one and the same, we should have the same word, with perhaps variations to express finer shades of meaning.

We may say of politics and economics that they are the obverse and reverse of the same coin. Where the coin goes both go; where one goes the other goes. That is to say that where life is we have both the one and the other, separate yet allied, distinct yet closely related. And we may say the same of the House of Commons and the House of Industry. The problem is to distinguish them in a functional sense. The obvious way is to define the functions—or, if you will, the duties, rights and scope—of the House of Industry, leaving all else to the House of Commons.

That must be the task of the constitutional lawyers; it suffices here briefly to delimit the territory. To the House of Industry must be conceded full authority to control and co-ordinate all the industrial processes. This means also the control of banking, finance, credit and insurance. Without these, control and co-ordination would be empty words. The key to present discontents, which are plainly rooted in economic maladjustments, is control and co-ordination—effective control, relentless co-ordination. Capitalism, developing logically and inevitably on its own lines, has brought us to the stern necessity of transferring power and authority from private capitalism to the House of Industry. The immediate struggle is on the economic front. It is indeed fast becoming a question whether Capitalism can save its *rentier* class from extinction.

Observe, please, that this stupendous task to be

assigned to the House of Industry is altogether alien to the House of Commons and beyond its scope. It is a task involving daily and perhaps hourly changes of method, monthly and perhaps weekly changes of policy. Its policy and methods must change in quick response to the world's changing economy; it would have no time to wait for the deliberate and cumbrous stages of Parliamentary legislation. Government by an Inner Cabinet, however wide its powers, would be impotent; Parliamentary Committees, even if you multiplied them by ten and increased their powers by another ten, would be equally ineffective. The work, in fact, is, by an incalculable distance, beyond the compass of the House of Commons. For it is the function of the politician to think in terms of the universal; the industrialist must work *in concreto*: must be ready with the accomplished fact, or with an alternative to an accomplished fact. Repetition is the soul of propaganda; therefore I repeat that the House of Industry must do its work in the spirit of good citizenship and under the ultimate authority of the citizen House of Commons. With the advent of the House of Industry the spirit of aggrandisement wilts and dies.

Chapter V

YOU CANNOT DODGE THE ECONOMIC

Most of us know to our cost—our intellectual cost—that the professional historians are incurably obsessed with the glitter and intrigues of Courts, the glamour but not the grim realism of war, the drama of statesmen's struggles for power, the formalisms of Parliament, and how perversely they ignore the economic forces that make history. And how, in the process, the wells of historic truth are poisoned. Thus who but students who specialise have any accurate knowledge of the main factors that have determined our destiny since the days of Elizabeth?

I mention that period advisedly, because it was in the early years of her reign that the power of the Hanseatic League was finally broken and English commerce asserted itself. The power upon which Elizabeth relied and with which she co-operated was the Fellowship of Merchant Adventurers of England. We find the chief agent in London of the Society of German Merchants of the Holy Roman Empire indignantly writing to the Worshipful Senate of Lubeck:—"How abominable that such a Company (the Merchant Adventurers) could suppress the Hanse, considering that at other times a few Hanse towns have

kept the whole Kingdom of England under their thumbs." Not much of that in conventional English History, is there? Let us, then, glance at the economic situation in England, when Elizabeth came to the throne.

At that time, both financially and commercially, England was truly "under the thumbs" of the Society of German Merchants, the agents of the Hanseatic League. Maitland tells us that "almost the whole trade was driven by them to the degree that when Queen Elizabeth came to have a war, she was forced to buy hemp, tar, pitch, powder and other naval provisions which she wanted of foreigners, and that, too, at their rates. Nor were there any stores of either in the land to supply her occasions on a sudden but what, at great rates, she prevailed with them to fetch for her, her own subjects, even in time of war, being very little traders." Largely guided by the commercial statesmanship of Sir Thomas Gresham, we soon find a working alliance between the Queen and the Merchant Venturers, to put an end to this economic vassalage. In the history of the world, is there such a sudden, such a dramatic commercial revolution? Before the death of Elizabeth, the relative situations of the English Venturers and the Hanse Merchants had been completely reversed.

In fact, both under Elizabeth and Cromwell, we discover an informal House of Industry successfully administering our industrial and commercial life. Had it been actually formed, we can almost

see it as composed of the Guilds, concerned with manufacture and crafts, the Merchant Venturers, solely concerned with foreign trade, and the leaders of the City of London, concerned with banking and finance. And pertinent to industrial conditions to-day, we may note that it was by a Fellowship, with a discipline greater than the greed for dividends, that the economic ills that scourged England were assuaged. Imports and exports were, in fact, regulated; there was no unrestrained profiteering. Not only in quantity but quality: qualities and prices of purchase and sale were supervised. When our own House of Industry controls and co-ordinates by the adoption of modern Fellowship, and when greedy profiteers yelp with pain and indignation (as they will) let us gently soothe their troubled souls by reminding them that the spacious days of good Queen Bess were rendered spacious by fellowship, by regulation, by willing co-operation for the common good.

Moreover, every member of the Fellowship was bound by law to act as a national agent, even against his own personal interests. And we have Thomas Mun's comment on this:—"The love and service of our country consisteth not so much in the knowledge of those duties which are to be performed by others, as in the skilful practice of that which is done by ourselves; . . . for the Merchant is worthily called the Steward of the Kingdom's stock, by way of commerce with other nations; a work of no less Reputation than Trust,

which ought to be performed with great skill and conscience, so that the private gain may ever accompany the publique good."

Historical generalisations are always dangerous —there are too many exceptions in the endless permutations of human life—but I venture on one: the prosperity of communities and nations depends on fellowship that governs conduct as well as regulates our business transactions. I do not, of course, mean conduct touching faith or morals, as they are generally understood, but the right conduct of business, particularly affecting probity and a trained understanding of equity. We may at least note that where there has been great prosperity these Fellowships have been powerful. And the need for fellowship has always been felt and acted upon. I think Ian Colvin, upon whose work this chapter is largely based, is right in surmising that the Carthaginians had a code if not a fellowship; that the great Venetian Fellowships knew something of it; that undoubtedly the Hanseatic League was modelled upon the Italian; as undoubtedly the English Fellowship of Merchant Adventurers was largely modelled upon the Hanseatic. We see the same progression of ideas in the Venetian Navigation Law, succeeded by the German Law of "Hanse goods on Hanse Ships," followed in its turn by the British Navigation Acts. In the same connection we remember the mediæval Guilds, which spread through Europe and flourished in Great Britain. Larger economic developments may ultimately

submerge local fellowships, but the law of fellowship is supreme.

Certain it is, however, that political policy that runs counter to economic necessities is bound to fail. Thus, on the death of Elizabeth, we find the Stuart Kings accepting the hegemony of France, accepting pensions from France, economically favouring France, to the incredible loss of English trade. The predominant influence that sent Charles I. to the scaffold may have been, so to speak, pure Puritanism ; but the City of London was not unduly grieved about it and I do not doubt that the brave prentice boys of London knew the minds of their masters.

Cromwell restored the trade policy of Elizabeth, whom he greatly admired. We find him, to the utter bewilderment of his Puritan supporters, making terms with Catholic Spain and waging war upon Protestant Holland. Gardiner, the great historian of the period, is shocked. Gone are the spiritual and ideal aims of the Civil War ; we see a " new commercial policy which did not profess to have more than material aims. . . . The intention of the framers, by the very nature of the case, was not to make England better or nobler, but to make her richer."

If Gardiner had lived long enough, he might perhaps have understood the case for the separation of the economic from the political functions. Cromwell had more than a gleam of this truth, as is evident not only in his dealings with the Vaudois but when he was finally compelled to

yield to his fanatical supporters and reject the overtures of the City of London. Then his power rapidly declined and faded away. Our greatest Englishman broken by an unholy combination of politics with economics.

In dealing with certain economic facts of this period, I have obviously had two purposes. To remind our political romantics of the stern dictates of national economy and to emphasise the even more important truth that sound economic growth is not to be found in unbridled *laissez-faire* and competition, but rather in fellowship, in co-operation, in wise, far-seeking and authoritative control. Our economic history after the death of Cromwell only enforces these truths. The two remaining Stuarts, who, like the Bourbons, learned nothing and forgot nothing, each in his own way paid penalty for disregarding the material welfare of their subjects. It was they who planted the seeds of our long war with France; it was they who made it possible for Colbert and Richelieu to found and develop the opposing economic power. Without arguing the matter further, is it not evident that while we must give free play to the economic organisation, providing it is really rightly organised, the intermixture of politics with economics is always exhausting and frequently tragic?

In reflecting upon our international dealings of the past two centuries, comes one melancholy thought. Granting the necessity of economic development, could not at least three great wars have been avoided had the European statesmen

been able to deal with each other on a moral plane and without thought of economic pressure? And had there been in each country the appropriate economy authority—the House of Industry—could not commercial accommodation have been reached? It could.

Chapter VI

CO-ORDINATED INDUSTRY

THE MORAL OF UNEMPLOYMENT

For some years past, the political world has been doping itself with a phrase—"The Unemployed Problem." There is no unemployed problem; it is merely an effort in simple addition. There are, to be sure, different phases of unemployment at different times, notably to-day in the form of an ominous growth of permanently unemployed. Even that is not new, as any student of the 1834 Poor Law Report will tell you. It is tragic; but Capitalism has, since its rise to power, produced many more tragedies than comedies. Unemployment is merely the *reductio ad absurdum* of the classical economists' favourite theory—the mobility of labour. The exasperating part of this political business (in which Labour is equally at fault) is that, by constantly presenting unemployment as a problem, it has successfully diverted both thought and attention from the real problem. Unemployment is, of course, the symptom and not the disease, the nightmare and not the indigestion. We are back at once to maladjustment of the economic factors, including finance and credit. This demands nothing less than control and co-ordination. Not all the hundred millions proposed

to be spent to find employment can cure the disease; indeed the more money spent on present lines the further we are from control and co-ordination, with the result that the disease grows worse and there is no apparent decline in unemployment.

There is serious depression in the cotton industry. The Chancellor of the Exchequer recently suggested that the cotton mills would be busy again if only the Chinese millions would add an inch or two to their shirts. Why go so far afield?

I asked a middle-aged friend of mine what his linen cupboard lacked. He is in constant employment and earns, I should imagine, about £3 a week. He thought for a minute, then said: "Three bolster-slips, six pillow-slips, six sheets, three tablecloths." A natural, but not an effective demand; but let us suppose that there are five million British housewives in the same situation. A potential but still not an effective demand. If we could make it effective, then truly the Lancashire wheels would whirr.

No instalment plan would meet the case, because it is a problem not of dispersed but concentrated credit. It is a problem of paying for these textile goods out of increased earnings and not out of current wages. If it were merely payment out of existing wages, we are economically no further advanced. The textile industry would, of course, gain at other industries' expense.

Now suppose that the various delegations in the House of Industry were to confer and decide

that the most urgent step was to set the textile mills going. They collect the evidence of the potential demand. With the credit legally at their disposal, they arrange for the delivery of these textile goods to the five million housewives concerned. How does it work?

The ships carry more cotton to Liverpool. The ships consume more coal, more oil, employ more engineers and sailors. The operatives get busy. More wages, like red blood, flow through the veins of industry. Machinery wears out. More machinery is ordered. Young couples decide to marry. They order furniture; actually order more cotton goods. The furniture workers get busy. Their young men marry. More furniture machinery is called for. More iron and steel is in demand; more coal. Every trade in the Kingdom gradually benefits. The unemployed are absorbed. Wages rise. And the original order that set the movement going is paid, not out of current wages but out of the rise in wages, resulting from healthy industrial processes.

Thus, by a friend of mine telling me at the psychological moment that he required a few pillow-slips and sheets, he has set in train a series of industrial movements that have absorbed two million unemployed. Not by any artificial stimulation of the market but by the sound economic method of allying credit with natural demand. The adjustment of the economic factors comes first; the extension of employment logically follows.

This homely little story leads to large conclusions. If the House of Industry accepts as its responsibility the control and co-ordination of industry, it follows that it must also accept responsibility for the maintenance of all the workers in every industry and trade. Each industry must maintain its quota of employees.

From this follows another conclusion of great magnitude.

If all the workers are to be maintained, in or out of employment, in good or bad health, then the present structure of health and unemployment insurance must in the course of time disappear. And a good thing too. For unemployment benefit was originally imposed upon us to stabilise wages at a competitive and not an equitable standard. The wage-earner pays for it, in part by a reduced wage; in part by indirect taxation. Thus the dog lives on its own vanishing fat, while the political vets stand round surprised and pained at its loss of weight and diminished vitality.

DEMOCRACY AND NOSES

It is proposed to elect the House of Industry by a vertical or industrial vote. "Vertical" is used in contrast with the horizontal or political vote and to imply election by groups differently graded in the industrial hierarchy. From the bottom to the top, so to speak. The end sought is to secure adequate representation of every economic group. Thus selection is blended with election and the

time-honoured method of counting noses goes by the board. I do not mind if in the final result the elected members—the wage-earners—outnumber the selected members—managers, technicians, bankers and the like. We already have the precedent of the Universities in the Commons and the Bishops in the Lords. Labour must sacrifice some of its numerical strength; but it must ultimately govern, both by reason of its experience and its numbers.

CHAPTER VII

TAXATION A TRADITION, NOT A NECESSITY

WHY does it go against the grain to pay taxes? Particularly income-tax and other forms of personal taxation? They are as legal and apparently as binding as anything we owe to our other creditors. Yet John Smith will pay his baker, butcher, tailor, without a murmur. Then there lies upon his desk an income-tax demand for £96 16s. 6d. He looks at it with distaste. It is the final notice. "Oh, damn!" he exclaims and reluctantly draws a cheque. Yet for that money he gets personal and financial security, amenity, education for his children, and much else. Why is income-tax the object of music-hall ridicule, the gibe of the smoking-room, the exasperation of the counting-house?

There is more in this than meets the eye. Welling up from our sub-consciousness is some vestigial trace of memory that taxation was originally imposed upon our unenfranchised forefathers by first a tyrant and next a tyranny: some intimation that our ancestors fought and died against unjust taxation; that the villainous system persists.

Beyond this psychological bias, there is also a feeling that our methods of taxation are out-of-date, crude, inequitable. "Why on earth," asks the average man, " can't the amount be charged against the business and be done with it? Why should the State be perpetually grabbing at this or that? When I receive my income, why isn't it mine for keeps?" And so he goes on growling.

The instinctive protest is soundly based and will one day become articulate. It doesn't matter in the least that other nations are worse off than we. We have our own history of taxation and our own attitude towards it. And we know, but don't know how we know, that the whole business is a muddle, if not a downright scandal. I state this in moderate language. It is interlaced by the choleric man in the street with remarks about our spendthrift government, our bloated bureaucracy, the wickedness of high wages, the tyranny of the Trade Unions and foreign competition. Let us in mercy forget the expletives.

Now we do not speak in this vein of our ordinary creditors. We like to catch them out over a mistake of sixpence or a shilling—even joke about it. We resolve to chip the beggar when we meet him at the golf club or the Conservative Club, to which every decent business man should belong. When we meet him we spend half-a-crown in drinks. The joke's worth it, you know.

If, however, we could in our minds bring our obligations to the State into the same category as our ordinary debts and liabilities, the inherited

instinct of distrust of taxation would speedily evaporate.

Suppose that we regarded taxation precisely as we regarded rent. (Indeed, theoretically, they are not wide apart.) Then let us next suppose that some large trading corporation were to call their employees together and inform them that as from the first of the month they proposed to spread their rent charges over their whole staff, proportionately to salaries and wages. The hullaballoo that would follow! The Directors would be told to charge their rent to overhead account (as is now done) and for the rest, charge it to cost (as is now done) and so take it out of the customers or consumers. In other words—rent is included in the cost of production. And with the increase of production, rent being a fixed charge, there would, *pro rata,* be a decrease in the amount of rent debited to each article produced. This reminds us that a certain proportion of taxation is similarly charged—with a bit over for luck. The question is why should not all taxation be included in working costs and so finally enter into a national total turnover? Drawing a bow at a venture (for I have no means of correctly estimating the total figures) I shall be near the mark in stating that the Budget of £800,000,000 would represent a decimal of one per cent. of our national turnover.

A saving clause must be inserted here relating to unearned incomes. They, too, must pay their quota. It is certainly not impossible to deduct the

equivalent of income-tax at the source. Limited liability practice shows the way. For example, on my table, as I write, is a dividend warrant which, *mirabile dictu*, has come to me. On the counterfoil I am informed that my income-tax has been deducted and that this counterfoil will be accepted by any accredited officer of customs.

If your patience, like my income, is not already exhausted, the question arises what has this disquisition on the income-tax to do with the House of Industry?

Let me briefly recapitulate. It is proposed to give control and co-ordination to the House of Industry. If this be so, then it follows that it must be responsible for feeding the Treasury with the money voted by Parliament. I see the Commons voting the Budget and then issuing a peremptory precept upon the House of Industry for the precise amount. So that obviously the question of taxation is vitally relevant.

There is one form of taxation of enormous importance not yet mentioned. Tariffs!

Am I wrong in asserting that a feeling is growing in all parties and sections of our national life that to secure the end in view neither Free Trade nor Protection meets the complexities of our industrial system? Mr. G. D. H. Cole boldly declares that neither of these is a policy; both are expedients. Fundamentally this is true, although it is equally true that each has gathered round it certain historical loyalties and attachments which go far towards constituting a policy. But political

policies just now are at a discount and our post-war generation is more than a little fatigued when these remnants of pre-war controversies are even mentioned. But is it safe to follow Mr. Cole and merely treat all tariff problems as pure expedients?

Emphatically no! The assumption is that the imposition of tariff may produce certain results. For example, a certain tariff here or there may divert trade from foreign countries to the Empire. Or may exclude goods made under sweated conditions—a proposal I made in *The Manchester Guardian* thirty-five years ago. Or may exclude goods to protect basic home industries. Observe that these are not mere expedients to raise revenue; they are, in fact, an integral part of policy—the plaything of one industrial group and equally the horror of another. Nor do they work the oracle.

For the simple reason that our main purpose is not to displace trade but to increase it. Moreover, it by no means follows that an import duty levied in January is equally expedient in July. And yet again, a tariff levied in 1931, as an expedient, is not easily withdrawn in 1932. Interests, sometimes powerful, cluster around tariffs. As I write, the chemical industry is desperately fighting against the withdrawal of the dye-stuff safeguarding duty.

The point is that any form of tariff, as of income-tax, would needlessly retard the work of the House of Industry: is a spoke in the wheel of industrial control.

Just now we are talking a great deal about wheat. Canada is asking us to put a duty upon wheat with an Empire preference. On the other hand, Russia is sending us wheat below current market prices. For some reason that I cannot fathom, this is regarded as an unfriendly act. If my baker will kindly reduce the price of his bread, I hasten to assure him that I shall not regard him as an enemy. Nor will some tailor who will receive an order for a suit of clothes to be paid for out of my saving on bread. Yes, by Jove! I won't wait for a suit. I will buy a shirt, to the lasting benefit of the depressed cotton trade. Unlike the last straw on the camel, the shirt, presented to me by my baker, may save the textile industry from collapse!

If in being, what would the House of Industry do when posed with this question?

It might say to Canada that in consideration of our buying Canadian wheat—no question of tariffs arises, for the House of Industry has full powers—we propose to pay in part with agricultural machinery. Canada answers: "Thank you, very much; but we have our own agricultural machinery, some of which we are actually selling in England in exchange for your excellent woollen goods. Nothing doing in that line. This is business, not sentiment, you know." The House of Industry then offers to Russia agricultural machinery, textile machinery, boots (the best in the world) in part payment for her wheat. "All right," answers Russia, "subject to some adjust-

ments of credit." "Easy," answers the House of Industry. Economically considered, which is the better choice?

It all hinges, not on tariffs, but on the control and co-ordination of industry. Most assuredly not on tariffs.

Chapter VIII

UNEARNED INCOMES—STABILISE OR CONFISCATE?

The constitution of the House of Industry must necessarily have a vital bearing upon the present and future of the possessing classes, and in particular those whose incomes derive from stocks and shares. Nor can it fail to recall the main Socialist doctrines upon which we of the older generation willingly spent ourselves. It will seem merely curious to the historian, but ominous to the convinced Socialist, that political Labourism, now shading off into collectivist Liberalism, ignores, if it does not reject, the main tenets of classic Socialism. For my part, like an old dog that cannot learn new parlour tricks, I prefer to stand by the Socialist analysis of modern society until I see it intellectually supplanted by a scheme of life more vital, more appealing.

At no point do Socialist issues grow more insistent than in the attitude of organised industry to unearned incomes. Proudhon roundly declared that property is robbery; Bernard Shaw turned the phrase into "Poverty is a crime." Between these *obiter dicta,* Socialists may range as they please. Somewhere between is found the old

alternative of confiscation or compensation for disturbance. Clearly, if the House of Industry should have full powers of control and co-ordination, there must be considerable disturbance. And so what shall we do?

The cardinal fact is that hitherto control and co-ordination have definitely been the monopoly of the possessing classes. Out of this monopoly has grown the vast mass of small proprietors, the *rentier* class, the speculative investor, and a whole army of industrial tadpoles and tapers. Now if they had exercised those powers prudently, humanely, with vision and foresight, we should not be in the tragic muddle in which we find ourselves. Therefore, there can be no question of compensation in transferring control to a representative House of Industry. That is to say that useless boards of directors, sinecures, parasitic occupations, when swept away, can have no claim for compensation. The House of Industry will be bound to find them useful work—that and no more. But the great body of men and women who have invested their money in good faith, what of them? Have they a claim in equity or only in mercy or policy?

The Capitalist leaders, however public-spirited, kindly, liberal, in their private lives, have always been remorseless in maintaining their system. They resisted even the humanitarian laws pressed upon them by Shaftesbury, Oastler, and others; they have deliberately insisted upon a permanent surplus of unemployed to regulate wages; they

have looked upon slums with the eyes of the financial knacker. They cannot complain if they are dosed with their own medicine. There is a moral case for confiscation.

On the other hand, we have witnessed the process of confiscation in Russia during the past decade. It is certainly not so lovely that we should desire it. The Oriental strain of cruelty in Russian methods, developed under the Tsars, continued by the triumphant revolution, may suit stomachs accustomed to it; it would certainly be repulsive to Great Britian and quite definitely is not to be thought of. Apart, however, from our sense of repugnance, the larger affirmation emerges that the social loss and disturbance, so bitter, so cruel, is not worth it. The dictatorship of the proletariat is not worth it. Not worth it in Russia; a thousand times not worth it in Great Britian. Paris started the fashion of *epater le bourgeois;* but it is well to remember that with the destruction of our middle class would go many qualities, many attributes, experiences and technical training of great value to the body politic.

That such problems arise from the transfer of economic power is plainly evident. But since social order is always to be preferred to disorder —is, in fact, the object of civilised government— we may dismiss any thought of confiscation.

Nevertheless, there are certain inferences arising from national control and co-ordination. In the dovetailing of this or that industry with another,

it may well be that a commodity may be deliberately sold at a loss to secure elsewhere a greater economic gain. Obviously this would be unfair to the shareholders of the losing trade and foolishly liberal to the gaining trade. The conclusion would therefore seem to be that, since no question of confiscation arises, all dividends should be stabilised. This means that shares must be changed into some form of debenture, or fixed charge, or perhaps into annuities.

Of course, the House of Industry could follow the example of the Banks. A few years ago, they deflated the currency, a ramp worth to them and their associates about £1,000,000,000. If morally defensible, the House of Industry can inflate to meet any situation forced upon them by the possessing classes.

Dooley didn't mind how the people voted so long as he did the counting. In like manner, the House of Industry need not fear equitable compensation, if it has control and co-ordination.

Chapter IX

A RESERVATION ABOUT LAND AND RENT

If policy, tinctured by compassion, dictates the stabilisation of unearned incomes, it does not follow that the same rule necessarily applies to rent.

Rent and interest have one quality in common: each is an emanation of economic power. Beyond that the comparison ends. For whereas interest may, and frequently does, represent some kind of industrial effort, rent is the exploitation of an effect of nature enriched by the mere existence of the community. But I would not care to push any distinction between rent and interest too far, for our social system has fused the two into an economic unity.

Nevertheless, the distinction exists, for the obvious reason that land is the basis of all life; its use, if not its possession, is of universal concern. I may or may not fash myself about the unearned income of A.B., yet if C.D. owns the land upon which I live and work, his rent and the conditions surrounding the rent—restrictive covenants, amenities, slums and a thousand other considerations—are of vital moment to me. Thus,

the burden of rent cannot be expressed in mere terms of money; it plainly implies a social and perhaps a spiritual servitude. Therefore, my attitude towards C.D. must be different from my attitude to A.B. I can afford to be reasonably complaisant to A.B., when it might be my duty to eliminate C.D.—a fact well known to my fellow Irish countrymen.

It is this universality of the land problem that makes it at once the protection of the landlord and the despair of the theorist. Shall we interfere with the slum landlord? Then we touch the interests of the country squire. And we all know how urban rents affect the margin of cultivation. At least we all pretend to know; as a vulgar matter of fact, it is by no means so easy as it looks.

We cannot therefore compromise on land, regarded from the universal aspect. So far from making easy and comfortable the declining years of the landlord, policy may provide the lethal chamber—or special taxation, and particularly upon unused land or land uneconomically employed. Or upon rack rents. Or inequitable leases. Or—who knows?—upon absentee landlords. Or, for all I know, upon landlords who don't absent themselves. They seem to be equally unwelcome either way. Pluming itself upon its patriotism, landlordism now as ever remains the greatest enemy of society. The remnants of an ancient and disrupted feudal order are scattered; wherever they lodge, they fester and poison life.

The short point is that any self-respecting community must reserve full elasticity of action in all its dealings with mother earth.

The land problem is obviously not the agricultural problem, which is primarily one of production. A self-sustaining agriculture would speedily set rent in its true relation to labour. The agricultural industry, still the greatest in Great Britain, and beyond all comparison the greatest throughout the world, must be linked up with the House of Industry. A House of Industry without agriculture would be a modern feast of Timon—a gathering of men with the accoutrements of the campaign without the commissariat.

Chapter X

THE TRUE FREEDOM

THE COFFIN OF THE WAGE SYSTEM

Do you know that the wage system is the greatest blot on modern civilisation? Do you realise that any man, knowing the evil thing for what it is, who does not protest is committing a sin against the Holy Ghost? Do you understand that the purchase of labour at commodity value is the degradation of human effort? Do you grasp the plain fact that the purchase of labour as a commodity differs only in degree and not in principle from slavery? In the one case the employer buys the man's labour; in the other he buys the man's body. And having bought the body he must maintain it; hence under slavery there are no unemployed. But under the wage system, if the employer has no use for the labour, the man can starve.

Slavery and wagery have this in common: they both corrupt the body politic. Where they exist, the moral law is necessarily at a discount. They both create a debased code of morals. In the days of slavery, it was not unusual for quite nice people to keep a buck nigger and twenty or thirty negro women expressly for breeding purposes. It paid handsomely. In this day of wagery, no

moral objection is taken to the reverse process; to wit: the enforcement of a constant minimum of unemployed to regulate the wage standard. Debased morals in both cases, and not a pin to choose between them.

Does not the modern young Socialist know that it has always been a vital part of Socialist doctrine that the abolition of the wage system is infinitely more important than even the abolition of the House of Lords?

To me, one of the greatest attractions of the House of Industry is that, by absorbing all unemployed, it knocks the bottom out of wagery. It can be simply stated. If there are two men after one job, wages fall. If there are two jobs at the choice of one man, wages do not go up; they disappear. Labour can enforce a partnership; and with the partnership comes a change of status. That is why the Guild Socialists always declared that it was better to strike for a change of status than for a rise in wages.

With control and co-ordination, the House of Industry opens a new vista of industrial relationships. Modern capitalism is evolving on two parallel lines. It must keep Labour in subjection. That logically follows from rationalisation, the gains going to the proprietors and the losses to Labour. But, to achieve that end, Capitalism must have masterful directors and managers, who under joint stock are rapidly supplementing the old-time private employer. And these men are demanding and obtaining exorbitant salaries and

commissions. In the United States, salaries of £20,000 are not infrequent; in Great Britain, £10,000 is not infrequent. The House of Industry would not tolerate such preposterous payments for ten seconds. So that, with Labour entering into partnership and artificial salaries disappearing, we are in a fair way to realise Bernard Shaw's dream of equality of income. The first step towards this is obviously the abolition of the wage system. That indubitably leads to partnership. But partnership will not endure without equality.

The great industry was the cradle of the wage system, as we know it. The House of Industry will make its coffin.

SENTENCE OF DEATH

WHEN the House of Industry clamps down the coffin-lid on the wage system, it thereby decrees the death of the Servile State.

CHAPTER XI

A NOTE ON CREDIT

THAT the House of Industry must control credit is so obvious that I might leave it there.

Let us, however, nibble at a tiny slice of innocent history.

It happened that many years ago I lived in a small British Colony, an outpost of Empire, as we proudly called it. Our products were mahogany, *chiclé* (from which chewing gum is made), bananas and cocoanuts. A population all told of about 40,000.

We were neither prosperous nor poverty-stricken. Our churches, I regret to say, were almost entirely monopolised by the coloured people. There were few adventurers, no stock-brokers nor financial touts nor money-lenders. Anon, a quiet American joined our community. With a few thousand dollars and doubtless some credit, he opened a Bank. Being honest, considerate and trustworthy, the good Colonists very soon trusted him and transferred the contents of their stockings to the Bank. Oddly enough, everybody felt a greater sense of security and importance with this Bank established amongst them. Gradually, a habit or system of credit

spread amongst us. So much so that ready money became almost an unknown thing. Everybody—except the wage-earners—paid everybody else on the first of the month. In the intervals everything was acknowledged by chits. Drinks at the Polo or Tennis Clubs, poker losses, dinners or drinks at the hotel, anything and everything was payable on the first of each month.

Then, on that day, we sent out cheques for what we had bought and our debtors sent their cheques to us. Thus, during the second week of the month, the two or three bank officials were busy transferring entries in cash-book and ledger. Drafts on banks in London, New York, Chicago, New Orleans, Galveston, Jamaica, Mexico, would arrive by weekly or fortnightly mail. Into the Bank they would go. Then, if wages had to be paid, some money would be withdrawn. In a few days it would be back in the Bank through the shops. Thus, broadly stated, the Bank had in its safe practically every dollar in the Colony. Had it been burned to ashes, the Government would positively have been compelled to issue a new currency.

With all this money, plus its own small capital, the Bank would give notes of hand at ten-per-cent., or buy exchange or discount bills. In short, it did the things that banks usually do, honestly, efficiently. In due course, our American friend, having founded the Bank and yearning for the delights of a more temperate climate, sold out and left us with good-will all round.

The question is: Who did the banking? The depositors or the Bank?

Making all allowances for the greater complexities of finance in Great Britain, may one ask the question, impious as it sounds: Who does the banking over here; the Banks or the millions of depositors?

Once established, the House of Industry could answer that question within ten seconds.

But that is too cavalier a conclusion to a serious matter. In the application of our combined credit, the Banks are essential. We need their trained intelligence, their skill and knowledge, their almost preternatural sense of the margin of prudence. Credit is shy and evanescent; it cannot be lightly wooed. But the question still remains: Who shall guard the guardians of our credit?

The House of Industry could answer that in another ten seconds.

Chapter XII

A PRECEDENT—AND WHAT TO AVOID

Like other wise men, I distrust all precedents. When they seem most *à propos*, they are most misleading and elusive. The truth of it is that no precedent, ancient or modern, can encompass man's restless spirit, his enquiring mind, or his tumultuous thoughts. Since, however, the British people like to be guided by precedents, or at least by previous experience, let us consider the story of the Ministry of Munitions.

That gigantic organisation, towards the end of the war, was practically coterminous with the industrial life of the nation. If everybody, directly or indirectly employed by the Ministry of Munitions, had been put into khaki (the idea was mooted and even considered) there would have been vast tracts of industrial Britain where civilian clothes would have been confined to very old people, professionals and retail traders. The Ministry represented about three-quarters of the non-combatant population. It controlled and co-ordinated the great majority of our productive industries. And when it did not actually control, it " protected " essential workers from the kind attentions of the recruiting officer. It attracted to munition factories literally millions of men and

women who in times of peace would have shrunk with loathing from the task assigned to them. Must those hectic and degrading days once more return?

The business of the Ministry of Munitions was to maintain armies exceeding fifteen million men (for it supplied our Allies) with actual munitions and with ancillary goods and services. A stupendous undertaking, greater perhaps than would be the House of Industry's task, working at high pressure for a decade or two. Obviously, too, the House of Industry would be immeasurably better equipped; for it would have the best brains and most competent personnel at its disposal. Instead of our best brains being blown to pieces or poisoned by senseless hatreds, they would be utilised in the service of life and not death. Nor will the thoughtful man fail to ponder the phenomenon, that in those days, notwithstanding the tragic hæmorrhage of life and wealth, wages were comparatively high and there were no unemployed. How strange, how passing strange, that we should organise death, yet suffer endless misery because we fail to organise life: will not pave the way to our promised heritage, that we shall have life and have it abundantly.

The organisation of the Ministry of Munitions was, tersely stated, the superimposition upon industry of a temporary and amateur bureaucracy armed with unexampled authority. It was the acme of centralised administration; it was State Socialism *in excelcis*; it was an autocracy backed

by the military and civil forces. With these handicaps, it is a monument to the practical genius of the Nation—the most practical, ingenious and inventive people the world has yet seen—that it succeeded as it did. But its success, such as it was, was directly traceable to control and co-ordination tempered with amazing good humour and patience.

By the fortune of war, I found myself in a responsible position in this astonishing organisation. Few men were better circumstanced to watch its inner workings in the most highly industrialised regions of England. In my own particular sections, my jurisdiction extended from Manchester and Liverpool to Newcastle-on-Tyne, Sunderland and Middlesbrough. Day and night, I was travelling by train or car between these extremes, with fortnightly, and sometimes weekly, conferences in London. And on reflection and with these experiences, I draw certain conclusions.

The first is: That the great financial magnates were mostly helpless and abashed. The race was not to the long-fingered, but to the squat fingers of the practical men. Profit-mongering was not the primary consideration. This or that thing had to be done and damn the cost. Monstrous profits were made; but as a general rule by new men capable of adapting themselves to new conditions. Under the governance of the House of Industry, these men would willingly do their job for a tithe of those swollen war-profits. They would have done it in time of war if their cupidity

had not been foolishly stimulated by nervous statesmen.

Secondly: It was by no means the clever and dominating men who best succeeded. Those who thought they could manage everything themselves merely created friction, with consequent delay and trouble. The best results came from those factories, shops, offices and departments where a spirit of co-operation prevailed, where responsibility was shared. Fellowship, conscious or unconscious, was at a premium; autocracy, in great things or little, was distinctly at a discount. Thus, in storm and stress, the fundamental facts of human relationship assert themselves. In war or peace, Morris's dictum rings true: "Fellowship is life and lack of fellowship is death." Victorian sentimentalism? Perhaps; but in industry as in social life it is the way of wisdom.

Thirdly: The ignorance of working class conditions shown by this superimposed bureaucracy. Not surprising this, when we remember that the skilled and trained men were either in the Army or at their work. When the shop-stewards, regularly appointed by their fellow workers, asserted their rights and made their claim, Headquarters grew frantic with anxiety, consternation, anger and even vindictiveness. As a matter of fact, nobody quite knew what a shop-steward was. I was accordingly sent to the centres of discontent to inquire and report.

At the first place, I was met by one of the bureaucrats in charge of labour, if you please,

and in private life a distinguished figure at his University, who informed me that I need go no further into the business in his district. He had the names of all those pestilential fellows, and their records. He was only waiting the word to put them all in jail. He seemed surprised when I instructed him to have them all at my hotel that evening. At the time appointed they were there—quiet men, rather anxious, knowing their jobs, willing to co-operate. But certainly they were not going to be sat upon. Next morning, I interviewed the general manager. Yes; he knew them all. If they went, the rank and file would simply appoint others. Yes; they had grievances. The best thing to do? Send back that damned pedagogue to his study. I regretted that nothing could be done until he had got the O.B.E. The general manager smiled and shrugged his shoulders.

At another "nest of disaffection," it was snowing hard. Women and children were standing in shivering queues outside the provision shops. This time, I examined the shop-stewards in the works. They were the obvious leaders, but they could not hold the men while their women folk were shivering outside the shops, what time the manager's house was a perfect arsenal of foodstuffs, enough to stock a shop. It was the manager who went to jail.

When the war ended, the waste, confusion, extravagance beggars belief. But the conditions were unprecedented and the point need not be stressed. The wage-earners were bought-off with

an unemployed benefit. The demobilisation of the soldiers reeked of monstrous blunders and stupidities. "Key men" were retained in the Army, while thousands upon thousands anxiously waited their return. A Colonel would not release one of these "key men" because he was a good gardener and the Colonel was proud of his garden. Another "key man" was "such a topping batman, you know." And so on, *ad infinitum*.

Had the disposal of Munition remnants and demobilisation been put under local democratic control, with all requisite authority, the saving in human suffering and material waste would be impossible to estimate. It would have materially affected post-war conditions. The task, so stupendous, so complicated, so human, was utterly beyond the powers of any centralised bureaucracy.

What we can say of the Ministry of Munitions is that, with its improvised machinery, with its centralisation, its untrained staffs, it did, in fact, "deliver the goods." This was done by the magic formula of "control and co-ordination." If this could be done with such a burden of inadequacies, what could not the House of Industry do? For it would not only have the brains, the credit, the goodwill of the community behind it, but, what is infinitely more valuable, it would have the moral sanction of the workers, who would know how, under democratic control, to make the House of Industry a great agent in the communal production of wealth—a long and firm step towards human equality.

Chapter XIII

CONSUMPTION AND CO-OPERATION

A LITTLE DIGRESSION INTO ECONOMICS

Political economy and finance both alike ignore intrinsic value. Things being what they are, the only factors that political economy or finance or that vague and indeterminate bogey known as the "market" can take into consideration are those which affect price and consequently determine rent and profit. Thus, the intrinsic value of a pair of boots is not affected by market prices. Yesterday, these boots may have been worth fifteen shillings, to-day twelve-and-sixpence, but their intrinsic value is measured by their appearance, use, comfort and durability. Obviously these qualities are unaffected by changing market values.

This intrinsic value would be of purely academic interest if it had no extrinsic value; that is to say if it made no appeal to any actual or potential consumer—if there were no effective or natural demand for the boots. Here we discover a fact of considerable social significance: namely, that natural demand, like intrinsic value, is also beyond the purview of our Philistine economy. The economists, of course, know all about it; they merely affirm that until natural demand has

been transmuted into effective demand, they can take no scientific cognisance of it. The economists of the Manchester School were in fact concerned with the problem, which they partly solved by the aphorism "Supply creates demand." No doubt the manufacturers can command the credit necessary to supply; but the problem is how to command the credit required to give the vitalising touch which transmutes natural into effective demand. In my ignorance, it has always seemed to me a subject well worth research by political economists.

I do not mean scientific or technical research as pursued to-day. This, of course, is immensely valuable and Great Britain has achieved many notable victories in its laboratories and technical shops. The results of this research have been to enrich mankind in general or to strengthen this country economically or commercially; what we need, however, is to examine, with an eye to credit, every possibility of enabling consumers to buy commodities which are now beyond their purse. The essential thing is to expand effective demand and not to transfer demand from one commodity to another. A little reflection will convince us that any such expansion of credit creating an equivalent expansion of effective demand is only possible where the community has control of credit and the power to co-ordinate industry. The Capitalist system has, in the past, successfully provided credit for production (although this is showing signs of exhaustion, in

part caused by mis-direction of capital outlay) but it has not solved the problem of at once keeping wages at the minimum necessary to profits and dividends and at the same time raising the standard of living to the degree that would ensure much greater effective demand. It must accordingly rely upon the possessing classes, *and the possessing classes only*, for any effective demand beyond the cost of sustenance. For notwithstanding our boasted advances in the standard of living, it is still substantially true that our expenditure on wages is not much more than the cost of sustenance. Remember that against the wage-bill has to be set the cost of unemployment, not only unemployment as disclosed by the weekly returns but part-time employment, uninsured unemployment, sickness and ill-health.

The conclusion, therefore, is that, whilst the industrial system knows how to provide credit for production, its very existence depends upon its refusal or incapacity to provide credit for consumption. The House of Industry, being charged with the maintenance of the whole labour force, would be compelled to provide credit for largely increased consumption.

Our proposed enquiry into effective demand would necessarily work through two different but connected channels. First, there would be the pressing question of providing credit to purchase existing commodities; secondly, the more tenuous search after new additions to the long range of present products.

In regard to the first, it would be found that the great mass of the wage-earners would willingly acquire and accept ultimate responsibility for a multitude of goods now lying idle in warehouses or waiting prompt manufacture against guaranteed credit. But ultimate payment must depend upon an advance in the standard of living at least equivalent to the expanded credit. In the case of the cotton goods, cited in another chapter, it is, I hope, rendered clear that payment depends upon a rise in wages resulting from the increased flow of credit into industry. And it is also emphasised that to make this credit of exchange value, it must be by aggregated and not dispersed credit. The only way to do this would be by the several industries each offering their combined guarantees, or definite purchases, to the producers. These credits or guarantees would be valuable or valueless precisely to the extent that each industry can tender formal, organised acceptance of the responsibility by the workers in each industry concerned. We are not without precedent for this apparently revolutionary procedure, since in times of depression, strikes or lock-outs, various trade unions have guaranteed local traders against loss for the supply of foodstuffs for their members. If this can be done in time of stress and in a local and limited way, how much easier when the guarantee is forthcoming from a well organised and integrated national industry? But it is evident, is it not, how impossible it is to expand consumption by combined and organised credit, except

through some such legislative body as the House of Industry, possessing powers to control credit and co-ordinate industry?

As to our second channel of research into possible new commodities, we are on much more difficult ground. I must content myself with an observation. It logically follows that the body which controls credit must ever be ready to provide credit—and provide it almost prodigally—for new developments, discoveries, inventions and improvements of every conceivable kind. A community that allows Hatry and a thousand other Hatrys to waste scores and even hundreds of millions sterling on meretricious catchpennies need not fear that the House of Industry will wisely and liberally encourage and perfect industrial discoveries.

Closely related to this line of thought and bearing directly upon the standard of living, is the displacement of labour by new inventions and processes. This problem first confronted Labour with the advent of the Great Industry. Then, as now, Capital claimed the right to substitute labour with labour-saving machinery; then, as now, Capital disclaimed all responsibility for displaced labour. Then, as now, the community as a whole and every Government of every shade of politics have expressly condoned the policy of the Capitalists and welcomed the labour-saving devices as genuine additions to our national wealth. The weak spot in the argument is that these labour-saving devices did not save labour;

on the contrary, they added to the burdens of labour and entangled labour the more cunningly in the wage-system. So far from saving labour, these mechanisms were used deliberately to compete with labour, to bear down wages. If they were genuinely labour-saving, why is not the working day already reduced to three or four hours?

This play on words is not mine but the economists'. They do not mean, and never have meant, that the workers were saved from unnecessary toil. The words have always meant that, so far as any particular process was concerned, the new machine dispensed with labour, which could starve in thousands and as the records show did starve. Labour has, in fact, paid infinitely more for new inventions than have the Capitalists or the rest of the community. It will be for the House of Industry to redress the balance, by applying all new inventions and processes to the real saving of labour and the correlative increase of well-paid leisure. Need I add that it is in well-paid leisure—the child of increased production—the most effective demand for the greatest range of goods and services is found?

Unhappily, there is a yet more difficult problem awaiting the House of Industry. It will be observed that, at this time of writing, unemployment is most rife in our staple industries—coal, iron and steel, shipbuilding, textiles and engineering. These are our oldest industries and presumably most subject to the law of diminishing

returns. It is in the so-called law of diminishing returns—it is not a law; it is an inference from commercial experience—that we discover the reverse process, namely either a diminishing effective demand, or a diminishing profit, which may lead to reduced production, and so a return to intrinsic values commercially less and less exploited, with a consequent increase in unemployment. Now, in the case of the staple industries, we do not have to ascertain whether there is a natural demand awaiting credit; we know it. Nor would any man assert that, because there is no commercial demand, a new ship on the Clyde or Tyne is of less intrinsic value than an old tramp that has been floundering for twenty years through the Seven Seas, picking up precarious cargoes from port to port. The same consideration applies to most of the products of our staple industries. Everywhere the product of to-day is almost universally better than its counterpart of yesterday. Of all these goods, be they massive or minute, as of the workers who make them, it can be said, not only that "No man hath hired me," but that no man will choose the better thing. The inexorable truth of any living industrial system is that nothing but the best suffices. When that system is content with the second-best, a power greater than ourselves pronounces doom, inscribing "Ichabod" where those who run may read. It is astonishing how quickly the news spreads.

This unwanted ship on the Clyde (if it is not

there actually, it is always there potentially) is a portent of almost our greatest economic danger. It is our staple industries that have been immeasurably the greatest factors in our world trade. If they shrink, our foreign trade shrinks. In every part of the world, civilised or even semi-civilised, British goods are to be found. Sometimes they are bridges or railways; they may be shirts or pocket-handkerchiefs. And nearly always they have been carried in British ships, financed by British capital, insured at British risk. It is this foreign trade that has made London the financial centre of the world. Nor has it stopped there. It has been by extended credit to the consumers that we have maintained that trade. We have, in fact, created effective demand in all parts of the world. (Incidentally, it is curious that we have vitalised natural demand from China to Peru but cannot do it at home because the wage-system must not be tampered with.) It is common ground that our economic structure, the creation of our insular life, depends upon the continuance of our foreign trade. Not only because of the profits we derive from that trade, but also—and mainly—because we require food and raw material. Imagine the posture in which we should find ourselves, deprived of the food and raw material which we exchange abroad for our manufactured goods! I have elsewhere argued that we might be compelled to exchange many of these goods, if not at an actual loss, at least without profits, to secure a greater economic end. That would

indeed be one of the greatest problems to be faced by the House of Industry.

It cannot be faced indefinitely or indeed temporarily by the individual manufacturer or shipper, because no individual or corporation or group can be expected to incur a loss which is properly the liability of the community—a loss, moreover, which the organised community can easily offset by economic gains elsewhere, notably by the maintenance of our standard of life at home.

As the facts of modern industry unfold themselves in historical sequence, it becomes evident that the Capitalist economy breaks down at more than one vital point. It has definitely failed, *inter alia*:—

(1) In that it has not provided credit for consumption as well as for production. It has, in fact, for its own purposes, restricted credit to the producer and to those who exploit labour—the possessing and salaried and professional classes.

(2) In consequence of this policy of restricted credit, it has kept life at a low standard for the vast majority of the population.

(3) It has done this by means of the wage-system. It has argued that by reducing human labour to a competitive commodity value, the profits arising would enable it to prosper on the more narrow but apparently richer credit of the possessing classes.

(4) By this restriction of credit, it has completely misconceived the fundamental truth that

a nation is only as rich as its population taken as a whole. The pace of the squadron is regulated by its slowest horse.

(5) Again; this restriction of credit has compelled the possessing classes to demand an even higher return on their investments. The war forced up prices; there was no compensating credit—rather the reverse, accentuated by the premature policy of deflation; and as the unearned incomes demanded the pre-war equivalent, they now insist upon ten-per-cent., where formerly they were content with five-per-cent. This, in its turn, has depressed wages, with the tragic results now so painfully obvious.

We would indeed be cowards and weaklings if we accepted the threatened or actual collapse of Capitalism as so calamitous as to preclude an economic revival on the basis of fellowship and not of competition at home and abroad. For we know that we have at our disposal the greatest accumulation of wealth in men, materials and credit that the world has yet known. What the thoughtful man must surely most fear is that organised labour, in its suffering and despair, may accept Rationalisation as the readiest means to escape from an intolerable situation. Rationalisation is, in fact, Capitalism's confession of failure. If it had not grown irrational, why should it ask to be rationalised? That Capitalism remains irrational, and even stupid, is evidenced by the damning fact that it has forced more and yet more restrictions upon credit, by reducing wages

and other manœuvres calculated to lower the standard of life.

The reply to Rationalisation is the democratic control of industry—the only means now possible of expanding credit and so increasing our wealth, and more equitably distributing wealth.

How remote do these problems seem to the traditional methods of the House of Commons! How hopeless are they without a national economic authority to deal with them! How impossible are they of solution without full powers of control and co-ordination!

Therefore, now is the appointed time for the House of Industry.

THE STRATEGIC POSITION OF THE CO-OPERATIVE MOVEMENT

We can to a marked degree gauge the value of social criticism by its reactions from the Co-operative Movement.

There are critics who pride themselves upon their pure economics, critics who fondly think they are in the classic tradition, who simply ignore it. They write themselves down as academic nonentities.

There are critics who airily dismiss Co-operation as a clumsy method of saving money. They tell us that the working costs of Co-operation are the same as the retailers and that the dividend comes out of enhanced prices. Somehow they omit from their reckoning the thousands of retailers who

complain that to compete with Co-operation means the loss of all profits.

There are critics who contend that Co-operation is merely an integral part of the wage-system and accordingly that Co-operation must disappear with the wage-system. But these gentlemen also argue that wagery is an essential part of Capitalism and and that Capitalism is essential to our industrial economy. If Co-operation be as they think only a factor in the working-class movement, we need only remark that it is playing an economic part in Labour's march towards economic redemption. When that is achieved, is it in the least likely that Labour will destroy one of the instruments of its emancipation?

The fact is that the Co-operative Movement is a stupendous fact. We cannot avoid it whichever way we turn.

It may be that Co-operation has its economic limitations; it may have a certain intellectual narrowness; it may even be lacking in spiritual content: we cannot, all the same, deny that it has faithfully pursued its mission as the protector of the consumer and particularly the poor consumer. When we have said that, we have but uttered the barest truth; there is so much more to add.

There are, for example, the imponderables. Thus, if I buy an article in an ordinary retail shop, the transaction is complete in itself; but if, as a member of my local Society, I buy something, it is not the completion but the beginning

of the transaction. It is followed by a dividend; it is followed by an invitation to the monthly or quarterly meeting. It may be followed by an invitation to a lecture, or a dance, or a whist drive. It is not only a cash nexus that binds me to my local Co-operative Society; there are plainly many other attractions. If I am a lonely man, I can assure for myself various social contacts: I may even find a wife. Indeed, why not? If she is already a Co-operator she is probably thrifty and home-loving. No doubt there are a hundred thousand members who think of nothing but their own convenience and their dividends; but there are many hundreds of thousands who are attached to the Movement by conviction, by sentiment, by their social proclivities. These are only a few of the many imponderables, the things unseen, that raise Co-operation far above the ordinary commercial standards. The economist who does not understand this belongs to the nineteenth century.

Nor must we forget that Co-operation has long since passed from distribution to production. In all probability, it is the largest producing unit in the world.

Equally pertinent is it to remember that Co-operation has, through its own Bank, largely mastered its own internal problems of credit.

In the House of Industry envisaged in these pages, no specific mention has been made of the *rôle* of the consumer. There is, of course, the intermediate consumer; but there is also the final

consumer. In the large affairs of production, it is obvious that the intermediate consumer can easily hold his own. That is to say, practically every producer is a consumer of raw or semi-manufactured materials. And many manufacturers, in the engineering and ship-building trades, for example, are buyers of many thousands of finished articles, which go into the assembling of the parts of some engineering product. But should not the final consumer also have adequate representation in the House of Industry? Undoubtedly. From every point of view it is necessary to a right balance of the economic interests.

That being so, it is obvious that the Co-operative Movement stands out, head and shoulders, above every other distributive organisation and must therefore be fully represented in the House of Industry. Moreover, since it is also a manufacturing and producing unit, it is further entitled to representation as distinct from distribution.

Every Co-operator, therefore, should strive, might and main, for the creation of the House of Industry. His representation in the House of Industry would be greater and more effective than anything he can obtain in the House of Commons.

When we remember the imponderables of Co-operation, the influence it wields far beyond its financial and industrial strength, the conclusion is that in arranging the industrial electorate, the Co-operative Movement must inevitably be the subject of special consideration.

Chapter XIV

AUTOCRACY, TRADITION AND BIAS

THE MOSLEY MANIFESTO

The Mosley Manifesto, if not inevitable is certainly significant. It is the cry of despair of a group of serious, sincere and unsophisticated Members of Parliament—of despair at the impotence of the Commons to face up to the economic crisis—if crisis it be. And then, believe me or believe me not, they base their proposals on the Parliamentary system of which they despair. They believe that " it is impossible to meet the economic crisis with a nineteenth century Parliamentary machine." It is, of course, a twentieth century Parliament. This is no quibble : for Parliament has put in power a Labour Government, a thing undreamt of in the nineteenth century. And it is elected on a universal franchise, including women—also undreamt of in the nineteenth century. Parliamentary practices may reek of the nineteenth, and even the eighteenth centuries, but we have discovered—although the fact seems hidden from the Mosley Group—that the real trouble is the confusion created by the infusion of economics into what is fundamentally a political body. Sir Oswald Mosley merely makes confusion worse confounded by piling upon an emergency Inner

Cabinet economic powers that are beyond the compass of the House of Commons and equally beyond the moral authority of any conceivable group of five men, however eminent, however supreme. Cannot Sir Oswald and his gallant buccaneers realise the bare truth, that it is not by playing on the same instrument, changing perhaps from *allegro* to *scherzo*, that deliverance must come? It is an altogether different instrument that must be called into play. A political instrument for politics; an industrial instrument for economics.

Let us follow the chequered career of the Mosley War Cabinet. At the eighteen points of the eighteen buccaneers' eighteen swords, five hundred and ninety Members of Parliament meekly agree to the appointment of an Inner Cabinet of five super-men, who shall rove at large without portfolios, over the whole field of industry. These five men are to be vested with wide powers " for a stated period, subject only to the general control of Parliament." The cynic may enquire how large are the " wide powers " which at every turn, on every Parliamentary day, are subject to " the general control of Parliament." Anyway, it is clear that there is no real break-away from the " nineteenth century Parliamentary machine." The first act of the play is farce, not drama. And the farce will be turned into an extravaganza when the five hundred and ninety other Members of Parliament start defining what they mean by " general control."

Next, if they ever get so far, this pacific war-cabinet starts taking stock of its " wide powers." To their consternation, they discover that every step they take must be legalised by an Act of Parliament. There are twenty things to be done. That means twenty Acts, for we may be sure that our five hundred and ninety chicken-hearted Members will pluck up enough courage to insist on separate Acts. Omnibus Acts are neither popular nor easy. Besides all these Acts require money and the Chancellor of the Exchequer, being a mere outsider with a portfolio (symbol of political degradation), will have a word or two to say. Treasury minutes will fly around fast and furious. Moreover—horrid thought—the bulk of these five hundred and ninety Members will not be away at the war or doing war work. They will be in their places and they will talk. Most certainly they will talk. And after them, the Lords!

Never mind! The legal difficulties being surmounted, the War Cabinet gets to work. They first interview representative employers who assure our super-men that if Great Britain is to cut any ice in the world market, wages must be reduced and the powers of the Trade Unions must be curtailed. No doubt about *that*. So the leaders of the Trades Union Congress are called up and so informed. At this stage a rather nasty spirit creeps in. The Trade Union leaders somehow fail to see the situation from the employers' point of view and exhibit an ungentlemanly

curiosity about the "wide powers" of the supermen. They suggest, too, that if industry is to be effectually reorganised, the way to do it is to elect a House of Industry.

But why prolong the agony? We are down to the bones of the problem. Labour is not to be dragooned by five or fifty or five hundred supermen. Many thanks, no! Labour had a belly-full during the War. And Labour is frankly puzzled that any such proposal should emanate from Labour circles.

Thus far, however, the argument fails to do justice to the Mosley Group. Their case is that the times are not normal; that we must improvise for "a stated period." I quote:—"In the advancement of this immediate policy, we surrender nothing of our Socialist faith. The immediate question is not a question of the ownership but of the survival of British industry."

If it be a question of the survival of British industry, it is equally a question of the survival of German industry, of Italian industry, of American industry, perhaps of French industry.

Of all these countries (France excepted) Great Britain is the most prosperous, or the least unprosperous. Plainly, therefore, there is some industrial *malaise* common to all. Is it just a world trade depression, soon to be conquered by adjusting consumption to production? Or does it portend the disintegration of Capitalism?

Sir Oswald Mosley can have it either way. If the former, his improvised autocracy will be out

of date before it is born. The plan outlined in the Manifesto requires at least five years to reach maturity. But worse, infinitely worse, if it be only a trade depression that confronts us, and if we should adopt the Mosley programme, then, when the tide turns, Capitalism will be immeasurably stronger and Labour, *pro tanto*, weaker and less able to regain its position, lost at the behest of the Mosley Group. For, however we look at it, the Mosley programme, aiming only at the survival of British industry, deliberately and in explicit terms postponing the Socialist struggle, means sacrifices by Labour. Moreover, there is not a word or hint throughout the Manifesto demanding powers for a competent body to control and co-ordinate industry. What is urged is a series of separate proposals, running on more or less parallel lines, but neither definitely related nor harmonious. A thing, in fact, of shreds and patches.

What of the other alternative? Is Capitalism as a system breaking down? Are we witnessing not a world depression but a world cataclysm? If so, does Sir Oswald deny that Socialism is the next stage in our economic development? He is a declared Socialist and accordingly he must believe that the inheritance falls to Socialism. Then, can he seriously believe that Socialism is to be ushered in by an anti-Socialist autocracy? The only possibility of that would be by a physical force revolution. Otherwise Socialism must take possession in orderly progression and with recog-

nised Socialist organisation. The basis of it is democratic control of industry, of which the only outward expression at the moment is the House of Industry, here outlined.

We could wish that the splendid courage and unselfish motives of the Mosley Group were turned to the permanently constructive and not to improvisation, which leads nowhere and leaves behind an unconscionable load of mischief. But taking the Manifesto as it stands, it is an apology for autocracy, an entirely unsustained assertion that in times of strain and stress, autocracy is more efficient than democracy. If, by evil chance, this argument should appeal to Socialists, as a whole, there is a remnant who will not only declare that Socialism has gone Fascist but *fanti*.

Thus the issue is simple but inexorable: Is it to be autocratic or democratic control of industry?*

THE CITY TORY AND THE BEETLE

I SAT in his office, chatting while we waited for another man to come. He adjusted his cigarette in a long amber holder and remarked genially:

"They tell me you're a dangerous revolutionary and known to the police."

"Possibly. Many years ago, the Russian

* Since this was written, Sir Oswald Mosley and his immediate friends have journeyed into the wilderness. Heaven knows when or how they will return. If they regard autocratic control as purely temporary, they should find the House of Industry as a practical alternative yielding better and quicker results, and happily avoiding those autocratic methods to which organised Labour can only assent at the price of its own soul.

Government invited the British Government to prosecute me under the Foreign Enlistment Act.''

"Gun-running?"

"Something like that."

"You'd have been liable to two years' hard."

"Yes. But just then a General Election was pending, so the Most Noble the Marquess of Lansdowne, His Majesty's Secretary of State for Foreign Affairs, decided that a prosecution might make me a very popular person and secure my election. The business was therefore discreetly dropped. Besides the evidence was rather flimsy.''

"Learnt the error of your ways?"

"Not particularly; but that was a political affair and now I am more interested in things industrial."

"Your House of Industry, eh?"

"Yes."

"Well, you know I'm a true blue Tory. My father and grandfather were country bankers. Then the business was sold to a joint stock Bank; then it, in its turn, was absorbed by one of the Big Five.''

"Like the fleas."

"The fleas?"

"Big fleas have little fleas
Upon their backs to bite 'em,
Small fleas have smaller fleas,
And so, ad infinitum."

"Like the City of London, by Jove!"

"Is it as bad as that?"

"Between you and me, half the City is bluff and make-believe. And, if your House of Industry controlled credit, it could crush the City as easily as . . . ."

Just then a beetle crawled out from behind the fire-place. He went over and stamped on it.

"As easily," he continued, "as I crushed that beetle."

"And being a true blue Tory you'd vote for a continuance of bluff and make-believe?"

"I'm not so sure that I would. My crowd has the Labour agitation rumbling under us and the money magnates sitting on our heads. We're ground between the upper and nether millstones. I've a wife and family and I want to see them safe. If your House of Industry will bring industrial peace, curb the arrogance and pretensions of the financial big-bugs and give me a decent job . . . ."

"You're having a thin time just now?"

"We certainly are."

"And if things look up and begin to boom?"

"Ah, well, my dear chap; after all I'm a true blue Tory."

Then the other man came in.

THE DOUBTING LIBERAL

AFTER I had told him about the House of Industry, he smiled in rather a superior way.

"Very fine and symmetrical," he said, "but you overlook one thing."

"Yes?"

"Personal liberty."

"Don't try to fob off that argument on me," I said sharply.

"It's our most precious possession. Our fathers fought and died for it."

"Did they really? They left precious little of it behind them."

"Oh come," said he. "We have complete personal liberty. We can say what we like . . ."

"There are the Blasphemy Laws," I interposed.

"We can write what we like . . ."

"There's the Law of Libel, and magistrates know how to interpret obscenity."

"We can worship where we like . . ."

"There's no particular danger in piety," I said.

"We can vote how we like . . ."

"Four whiskered platitudes on harmless personal liberty," I said. "Now tell me this. We can leave work when we're sacked or sick; but have we liberty to return to work?"

"I wasn't speaking of economic laws. Of course, they dominate life and liberty."

"So that our personal liberty is determined by our industrial system?"

"Well, yes," he said. "But I'm not responsible for that."

"Which do you mean? Economic law or the industrial system?"

"They're very much the same thing," said he.

"Do you know that every change for the better

in our industrial system has always been condemned in advance as contrary to economic law? ”

“ Oh, I'm not against reasoned progress. No good Liberal is.”

“ But not so much progress as would give industrial freedom to the workers? ”

“ That's not fair. I'm all for personal liberty; but by personal, I mean the individual. What you're after is liberty for the mass, which might mean restricted liberty for the individual.”

“ Even if mass action brings the wherewithal to enable every individual to exercise greater liberty? ”

“ Put that way, what can I say? ”

“ Nothing; it's the end of the argument. But I know where your bias comes from: the old individualism which Herbert Spencer popularised. The Marshal's baton in the soldier's knapsack; every wage-earner a potential millionaire; each man must stand on his own feet; competition the soul of business; enlightened selfishness; and so on. I know at least fifty other platitudes and *clichés* . . . ”

“ It was not such a bad philosophy. It taught young men sharp lessons; but it built them up and raised them over their fellows.”

“ True enough; but the successful millionaire must now knuckle under to the big combines and if he doesn't toe the line they can smash him in a jiffy. In the end, he can only find economic liberty in his particular mass or group or com-

bine—call it what you will. And by the same token, these combines can squeeze the inventor, the chemist, the technician; they can depress wages. Personal liberty!"

"Well, frankly, I don't like it. Perhaps, after all, your House of Industry is the lesser of two evils."

"If you like to put it that way. Maybe you regard all life as an evil. But remember this: the House of Industry must develop a new and better loyalty; must evolve new motives and new canons of industrial conduct. It may even discover that the inventor, the chemist, and the technician are, economically and socially, more valuable than your old-time millionaires."

THE OTHER WAY ROUND

THE Labour Veteran's words were slow and measured (a trick he had learned in the House of Commons and at many Labour conferences), his tired eyes and heavily lined face lent emphasis and dignity to all he said. "No, my dear old friend, I can't swallow that."

"Swallow what?" I asked.

"Your House of Industry would undermine the sovereignty of the House of Commons—that great institution that has stood for the liberties of the people."

"I hadn't particularly noticed it," I remarked.

"Yes," he said, in solemn tones, "it has been the bulwark of Freedom, the palladium of

Liberty, the enemy of Tyranny, and I would die to-morrow in its defence."

"Stout fellow!" I answered. "But I've heard the same sort of thing before—it was part of the litany of the Chartists, you know."

"And none the worse for repeating now. 'The price of liberty is eternal vigilance,' and don't you forget it."

"It's rather curious that you should be repeating the dear old tags. After all these years, is liberty still in danger?"

"It would be if your propaganda succeeded; for it is certain that the House of Commons must keep a firm grip on the economic life of the Nation."

"When did it first get that grip?"

"The answer is obvious: When it first established its right to impose taxation."

"Not so obvious; for taxation implies property and income to tax. Where's that firm grip?"

"Wait till we have a Labour majority and you'll see."

"Then you haven't got it yet?"

"Well, no; we haven't got further than taxation."

"Which the consumer pays, whilst the manufacturers and merchants ride off with the plunder."

The Labour Veteran's voice took on a yet more solemn tone. "Remember," said he, "the enemy is that thrice accursed foreign importation known as *laissez-faire*."

"Well, what are you going to do about it?"

"Some day, the people will rise in their power and vote for the nationalisation of land, capital, and the instruments of production, distribution and exchange."

"That sounds very impressive. How are you going to set about it?"

"The House of Commons will take these things into its own hands and peace and plenty and happiness will come to the people, whose servant I've been for the last half-a-century."

"Having got the whole caboodle into their own hands, what next? A man-sized job, isn't it?"

"We shall run industry in the interests of the people, the long-suffering people to whom I belong, and no longer in the interests of the exploiters and profiteers."

"Yes; but how?"

"Do not press me for details. The future opens out before our longing eyes and there is a great wisdom in our Democracy."

"But tell me what you think. You reject the House of Industry, so you must have some idea how the Commons would proceed."

The Labour Veteran smoothed down the few stray wisps of hair upon his otherwise bald pate, paused, then spoke with great deliberation. "I speak quite unofficially, of course, and nothing I say must commit the great Labour Party; but it seems to me that we should divide up our industrial system into departments and then entrust

each department to the appropriate Commons Committee. Have you any objections to that?"

"Several; but let us follow up your suggestion. The Commons have important political work to do as well as industrial."

"That is so; nothing must hinder us in the great, the sacred task of putting the coping stone upon those political truths for which our fathers fought and suffered."

"Very good. Now, when the Election comes, after you have nationalised everything, there will be a great influx of Industrialists as candidates."

"Certainly; that's very desirable."

"And since the electors are more concerned with their bread and butter than with political platitudes, they'll probably vote for the Industrialists instead of the Politicians?"

"I fear so. Certainly in a great many constituencies."

"Therefore your next House of Commons will be a jumble of Industrialists and Politicians. And almost certainly the Industrialists will be in a majority."

"I wouldn't go so far as that; but there'd be a great many Industrialists."

"Moreover, during the Election, there would be many politicians with vitally true things to say, who would encounter nothing but frustration and cross-purposes. For the electors might agree with the Politicians about politics and the opposing Industrialists about Industry. The results would be that millions of voters would be put to the

dilemma of choosing one of two candidates, while believing both to be right, and so denied their right to express an opinion on both politics and industry."

The wisps of hair were again in disorder and the Labour Veteran's fingers drummed nervously on the arms of his chair.

"Humph!" he muttered. "That would be a pretty kettle of fish."

"The worst is yet to come," I continued. "For when the Commons assembled, it would be found that industrial reconstruction—it must be reconstruction and again reconstruction to the end of the chapter, remember—was at least seemingly most pressing. Whereupon industrial problems would occupy the time of the House to the exclusion of a thousand political issues, many of them of vital importance; our foreign policies, our relations with our Dominions and Colonies, the public health, education, the army, the navy, the police. Have you thought of all that?"

"Wisdom must prevail," snapped the Labour Veteran. "You presume a lot."

"There is no wisdom without foresight," I answered. "And wisdom in this instance demands the avoidance and not the acceptance of such criminal confusion."

"And pray how are we to avoid it, short of relinquishing our Socialist principles?"

"There is nothing in Socialist principles that predicates such a stupid confusion of the political and the economic. But I haven't come to the

worst yet. Keep firmly in mind that the Commons by the instrument of taxation, command the army, the navy, the police, the judiciary, and in short are responsible for the protection and application of the whole body of common law. Now, what would happen if the Industrialists took possession of the House of Commons and told the politicians to go and do their work elsewhere? ”

“ It would be a calamity ; but it is unthinkable. The great Labour Party would never consent.”

“ You forget the Trades Union Congress found the politicians to be a nuisance and turned them out. It’s a way the industrialists have. Not, mark you, that they undervalue political work, but they have long since discovered that to run politics and economics in double harness is the height of folly.”

“ I feel,” said the Labour Veteran, “ that the foundations of my political creed are rocking. What you say makes me very unhappy.”

“ Better that they should rock now than later on. There are mistakes that spell infinite disaster. The State Socialists have been heading for it for twenty years. Now let’s come to the inevitable conclusion. The Industrialists control Parliament ; they control what Parliament controls ; our destiny as a nation is in their hands. How do you like the prospect? ”

“ Ah,” said the Labour Veteran cheerfully. “ I see through your little trick. You are playing the old game of going to the logical extreme.”

"Of course," said I, "and why not? But I'm not so sure that the extreme way I've stated the case is in the least exaggerated. If half the electorate will go crazy about a trivial tariff question, what will it do when every department of industry is under electoral scrutiny? But suppose that the politicians and industrialists remain about half-and-half? How does that help you? It's common knowledge that even now Parliament cannot get through its work creditably. What will happen when the administration of industry is added to it? I'll tell you. Parliament will die of two diseases—political anæmia and industrial elephantiasis."

"You said you had several objections to industrial government by Commons Committees. What are they?"

"Two will suffice. First, I believe in the democratic control of industry. Therefore I object to the control of industry being in the hands of people elected for totally different purposes. Industry is so vast, so complicated, so interwoven, that its government without direct and specific assent is incredible. Nor would mere assent be enough: control, co-ordination, administration, management, must be entrusted to those chosen for that definite purpose by an industrial electorate specially concerned and informed. Secondly, I believe profoundly in the political function. I want to see it cleared of extraneous and somewhat corrupt influences and accordingly I want the House of Commons to be relieved of the economic

so that it may engage in pure politics. For nations, like individuals, always need the quickening spirit."

"There is more to be said for your House of Industry than I thought."

"The main point to be remembered, touching our present discussion, is that so far from the House of Industry undermining the sovereignty of the House of Commons, the House of Commons must constitute the House of Industry to preserve and strengthen its sovereignty and predominance."

Just then the division bell rang, and the Labour Veteran rushed off to vote upon a bill of which he knew nothing, not even the title. But the Whips would be there to guide him on the true way to justice and right. God save the People!

Chapter XV

FACTORS OF VICTORY

THE I.L.P. MISSES THE WAY

I am, alas! one of the few remaining founders of the I.L.P. Sad to relate, a generation has grown up that knows me not. In my old age and obscurity, I watch its winning (and losing) ways, and muse upon what might have been. I liked those jolly and sinful days before policy and statesmanship cramped our style. We damned Webb and his permeation; cursed the Liberals; laughed to scorn their plaintive plea "not to split the progressive vote" and that "half-a-loaf was better than no bread"; lampooned John Burns; scourged Campbell-Bannerman; rejoiced in our ignorance of Karl Marx; hated the S.D.F. because it wasn't sentimental enough; romanticised our leaders; didn't mind ridicule; founded the Labour Church and spoke from Nonconformist pulpits; in fact—

> "Saw distant gates of Eden gleam,
> And did not deem it was a dream."

With political success, our leaders went to Parliament and all too soon were declaring themselves to be loyal House of Commons men. They were well-behaved and decorous. In time they

were front benchers and finally became statesmen. And the more weighty they became as statesmen, the lighter they became as Socialist leaders. A cynic remarked that always a day must come when every Labour leader must sell his party.

In these later days, it is difficult not to resist the sorrowful conclusion that the I.L.P. has missed its way. Nevertheless, it has consistently, during the past quarter of a century, supplied the storm troops for the Labour Movement. For that, Labour can never be too grateful.

The fundamental error of the I.L.P. has been a too political concept of Socialism. It has visualised Socialism as a concrete something to be won at the polls. What was wanted was votes and yet more votes. In the fullness of time, Parliament would bestow Socialism upon a long-suffering people—when there were votes enough. This political obsession can probably be traced to those earlier days when the material interpretation of history was indignantly rejected. Leave that sort of thing to the S.D.F.! The result has been that the old, delightfully intolerant spirit has vapourised into the unsatisfying formula of "Socialism in our time," to be obtained, apparently, by Parliamentary committees, with larger powers and closer contact with the Departments. Prosaic end to a dream!

Do not the younger and more active members of the I.L.P. see for themselves that the House of Commons cannot in the nature of things devolve upon its committees greater powers than it itself

possesses? Surely it is obvious that a political body, chosen on political grounds, attracting political minds, is helpless when faced with the overwhelming strength of a vast financial, commercial and industrial organisation. Even if theoretically we admit the omnipotence of the House of Commons, is a prolonged and exhausting struggle with the industrial interests worth while? And if, further, we admit that in the struggle the Commons may win, there still remains the problem of the democratic control of industry, the control of credit, the abolition of the wage system, and—what, to-day, is infinitely more urgent and important—such a co-ordination of the economic factors as would ensure vastly increased production and consumption, both at home and abroad. The House of Commons, in its majesty, might conceivably decree these things; they could not be done without a representative House of Industry.

Please observe, also, that whilst this politico-economic struggle was proceeding the political functions of the House of Commons would be in abeyance.

Matters, then, have reached such a pass that a great constitutional change is plainly indicated. For assuredly things cannot remain as they are. The danger of the situation is that this constitutional change may be only political, lacking the courage to separate the political from the economic, wanting the vision to see established an enduring harmony and balance between these two driving forces of our national life.

Therefore, I recall to the I.L.P. its old fighting tradition, its fine courage and idealism. To win for Labour the House of Industry, with all that it implies—that is the Great Adventure. That surely makes an irresistible appeal to the storm troops of the Labour Army.

POLITICAL LABOUR

TWENTY-FIVE years ago, I started a discussion and, in a small way, an agitation for Socialist Unity. It began in *The Clarion*. In a week or two, the Editor was inundated with letters from the rank and file, begging the Socialist leaders to combine and form a United Socialist Party. It came to nothing. The Social Democrats voted for it, but the I.L.P. rejected it, on the ground that it would embarrass them in their approach to the Trade Unionists. Next followed the Labour Representation Committee, from which blossomed the Labour Party. On looking back, one sees clearly how impossible would have been a Socialist party led by Hyndman, Keir Hardie, H. Quelch, Tom Mann, Sidney Webb, Bernard Shaw. Apart from obvious temperamental differences, there were equally wide differences in theory and political opinion. The Fabians were still Permeationists and in close union with the London Progressive Party. Keir Hardie was anti-Marxist. Hyndman and Quelch were strict Marxists. Tom Mann was already drifting towards the Syndicalists.

The lessons this episode taught were valuable to many of us. Notably this: You cannot build up a party round individuals, however eminent. A political party must be motived by some central principle or project which must be the magnet to draw men and women to it.

Now, it would be affectation, or worse, to declare to-day that the Labour Party is inspired by any recognisable central principle. Undoubtedly, it has a tendency, but no specific direction. Broadly, its rôle is to maintain and strengthen the rights and the liberties of the working class. In pursuit of this, it has gradually accumulated a body of doctrine, expressed by many resolutions at its Annual Conference. But it is painfully obvious that it is not easy to define and apply that doctrine to practical politics. Yet, if we examine recent divisions in the party, we find that no doctrinal differences emerge. There is no spiritual schism. What has happened is that certain Members of Parliament, claiming to be loyal members of the Labour Party—a claim not seriously disputed—feel that the pace is too slow, or that different action is desirable. On scrutinising these differences of interpretation more closely, one fact stands out clearly: the trouble is entirely economic.

If, then, these economic problems were removed to another sphere—the House of Industry—the Labour Party would present a united front. On all distinctively political issues there is unity. What are these issues? Foreign policy, Dominion

policy, Crown Colony policy, particularly our responsibilities towards our subject or backward races, Public Health, Education. Does it not strike any Doubting Thomas that the House of Commons has quite enough to do with this wide and vitally important range of political problems without wishing to see them muddled, thwarted, and finally frustrated by the intrusion of economic difficulties?

If, however, it could be shown that the House of Commons, by reason of its experience, its personnel, its authority, its contact with industry, was the best body to deal with industrial maladjustment, my argument, in existing circumstances, is largely academic. But no Labour Members can take that ground, because Labour both in its political and industrial organisation, is committed beyond recall to the democratic control of industry. And I repeat, what has already been argued here, that any concessions, on the score of urgency, to autocratic control would set back industrial labour by a generation. There is a type of Labour faint-heart who, at any critical moment, is ready to fall back upon Capitalist methods. His attitude seems to be willingness to trust Labour when it can be done safely; but in times of danger better stand by the old ways. If this man hadn't the brains of a chicken, he would know without being told that the economic mess in which we find ourselves is due to Capitalism and nothing but Capitalism. The so-called world depression, which some people regard as an Act of God, is nothing more and

nothing less than a conjunction of Capitalist blunders and stupidities. Therefore, in entrusting our economic life to the general control of a representative House of Industry, in which Labour shall be a permanent majority, we are building upon the solid rock of Labour experience and not upon the sinking sands of Capitalist speculation and profiteering. Let the Labour faint-hearts keep this fact steadily in mind: there is not any shortage of any natural product in any part of the world. Nor is there any shortage of any manufactured product. Why are we the victims of such astounding misleadership? If it were war instead of industry, all the Capitalist leaders would long since have been cashiered, and perhaps some of them shot—*pour encourager les autres*.

There is yet another reason why Labour should make haste to constitute the House of Industry. In addition to the difficulties inherent to the present confusion of the political and economic, the dice are always loaded against Labour. I am not prepared to assert to what extent finance, credit and business can be influenced by any political group. But, I am very sure that when such influence is exerted it is invariably against Labour. And when the game is played—particularly just now with Protection as the great stake—the House of Lords plays its subtle and effective part. The boot is on the other foot, when Labour abolishes the House of Lords and establishes the House of Industry.

Guided by these facts, I earnestly submit that

in the task of separating the political from the economic and conferring upon industry its own self-government, the Labour Party will find both a rejuvenating and a unifying principle.

INDUSTRIAL LABOUR

When, forty years ago, the Trades Union Congress met under the wary guidance of Henry Broadhurst, it was composed exclusively of craft unions. A large proportion of the delegates wore frock coats and top hats and seldom if ever lost their dignity. The Broadhurst *régime* marked a distinct stage in the history of Congress. Up to that point it was the creation of skilled industries. Trade Unionism had not grown without martyrdom, imprisonments, proscription and suffering. It was, under Broadhurst, a largely Liberal influence, accepting *laissez-faire* and suspicious of Government interference.

Then, like a bolt from the blue, came the great Dock Strike, one of the most dramatic events in Labour's dramatic history. The upshot was the admission to Congress of " unskilled " dockers, while other " unskilled unions " soon followed. A few more years were enough to teach the main lesson that the difference between skilled and unskilled was the varying degrees of union organisation. During the war the truth of this was acutely felt by the craft unions, the Amalgamated Engineers in particular.

The next stage was the capture of Congress by the Socialists, largely engineered by Tom Mann and the new Unionists.

Later came the Labour Party, to which most of the Congress Unions became affiliated.

This, in its turn, resulted in Congress returning with a sigh of relief to its own industrial mission.

What is that mission?

Nothing more and nothing less than the conquest of industry by Labour.

Congress has long since discovered that it must win its victory in its own way. And that way is, in the first instance, to secure a monopoly of labour power. With that monopoly it can then proceed to democratic control of the industrial machine. Beyond that, and as yet untouched by Labour organisation, are the Banks, the great financial corporations, notably the insurance companies, and innumerable merchanting concerns.

How can Labour control industry unless it can also control finance?

It cannot.

Nor can it co-ordinate industry without the requisite powers and without control of commerce.

If there had been no Trades Union Congress, no suggestion of a House of Industry would have come from me.

The final stage in the history of Congress is that it shall lead in the struggle for the House of Industry.

In particular, it must impress the Labour politicians with the obvious fact that the Trades

Union Congress means to be to the House of Industry what the political Labour Party is to the House of Commons.

In this wise, the Labour movement will have its political and industrial arms. Who can doubt the result?

Chapter XVI

SEQUELÆ

If there be substance in our plea for the separation of the political from the economic functions, and further, that the economic body, the representative House of Industry, should displace the plutocratic House of Lords, then we may expect world repercussions. To transform the House of Lords into an economic body with complete powers to control and co-ordinate industry, would undoubtedly set currents to work in all those countries where Second Chambers exist. The British Dominions have their Senates; so also have France and Italy in Europe; so also have the United States and many of the small Republics in Central and South America. If the British House of Industry did its work with reasonable efficiency, could the other countries withstand the shock? Faced with an instrument of such stupendous credit and economic power, what could they do but follow suit?

And if they followed suit, what then?

It surely requires little imagination to foresee the industrial democracies of the world exchanging commodities and generally exploiting the world, not for the profiteers but for the peoples of

the world. One of Great Britain's contributions to the world is representative institutions. Here is another coin from the same mint.

In our vision of the future, cannot we glimpse these great institutions exchanging in a large and liberal spirit their goods and services? At long last we discover the true way of peaceful penetration. But this happy end can only be reached if there develop a great citizenship always in advance, ever guiding and in the final analysis controlling its House of Industry.

Even though it has been my fate, during the past twenty years, to concern myself mainly with economic problems, the most fascinating study known to man, yet it has been my dream to see our politics purged of industrial intrigue and freed from economic stress. We see life as in a glass darkly, but sometimes there emerges a combination of events that wisely utilised brings us nearer to our heart's desire. That is how matters stand to-day.

To those who tremble at the prospect of a House of Commons *vis-a-vis* a House of Industry armed with such enormous powers, I would say that the more materially powerful the House of Industry, the more spiritually powerful must be the House of Commons. For, after all, pure politics is an affair of the spirit and not that monstrous and hateful thing the *realpolitik* of the Bismarck school. And we must remember that since the House of Industry derives from the House of Commons, we may rest assured that

the Commons will know how to maintain its authority.

Always, too, must the elected Members of the House of Industry remember that they are first and foremost citizens, owing allegiance to the House of Commons; that their work is not to materialise or vulgarise life, but to find the wherewithal to make life beautiful and of good repute.

APPENDIX

INTRODUCTION TO THE TRING MEMORANDUM

By Jesse Hawkes, J.P.,

President Hemel Hempstead Divisional Labour Party.

The Executive of the Hemel Hempstead Divisional Labour Party finds itself greatly interested in the Tring proposals for replacing the obsolete House of Lords by a much-needed House of Industry (and Service) and, after unhurried consideration and discussion, has decided to support it.

Our feeling is that things will be as wrong, fundamentally, with half-a-million unemployed as with two or three millions. Unemployment is a tragedy for the willing but idle man and his family even if he stands alone; and society must accept full responsibility for the tragedy. The sight of him should, every time, give his luckier fellow citizen a pang beneath his own waistcoat.

Reconstruction of the foundation and fabric of the economic life of the nation and then its smooth administration will be a bigger expert job than any kind of Parliament yet known to the world can undertake. The setting up of a House of Industry and Service is due and overdue, for the transition stage is already here. The case for it was established at the passing of the first Factory Act. One might go further back and say it came in with the first Poor-Relief Act. There is no logical stopping place between the first social guarantee of bare existence to the otherwise starving and the offer to the individual of the fullest economic liberty and status that may prove to be practicable under completely organised

and co-ordinated production of both consumable and investable wealth.

As soon as the play of common sense has put the food-value of a bushel of wheat and the warmth-value of a fleece of wool in their proper places, it will be the main function of finance to play its part in the allocation of the product. It will be an instrument of social service instead of either subtle or unashamed exploitation. There will also be the allocation of the share of the product needed by all the developed public services. The rationalised production of industry will be so ample that an easily-workable percentage of the whole will suffice to provide a revenue that will make even a Socialist Chancellor of the Exchequer very happy, and the erstwhile earned-income taxpayer happier still.

The precise relationship of the two houses is not a matter of immediate or vital concern. The common determination to organise the national resources for the national good can be relied upon to produce the twin determination to make and keep the objective paramount and the process helpfully co-operative.

All close observers of social forces in operation see that every effective instalment of social betterment spells a levelling up of family incomes. A developing and discriminating sense of justice will ensure a constant advance in that direction. Nothing can or ought to stop it.

A simple factor like the inevitable march of education will be constantly shortening the range of difference in mental fitness on the economic field, and there will be a corresponding lessening of the gap between the lower and the higher pay. For instance, soon we shall all be glad to know that the clodhopper is a man of trained intelligence ; and we shall be ashamed to offer the new hopper the old wage. Every year added to the school age, and therefore to the alertness of the national mind, is bound to accelerate the demand for equality of opportunity ; not equality of opportunity to exploit our fellows, but equality of opportunity in participating service.

The levelling up will doubtless involve some levelling down, but the net difference will be an increase in the wage bill to a degree impossible under competitive and private control, but easy under socialised and co-ordinated output of wealth. The evolutionary change now before our eyes points unmistakably to the need of a new instrument like the House of Industry with which to do this new job of enormously fruitful dimensions.

JESSE HAWKES,
President Hemel Hempstead
Divisional Labour Party.

THE HOUSE OF INDUSTRY

OR

THE HOUSE OF LORDS?

(Issued at the request of the Executive Committee of the Hemel Hempstead Divisional Labour Party for the information and consideration of Members).

I

TRING,
4 Oct., 1930.

To the Secretary,
Divisional Executive,
Hemel Hempstead.

DEAR COMRADE,

We are requested by the Tring and District Labour Party to inform you that they have unanimously passed the following resolution:—

> "That this meeting of the Tring and District Labour Party, recognising the urgent need for the re-organisation of the industrial system, and further impressed with the failure of Parliament as at present constituted, to deal drastically with the economic system, calls for the separation of industrial problems from the purely political work of the House of Commons. To that end it proposes the abolition of the House of Lords, whose constitutional functions have become obsolete and whose influence is now exercised in the interests of the possessing classes, and the substitution therefore of a House of Industry elected on a definitely industrial basis, and to which full powers shall be given to control

and co-ordinate the industrial life of the nation. Further, it requests the National Executive of the Party to bring up a scheme embodying these proposals at the next Annual Conference after conferring with the Trade Union Congress."

Proposed by J. E. Wood.
Seconded by H. W. Shaw.

In forwarding this resolution, which we earnestly invite your Executive to endorse, we are guided by the following considerations:—

1. The work that lies before the Labour Party, now and for many years to come, must deal mainly with the economic and industrial condition of Great Britain. It is therefore of vital importance that our legislative machinery should be so constituted that it will respond readily and without wasteful delays to our industrial demands.

2. The present Parliamentary machine, being devised for purely political purposes, with innumerable balances and counter checks, is hopelessly unfitted to carry out the industrial programme to which the Labour Party is committed. You will observe that if this programme is to be realised, it can only be achieved by a large control and co-ordination of all the economic factors in the country. Thus the passage into law of this or that industrial measure does not carry us very far, because the elements of control and co-ordination are missing. This control and co-ordination is only possible when confided to an industrial authority with full power to re-organise industry in all its branches from finance, credit and exchange to production and distribution. To expect the House of Commons to do this is to throw upon it responsibilities altogether incompatible with its political work. It is evident to any unprejudiced observer that the political work of the Labour Government has so far been splendidly accomplished. In knowledge, foresight, imagination, it compares favourably with its

predecessors. It is only when economic problems enter that we have experienced checks, delays and bitter disappointments. The fault does not lie with the Labour Government, but with the Parliamentary system, which, from its earliest days, never contemplated, and so never organised itself, for the great fundamental changes in our industrial system, now plainly inevitable and equally desirable.

3. The historic truth is that the House of Commons was never intended to be and never has been an industrial authority. Its work always has been and must continue to be political. The theory of its constitution is to keep itself untouched by industrial interests, which were to be left to the private control—*laissez-faire* in short—and to concern itself with political principles and taxation. From the beginning of Parliament, even until to-day, it is the House of Lords that has kept watch and ward over the capitalist interests, which down to the last century were mainly agricultural. The fact that these industrial interests have been anti-Labour, depending for their continuance upon the wage-system and a standing army of unemployed, does not alter the main fact that there has always been a broad distinction, cleverly camouflaged, between the political work of the Commons and the economic police work of the Lords.

4. The outstanding fact to-day, easily read by him who runs, is that this particular function of the Lords, this task of safeguarding the capitalist system, has been taken from them by the trusts, and combines and trade associations that now industrially govern us. And this irresponsible and oppressive industrial government will continue until Labour re-organises the existing House of Lords, transforms it into a representative House of Industry, democratically elected on an industrial basis and to which shall be confided the control and co-ordination of industry.

5. Whether we like it or not, it is foolish or worse not to recognise the impending struggle for control of the House of Lords. The Tory Party do not conceal

their intention when next in power, to restore the House of Lords to its former influence and prestige. At present the Labour Party remain strangely silent and inert in the presence of this grave menace to our industrial programme and social hopes.

6. We accordingly invite you to pass a resolution in the sense here indicated so that the Labour Party may not be caught napping when the crisis arrives, as it must surely arise.

We have only to add that any movement such as this cannot prove successful until it is pushed forward by the rank and file, not only of the Labour Party, but of the Trade Unions.

We venture to request that you bring this business before all your affiliated Societies, and would be grateful if you would let us know what steps you propose to take in the matter.

Yours fraternally,

(Signed) H. W. SHAW, *Chairman*.
(Signed) B. S. DAVIS, *Secretary*.

II

SECOND CHAMBER WITH A REAL MISSION

REFORM PLAN

By S. G. Hobson (The Author and Economist)

Reprinted from *The Daily Herald,* July 22nd, 1930.

The House of Lords has not been slow in showing its hand. It won't be long before it chances its arm in a struggle with the Government in an attempt to force a Dissolution.

When and on what the crisis will be joined depends on a combination of political and financial factors which cannot yet be foreseen.

It may be the Coal Bill, though the " Spread Over " seems too trivial for the purpose.

During and after the struggle one fact stands out clear: the Parliament Act will go into the melting-pot and the whole question of the existence of the House of Lords will again be raised.

We are drifting towards a constitutional crisis of the first magnitude. I cannot discover that either the Government or the Labour Party has any constructive proposal to meet the situation.

FUNCTIONAL BODY

The average man will probably tell you that the business of the Lords is to revise or retard legislation ; that

it is a Second Chamber which duplicates the work of the Commons.

The House of Lords does precisely these things; nevertheless it is primarily a functional and not a political body. Down to recent years that function was to protect and develop agriculture.

It was mainly composed of large landowners, who were vastly more concerned about land tenure, rents, wheat, mangel-wurzels and horses than about political crises in the House of Commons.

With the advent of large industry, other economic functions were recognised, and from time to time industrial magnates were admitted, beginning with bankers and brewers and so on, to iron and steel masters and other business interests. These men did not go to the Lords as politicians, but were chosen for their functional qualifications.

BISHOPS AND LAWYERS

Two other functional groups have been admitted—the bishops and the lawyers. The bishops were expected to shed spiritual truth upon the proceedings, with what success I do not know. We vaguely remember the late Archbishop of Canterbury defending Chinese slavery as "a regrettable necessity."

The lawyers went to the Lords to see that legislation was in conformity with the theory and practice of law. In plain English, to make sure that property was adequately protected.

Also there has been a sprinkling of diplomatists, Colonial Governors and Civil Servants, again chosen for functional reasons.

The only non-functional additions have been derelict statesmen who for political convenience have been "kicked upstairs." True to tradition, they continue talking.

We must grasp this fact or we shall miss our way: the decline in the power and authority of the House of

Lords is because its economic functions have passed from it. (The hereditary principle plays no part in this. As long as sons inherit property and financial control in industry, it seems foolish to raise the issue in politics.)

Thus the landowners in the Lords no longer act for or represent the agricultural interests. Formerly they had all those interests solidly behind them—the farmers, the labourers and the marketing community.

The functions of the lawyers in the Lords have been rendered nugatory by an informed House of Commons and by Parliamentary draughtsmen of much greater skill and experience.

SUPERSEDED BY TRUSTS

Thirdly, the functions of the bishops have been transferred to the Church Assembly. That body is now legally constituted to speak for the Established Church. Of course, if Disestablishment comes, the bishops go.

Finally, the industrial Lords have been superseded by the trusts and combines, by innumerable professional and trade associations, and by the trade unions.

The conclusion is clear. The House of Lords must go, because as a functional body it has ceased to function.

Since Labour, like Nature, abhors a vacuum, it wants the building now occupied by the Lords—a palpable waste of time and space—for a House of Industry, elected non-politically by industrial groups, and to which shall be confided, with adequate powers, the direction and development of the economic life of the nation.

The incongruity of the present system is vividly illustrated by Lord Melchett, who had the brazen assurance to inform the Lords that he spoke for the miners in supporting the "spread over." With a properly constituted mining delegation in the House of Industry his speech would have been treated as a mere impertinence.

This brings us to the House of Commons. Why cannot the Commons do what it is suggested the proposed House of Industry should do? The answer is that no

political body can function as an economic factor in present society.

SAND IN MACHINERY

Even the most pious devotee of the existing Parliamentary system will admit that men and women, elected for purely political reasons, on a territorial basis, would never be elected for industrial purposes on an industrial basis.

It is significant that while the Government has done better than well in its political work, it has found nothing but economic sand in its political machinery.

The supreme and imperative task confronting us to-day is to disentangle the economic from the political factors and let each function in its own appropriate sphere.

Unless this be speedily done we shall find ourselves as a nation shrinking and sinking in the Exchange of the world.

FREE AND UNHAMPERED

No great political policy can be pursued except on a sound, economic foundation. The House of Commons must be free and unhampered to do its political work.

Let the House of Industry provide the means by a wise organisation of our economic resources, but always subject to civil policy expressed through the Commons.

This is a sketchy preface to an epic change in our constitution, in which the abolition of the House of Lords would be but a trivial incident.

The Parliament or Government that has the courage and wisdom so to change our present Constitution that the political and economic functions shall be separated, yet not rendered independent of each other, will live longer in history than Cromwell's Commonwealth.

III

A NOTE ON TAXATION

It is to be observed that if full powers of control and co-ordination be confided to the House of Industry, then the responsibility is necessarily thrown upon it to raise the money required by the Chancellor of the Exchequer for the Budget. This could be done by the House of Industry by regulating the charges upon production and distribution. In other words, by raising the money at the source or otherwise in such manner as would bear the least harshly or create the least burden at any given time. Thus, personal taxation, particularly income-tax, would be largely swept away. Certainly all income-tax on those directly engaged in business or industry. Super-tax could be regulated by an equivalent reduction in salaries. Taxation on the professions or on unearned incomes could be continued and levied as now.

Whereas formerly, taxation in Great Britain was the fairest and most easily collected in the world, it has, since the war, become tortuous, burdensome and oppressive.

IV

THE INDUSTRIAL ELECTORATE

The following figures are extracted from the Census of Production, 1911. They indicate clearly (but not now accurately) the industrial basis from which the House of Industry would be elected.

These figures would, of course, be sub-divided into appropriate groups, so that every section of industry should be equitably represented. The first stage would be to allot to each trade or industry its proportional number of members. The second stage would be sub-division into groups. The end sought is not mere

numerical representation, but the presence in the House of Industry of members from every economic group.

In addition, adequate representation must be given to Banking, Finance, Insurance, the recognised professions, the Civil Service and the Co-operative Organisation.

It is a question whether the House of Industry should be elected for a given period (say five years), whether each individual member should be elected for five years, or whether the House of Industry should automatically dissolve with the Commons.

Trade Group.	Total persons Employed.	Wage Earners Employed.
Building and Contracting Trades	513,961	476,359
Coal Mines	840,280	826,567
Iron and Steel Factories ..	262,225	248,161
Shipbuilding and Marine Engineering	184,557	175,105
Engineering Factories ..	455,561	416,924
Railway Construction ..	241,526	232,736
Clothing and Millinery Factories	440,664	390,863
Boot and Shoe Factories ..	126,564	117,324
Cotton Factories	572,869	560,478
Woollen and Worsted ..	257,017	247,920
Jute, Linen and Hemp (Great Britain)	81,703	79,534
Linen and Hemp (Ireland)	71,761	71,311
Printing and Bookbinding	172,677	156,161
Chemicals	51,088	45,107
China and Earthenware ..	67,870	64,043
Brick and Fireclay ..	63,287	59,880
Bread and Biscuit Factories	110,168	97,724
Cocoa and Confectionery	60,735	54,132
Brewing and Malting ..	85,222	69,249
Timber Factories	74,564	66,224
Furniture	91,412	83,274
Laundry	130,653	119,863
Gas	83,531	74,967

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