

Self-Subsistence
for the Unemployed

Studies in a New Technique

by

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Preface

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In these pages the present chaos in our national life is regarded as the result of our departure from certain simple economic principles which will not brook to be neglected. The book is an attempt to state these principles. It is offered in the conviction that anyone who thinks he has caught any truth in the great darkness now prevailing in all such subjects has a duty to express it, however little he may be able to test his conclusions and however little he may know what reception they are likely to meet from those accustomed to tread the beaten highways in economic science.

The thesis presented is that subsistence on the land is possible for the unemployed either in families or in larger groups. It is first shown how an organizer with skill and resources working along Homecroft lines could gather them into self-maintaining groups. On the question of individual families returning to the land the finding is that no express programme having this for its object should need to be undertaken. It is a process which should be taking place of itself. The land is the natural absorbent for people without

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resources. And if there is not a pressure in its direction as a result of long trade depression, there must be a reason. The reason is found in certain deep-lying abuses which would be easy to remove.

The abuses are connected with money—a subject which no writer on social reform can any longer escape. The necessary remedial steps are easy compared with those advocated in most of the current literature of monetary reform. There is indeed no saving of the gold standard. Gold is useless from the point of view of stability, and lack of stability is the main evil which has ruined our agriculture. But in order to pass from gold to something properly stable it is only necessary to make one move, the concluding one in the historical evolution of British money. We advocate no mere *ad hoc* monetary change, for the sake of absorbing the unemployed. It merely so happens that, upon going into the whole matter, we find the completion of its development in this way to be the exact means which would enable our present system adequately to fulfil the requirements of a civilized currency.

Criticism of other proposals for improving the money system is therefore for the most part abstained from; my present impression being that while much in them is dangerous, most of what is sound can be achieved in this simple and, as I venture to believe, natural way.

And the sum of the matter is this. If the steps here advocated really do make a self-subsisting life on the

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land possible for the people whom industry is discarding, it means salvation for more than those people. It saves industry too. It constitutes the only means by which industry can hope to secure a continuous market for its products. Perhaps it should be added in conclusion, for the sake of those who attach importance to labels, that I do not think that I am advocating socialism. If I am I cannot help it. I admit the resemblance of much that is here urged to the proposals of Robert Owen. But these were at any rate nothing in the least like a state communism. If the present teaching is socialism at all it is the socialism of small groups, a socialism which begins at home, which builds from the bottom upwards and not from the top down.

All the matter is being printed now for the first time with the exception of Chapter 2 and part of Chapter 3. For permission to republish these I am indebted to the *London Times*.

Chapter 1

Self-Provision by Families and by Groups

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The Homecroft plan for employment, so named from the small social experiment in which it has been tried out, is no sky-striking or epic affair. It rests its claim to attention chiefly upon two features: immediate applicability to the problem and a basis in common sense.

A worker under our economic régime has usually to rely on wages for the things he needs to support himself and his family. The flow of wages is uncertain. Hence he suffers from poverty. It is plain that the problem would be solved if by some miracle he and his household became self-providing immediately the supply of wages failed.

But why call this a miracle? Why should we settle down so soon to the conclusion that unemployed people could never 'turn round and make their own things'?

It is clear enough that subsistence or self-provision has become a complex task for us. We need many things which our simpler forefathers could do without. But it is also obvious that our powers are greater.

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Our equipment is magnificent; we probably need nothing more than a *point d'appui*. As a rule no obstacle can resist when our scientific artillery is once fairly trained upon it. Why should we be beaten by a task which we know is not beyond the wit of man? For the miracle has been successfully performed, from time immemorial, by all the peasant families of the world.

The intention of these chapters is to investigate how far and in what way science and invention can make self-subsistence possible for men who are unemployed; also whether a campaign for their rescue could be begun at once without waiting for action by the State; and what kind of State action must eventually come in, to complete the work.

No good can come of under-estimating the difficulties imposed upon self-subsistence by the artificiality of our civilization. People are rightly doubtful of solving any modern problem by putting family groups on separate pieces of land to knead their own flour, drink their goats' milk and ply the various crafts of domestic self-support as in some Arcadia. This, although reminiscent of the Homecroft plan for men in wages, is not the Homecroft plan for the unemployed. It is not even faithful to the aims of the original Homecroft experiment for men in wages, of which we are now to speak.

This enterprise was initiated by the aid of the

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Spectator newspaper in 1925-6. At that time, it was still possible to look upon unemployment as an abnormal phenomenon, which would presumably pass away. One could envisage the worker as a person normally in work, but liable occasionally to fall out. The experiment sought the means to increase such a person's resources, and stabilize them. It tried giving him a little family food factory next his own home—to use a favourite phrase of Mr. George H. Maxwell, the American originator of the idea. It was a scheme for housing the town worker in healthy surroundings, in the country, away from his work, upon a little croft of barely half an acre, equipped fully for enabling the family to produce a balanced daily diet by its own labour during its spare hours. The worker being thus entrenched beside his food supply, would be better able to stand a spell of unemployment. Incidentally, the saving effected in the cost of living would enable him to pay for a better home.

The ideal was very far from being completely carried out. But some approximation was made. By a public appeal in the *Spectator* land was bought near Cheltenham, further capital was raised locally and ten Homecrofts were built and equipped; the whole being later improved in memory of a great reformer, the late Dr. George Vivian Poore, to whose ideals those of the Homecroft movement had a deep affinity. Poore (1843-1904) was Professor of Clinical Medicine at University College, London. He had

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long ago arrived on hygienic grounds at the same result as the other movement reached on economic grounds; namely that every working family required a certain minimum unit of land, a certain minimum unit of air and a certain maximum unit of water, in order to maintain the balance of nature. This was necessary for the family's health on the one side, and for its economic stability on the other. Thus the Dr. Poore Memorial Homecroft Settlement came into being; and is still to be found—its ten family homecrofters more or less living up to the guiding motto with which the late Mr. St. Loe Strachey launched them, 'Produce for sustenance and not for sale'—on the south side of the Cheltenham-Tewkesbury Road near Uckington. But the present-day visitor to the place will find a method of self-subsistence being tried there now (1934) alongside the original one, which may be still more worth his consideration, provided he can see the relation between this phase of the Homecroft experiment, new since 1932, and the earlier one.

Here we take leave of the family side of the story. In its new form the experiment has dropped its housing activities. It seeks to meet the case not of the intermittently employed but of the permanently down and out; and with them housing is secondary. They already have some sort of a shelter and their pressing need is subsistence—food. The plan for them is to gather them into a bigger group

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than a family and get them to produce jointly, first what they require most and afterwards, gradually, other things in the order of their importance. It happens that the basic requirement, food, is also the most feasible to produce. The men can grow it for themselves if you put tools in their hands and let them loose upon their joint croft to begin. And very roughly speaking, the other things are proving accessible in proportion to their urgency.

This larger group, it should be observed, is precisely an eleventh family, in addition to the ten which were on the estate already. It is a group of about ten; making, with their dependants, perhaps forty or fifty souls—a large number for a family, and yet not nearly large enough to bring out the potentialities of group homecrofting. The system really demands 100 times that number. All we can do on this little ten-acre 'experimental farm' which the National Homecroft Association owns is to investigate the beginnings of the system, working as it were on a laboratory scale.

Equally, however, whether one considers the group or the family, the governing principle abides—namely, 'produce for your own consumption and not for the market'. The only difference is that the wholly unemployed, having to produce everything, must form themselves into larger 'families' to do it.

And the whole proposal rests on the faith that a group, after producing what it needs, will have something over to buy with. For men with something over after supporting themselves, are the buyers

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whom industry wants. And buyers are the real concern of industry to-day. The whole mood of the typical industrial employer has changed since a generation ago. Then, he wanted to see a labour-supply. Now, for the most part, he is sick of the sight of men hanging around the works gate with nothing to do. He may still for a fraction of a second think such a spectacle comforting, as symbolizing a low bill for wages. But he hardly dwells on that aspect of the matter any more. What he is really concerned about is a sale for his output. If only the sales problem would resolve itself, he would gladly see nine-tenths of those men go away home and find something to do. Here lies the wine of the homecrofting proposal. *What if by the very act of sending the men home one could, by making self-providing groups of them, give them a surplus to buy with?*

The Homecroft proposal is literally that those men should get away from the works gates; and, when gone, fall into a new formation in which they can more than provide for themselves what they most need; and finally, with this surplus, buy. If sufficient of the unemployed became thus self-employing, their overflow would enable the employers to employ the remainder.

This is the economic readjustment which we believe can be made to happen. It only involves the doing by a larger group, of what is done less well by the homecrofting family. Strangely enough, the late

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Cecil Balfour Phipson, whose insight into the money system has alone given us the technique by which a larger group than a family can be got together and made to engage in the sort of self-provision which a homecrofting family practises, never himself urged the adoption of such technique by either family or self-subsisting group. His studies in money only concerned the currency of a nation and the problems of international finance. But the whole method of achieving the kind of self-subsistence which would at once redeem the unemployed and save industry is so bound up with his work, that I can hardly hope to make the Homecroft proposal clear without giving a chapter to him and his story.

Chapter 2

Turning Wageless Men into Buyers

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It is always a pleasant task reviving the claims of a forgotten man of genius. The pleasure is all the greater if one happens to be in a position to speak of him with confidence, having subjected some of his principles to the test of practice. This pleasure is mine at the present moment; except for the circumstance that the great economist of whom I am to speak is not so much a forgotten man, as one who was never known. He entered the world and left it, having hardly caused a ripple on the surface of affairs.

It is true that the *Belfast News Letter* for 13th February 1904 records the death of Major Cecil B. Phipson, J.P., a citizen of Moy, Tyrone, and 'late of the Mid-Ulster Artillery'. It makes mention of his Christian piety, of his interest in local charities, of his occasional contributions upon land and economic questions to the *News Letter's* own columns. And it indicates that 'he had for many years devoted himself to a laborious study of the great problems that lie at the root of British dominance and prosperity'.

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It is even stated that during the fiscal controversy, then at its height, his work had attracted attention and led to discussion. But certainly a passing flicker of interest was all that the public ever took in his case; and even the flicker was sadly wanting amongst the expert economists whom he, an amateur, addressed. Lord Passfield, then Mr. Sidney Webb, was induced to give a few lectures on his system about the time of his death; but thereafter he and his writings would most likely have gone entirely into oblivion but for the few people who gathered about his one faithful follower, Mark B. F. Major, whose *Britain's Destiny*,¹ a modest compilation of extracts from the Phipsonian *Corpus*, and whose *Co-ordinator*,² a little struggling monthly also now dead, induced a few amongst them to make a genuine study of the works in question.

This public indifference was not altogether to be wondered at. Phipson's writings have all the look of crank literature. For one thing, the argument is far too highly charged with the spirit of the Hebrew Bible to be likely to impress an ordinary economist as scientific. But the Pauline injunction to 'try the spirits' has its application even amongst economists. Let any expert prepare to persevere with Phipson and I cannot but think he will find a new path broken in economic theory and one which goes far towards

¹ Published by Cassell & Co., London, 1905.

² Published by the Agricultural and Industrial Union, 7, Queen Street Place, London, E.C.4.

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explaining some features of industrial civilization which are acutely before the present consciousness of the world.

The two features in the present industrial picture which are most obvious to the eye are the dearth of markets, and the alarming numbers of unemployed men. Phipson has an interpretation of the presence of these men. We all see more or less where they come from; namely the machines of a progressive age, which are rapidly displacing their labour. Now Phipson holds that the machines are natural enough; but the idle men are not their natural consequence. Under conditions of freedom industrial progress does not merely displace men. It also indirectly opens other places for them. Chronic unemployment, therefore, for him as for orthodox economy, signifies a miscarriage of the natural economic order.

But Phipson is not content merely to say that the labour-saving process provides for the men it displaces. He has a definite theory as to how it chiefly does so. He specifies the place where the men who are no longer wanted in industry naturally and normally go, if economic freedom prevails. In a genuinely free country, he says, they float back into self-support. They float back, that is to say, to the one place where they can practise self-support. They gravitate to the land. If, by unjustifiable invasions of the rights of free men, their natural road to the land has become blocked up, as in our own case,

into Buyers

then the stream of men is dammed back into the great pools of helpless, dangerous, stagnant labour which we see.

Dearth of markets, then, and pools of wageless men are the phenomena. But industry, fainting for want of markets, fails yet to perceive *that the great pools of idle men are themselves the lost market*. Phipson, to put his position very briefly, contemplates tapping this market. He speaks of turning those starving people into buyers.

But he would do this by getting them to the land. He has no shadow of sympathy with any cheap-jack ways of doing it. The only way to turn poor people into buyers is to let them work and give themselves resources. More specifically, you must allow them the opportunity first to satisfy their major needs with the labour of their own hands, and then, with any surplus or overflow, buy. In any case, we must work on the general principle of making those who have been thrust out of industry buyers from it; then alone do we give industry the market it needs, and let it flow on its way like an unimpeded stream.

I cannot at this point¹ give in proper detail a description of the forces which have accidentally closed the path by which the ousted workers would have gravitated to self-support on the land, instead of piling up and festering in multitudes in the towns, as Dickens for example found them. I hasten to point

¹ See pp. 149 ff.

Turning Wageless Men

out that the Homcroft experiment in its first, or family phase, served to throw some light on how far the ousted wage earner's family could, like a primitive peasant household, meet its main needs with its own hands; and thereafter have a little overflow with which to buy from industry the extras which it could not itself provide. Several points emerged.

The ousted family obviously could not face nature with its bare hands. It must have tools. Moreover, it became clear that what the peasants of the world have habitually done in all ages, with the crude implements of the past, modern families can, only with difficulty do, with the highest mechanical aids which science can furnish to them. No one, of course, at this time of day will set rash limits to what science can do in any direction—even in the direction of helping an ousted family to attack nature single-handed—if its attention can be concentrated upon the subject. But the plain truth is, it cannot be so concentrated. Science is too busy producing more ousted families! It is preoccupied with the problems of great industry; which consist in short-circuiting processes, economizing, rationalizing; in a word, dispensing with labour in every manner of way. It would be perfectly hopeless to seek at this day to raise funds for reducing family homecrafting to an art with ascertained principles teachable, say, in the schools; although such an innovation would take a long stride towards solving an economic and an educational problem at once. Still, it is certain that

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the scientists could so equip a family as to raise its efficiency for self-support a hundredfold above anything previously known in the world if they cared. If we seek limits to their powers, these must be found in another direction. What would most nearly beat them are the changing standards of life. There are no peasant families any longer. Our homecrofting families at Cheltenham provide as large a part of their own necessaries as is reasonably possible in the time at their disposal. They are wage earners, as we said. But could the family ever jointly produce the major proportion of its members' first necessities, even if they had a smallholding and were working on it their whole time? I hesitate to answer in the negative. I do not believe the answer is in the negative. We shall be brought back to the point later.¹ What is important for the present is that a *larger company* almost certainly could. We may allow a doubt although I do not believe it a justifiable one, as to whether the ousted workers could be turned out family by family upon the land, and survive; each building up its resources around itself and ultimately having a little overflow with which to become a patron of industry instead of a charge upon it. But a group of larger dimensions is in a different case. Such a group became the subject of the second phase of the Homecroft experiment, to which we alluded in last chapter, and of which a more particular account must now be given.

¹ See pp. 65 ff.

Chapter 3

The Monetary Key to the Homecrofting Group

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We have hazarded the suggestion that a great class of the buyers whom industry needs could consist of groups—either family groups or larger—who are able, having produced their first necessities with their own hands, to have an overflow with which to buy.

We may allow a doubt, probably not justified, as to whether a working unit so small as a family could meet its major needs from its own smallholding, and have some such surplus over with which to patronize industry. But the indications are that the Homecrofting Group alluded to in last chapter is in a very different position.

As already hinted, the idea of this group has been stumbled upon in the second phase, begun in 1932, of the Homecroft experiment in self-subsistence. In this departure we set out to operate Phipson's principles. It is true that Phipson himself never suggested any such plan for the workless as turning them

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into artificial groups armed for a direct encounter with nature. He always contemplates them facing nature family by family. His thought continually circles round the idea of the semi-self-supporting smallholder, crofter, peasant. But even if we determine to institute the larger group, it is still Phipson alone among economists, as far as I am aware, who by his theory of money gives the key to their formation.

One attractive feature of his theory of money is that he makes a brief and simple story of what is supposed to be a very complicated subject.

He is interested, as we said, in international finance. His main teaching is that separate countries should have separate currencies. He sees the great mischief of the automatic gold standard in the fact that it achieves a uniform money for all the world. It is the ideal itself that he finds to be the evil; not the mere fact that it cannot be reached. The latter is so far, indeed, a mitigation. I do not know whether he was the first to point this out. In any case, he had, by the year 1892, spent the most of 1,000 pages systematically refuting even the desirability, to say nothing of the practicability, of a single world-system of money. And his reason is at bottom Mr. Keynes's except that he puts it more simply. When a nation goes abroad to buy, the money which it puts in its purse should never be anything but a number of credit notes on itself.

It was solely on the strength of this hint that I was

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enabled to develop a technique of exchange for the National Homecroft Association's experiment, and so carry its search for the conditions in which unemployed men could be lifted out of their misery, and even to some extent be turned once more into buyers, to something like a promise of positive result. It will be useful to attempt a brief outline, here, of the facts of this development.

Pressed for lack of capital resources, I began with a book of coupons—a set of simple, tear-off paper chits. Thereafter, I succeeded in obtaining two forms of external assistance for the Association's enterprise, (a) some gifts by interested friends which enabled us honourably to meet certain charges arising from the earlier part of our experiment, and so freed our hands to launch out along the new line; and (b) some offers of voluntary labour by my own College students and the ten unemployed men whom we collected on the scene to form the first nucleus of a Homecrofting Group. The net result was a certain accumulation of capital goods; a certain plant. It included a little wooden 'market hall' for mutual exchange of the men's future products, a set of cobbler's tools, a system of collecting gifts of cast-off clothing from people willing to help in that way, a knitting machine for making socks, a small loom and a vegetable garden about an acre and a half in extent, fully planted.

I invited the little group of unemployed to spread themselves over the plant and work it—teaching

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them as best I could. It was designed to help them to produce their own goods. They worked it, to the best of their ability. The articles they could produce, except the vegetables, were not high class. But such as they were, the men agreed to bring them all, regularly, to the common pool and receive in their place, my chits; the system of reward being one which ensured that every man received these claims upon the common pool, in exact accordance with the amount of work he did. When the men went 'abroad' to buy with these chits, they would be buying with credit notes on themselves. That was, if one might put it so, the Phipson touch.

What we organized, and now have, is the nucleus of a literal Phipsonian buying group; only, a larger group than a family. They have a common cupboard, and a currency of their own consisting of paper tokens which are claims on their own store. Here, as I believe, is a genuinely new mode of attack upon unemployment, a breach of the wall, something which should enable us to face the problem with altogether new hope.

I am continually told, of course, that what I have taken from Phipson is nothing new; that the tokens being used are just money—'paper halfpence' as it is sometimes unkindly put—because they bear on their face the legend, 'This entitles the bearer to half a pound of potatoes.' But the final proof that they are not money is simply that if they were they could do

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nothing for the unemployed. The economic unbreakableness of the group depends on their not being money.

If necessary the truth of this contention could be subjected to a simple test. Suppose that these pieces of paper became actual halfpence, either by the Government declaring them legal tender or by my counterfeiting halfpence so well that people thought them legal tender, what would happen? Every Saturday afternoon when my clérk distributed the pay, the members would of course take their halfpence away and spend them in the Cheltenham shops. They would never spend them buying their own poor things. Those would be left for me to sell—which, of course, I could not do. They are not up to competitive standard. And the market is hopelessly glutted, even with goods which are. But if I pay my men with claims on their own store, I do not need to worry about the competition. They can take those tokens to the town and spend them on its specious goods if they like. Any one who accepts them must come and buy my unemployed men's goods with them. The chits must come back to the store. Which was exactly Phipson's argument in favour of separate national currencies. They were to be constituted of intrinsically valueless tokens. And when Britain, for example, used them abroad, they would be tendered to those who accepted them as nothing but claims on the British shop. Every time one of my men passes a Homecroft unit across a shop counter

to the Homecrofting Group

(and to a certain small extent they do this) he is selling some of the work which lies in the common pool at home. Equip a producing group with a currency of its own, and you emancipate it from the competition. You set it free to use its powers 'making its own things'. It can live, whether its products are up to competitive standard or not. The vicious circle is broken and men are set free.

I do not say the solution of unemployment lies here, for the whole of the detail of the plan awaits experimental working out. But something very like the principle of all constructive tackling of the problem seems to have emerged. There is no call to be dismayed by the minute physical size of the National Homecroft Association's experiment. It is true, for example, that our men cannot negotiate their units and buy from industry in that way to a large extent. But we have only ten people. It is legitimate to think of their being multiplied by a hundred; and then their tokens, being claims on the work of a thousand men, would make them quite substantial customers of industry; although, before their organization, they were too poor to buy anything.

The importance of Phipson's teaching is this: that these seem the only circumstances in which industry is free to progress, without running into a cul de sac.¹ Progress means discharging men. Unless the discharged can fall back into self-support as they fall

¹ See pp. 56-64.

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out of industry the progress is self-defeating. By putting out labour with nowhere to go, industry is sawing off the branch on which it is sitting. It is annihilating its own market. It is filling the world with wageless men; and wageless men cannot buy. This is the vicious circle which needs to be broken. The Homecrofting Group seems the only instrument that breaks it.

What is the bearing of all this upon a campaign of rescue? Can it be begun, and is it of any use?

We used to be told in highbrow fashion that no mere Christianity, no mere crusade to succour the victims, was of any use in unemployment. One must remove the causes; by which was usually meant stopping a peculiar, pendulum-like thing called the trade cycle. In truth there are no two alternative modes of approach for those who would fight this great evil. Men and women are perishing of neglect and hunger. Go down and succour them. Only do it by putting at their disposal land, plant and a currency of their own. You then stop the trade cycle. You rob it of its sting, which is the same as stopping it. We only need go rightly about the rescue of the victims, and the causes are removed.

In truth, our age is finding itself in the presence of a simple economic phenomenon of too many sellers. Those of them who are down and out must be turned into buyers; not by giving them largesse; still less by distributing any kind of futile, faked 'purchasing-

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power' among them, but by giving them the opportunity to become self-providing. Then their steady overflow will buy steadily from the industrial system and act as a balance-wheel to it, precisely as national currencies would keep the balance in the foreign trade of the world.¹

That a huge untapped market is latent in all our derelict areas and ready to awaken at a touch the moment it is treated in this way, would doubtless be too bold a claim to make; at any rate, before some such experiment as we have begun can be re-begun in many places and in all of them carried through to a finish. But if it ever is so carried through, 'salvation by groups' cannot be very far away. Certainly no more interesting adventure presents itself to a capitalist of genius to-day than to round-up the unemployed into circles producing their own wealth. It is as we have insisted, a stroke of double salvation; it saves the victims and it saves industry. If the government have to do it, the question where the money is to come from will arise—an easy question enough if governments could think in terms of first principles. But in truth it is not necessarily a Government matter. There is a living in it. There is even an honourable profit. It is for individuals.

¹ See pp. 99-122.

Chapter 4

Practical Details

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We have suggested a certain double stroke which might be dealt for the recovery of industry, whereby a new market might be opened to it, and its superfluous workers taken off its hands at the same time.

The recovery would not be a quick one but slow—and permanent; the only immediate part of the affair being a crusade to rescue the unemployed.

We shall have to dwell on the nature of this permanent recovered state. The indications point to a type of social order combining perhaps a greater number of desirable features than either capitalism or any of the improvements of it or substitutes for it that are now commonly dangled before the world. This order must in the nature of things be the theme of greatest interest. If social work is to have any inspiration the question of the end, the finished order which we may believe ourselves to be helping forward, is after all the one subject about which there must not be doubt. There can be little power behind

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the doing of a thing unless one is sure of what one is doing. Yet though the end is the main matter, there is also a duty to those who only wish to set immediately about the work. To some amongst us, mercifully, any campaign which has a reasonable chance of bringing relief to the suffering is already worth while. They only want to know practical details, what 'gathering the unemployed together into self-subsisting groups' exactly means, how to go about it, how many men are wanted, how much capital would be required to start in a given place, and the like. And lest I seem to be speaking of unrealities, it will be well if I pause here, and try to give these questions as concrete an answer as is possible at the comparatively early stage which our experimental efforts have reached.¹

To go down among the unemployed and round them up into great groups for their own support was, I said, a task for individuals. The steps which the nation must take afterwards are another matter. They are meant to influence the mass of the unemployed as a whole, and as it were from below, to give to the whole ground beneath their feet a natural tilt, so that they shall gravitate of themselves towards the place where there is independence for them, namely the land. But first it is for individuals to exhibit what independence means; this by taking the unemployed, not family by family (under an

¹ Compare the Appendix.

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amended rent and money system they will gravitate landwards of themselves family by family ¹) but group by group; and organizing each group of them to 'make its own things' the while that it also cultivates its own piece of ground.

The details of such an enterprise are all in the future as yet; waiting to be hammered out, in a highly coloured story of mingled success and failure, amongst many different pioneer groups which may try different things. The spice of adventure will be in every individual enterprise. It is as much exploration work as a search for the North-West Passage. Only, unlike those who sought the Passage, we have genuine indications that there is a way through. We have got far enough for that.

The first practical step in any particular place will be to find the men and the land near to each other; or near enough to allow the people to reach the scene of their labours by walking there—or cycling—from their present homes. Not knowing yet the optimum size of group, we should begin with a nucleus. And it should be a good one—allotment men if possible. Also we should select the land. If none is to be found of good quality, begin somewhere else where good land can be got. There is no objection in principle to making selection, and giving ourselves the maximum chance of success with a first venture. If we begin with the best, in men and in land, we may hope gradually to over-

¹ See pp. 74-86.

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take the less promising in both kinds as the system grows more familiar. To develop the system itself is the first point. At Cheltenham we have attempted to build it all up out of ten or twelve men and two acres. Perhaps it will be easiest if I simply tell the story.

The aim of the Homecroft Association, when it gave its experiment this turn, was not to create a group that could literally support itself—every one knew that that was an ideal—but to strike upon a method whereby such an ideal might be approximated. Men must be found who would display sufficient of the family spirit to join hands and have a common cupboard, and proceed to fill it by their labour and draw upon it for their sustenance. That, as already indicated, is the basic principle. Precisely as the small homecrofting family habitually placed their produce in the cupboard to be eaten (and not on the market to be sold) so this wider family would endeavour to fill a richer cupboard with things to be consumed by the makers of them, and not to be forced upon a glutted market to be sold for less than cost. They want to be emancipated from the competition, and from that iron law which insists on the goods being up to competitive standard, and taking their chance of being accepted or rejected even then. They want to be free to make the best they can for themselves; the fierce demands of the world-competition being replaced by the natural demands of

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the family itself for a reasonably good article. To place the group in the position to make a beginning upon a subsistence enterprise was the real aim. We found that it was only necessary to devise a currency for them. And it did not prove difficult.

I began operations, as stated, with a book of tickets. This was six years after the family home-crofts had been built. Myself an academic teacher, vague reminiscences of Ruskin and his Oxford students and their road making floating before my mind, I conceived the idea of making a start and breaking in some of the undeveloped land on the Cheltenham estate with students' help. The idea of what a friend has called constructive holidays was already well in the air; and I succeeded in getting a party of six to dig the first tenth of an acre during the Christmas vacation of 1932. My plan was to get the tokens ready and the land ready before seeking for the men at all. Doubtless it would be better in most places to inspire the men to make their own beginnings. I did what seemed easiest to do. In the ensuing April a much larger party returned to the attack, and the result was a hut and various tools and a planted acre, but still no unemployed men. One man only—an agricultural labourer—appeared sufficiently interested to work with us. And we offered to teach him a trade. A young student, himself a practical shoemaker, taught him to mend boots. But I had the book of Homecroft units, containing two thousand 'ones' and four thousand 'fives'. A

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'one' entitled the bearer to half a pound of potatoes; a 'five' to 2½ lb. It proved possible to persuade our one man to look after the potato crop which the students had planted, for so many of these units per week, just enough being given him to entitle him to two-thirds of the crop at the season's end if it happened to be a normal one. At the season's end he had his pocketful of paper units, and they were all honoured in potatoes—a very idle game so long as only one man was concerned, but not so idle when there came to be more, and some division of labour could be introduced.

After the harvest, in September 1933, there came along to us other nine men. The foundations of our system had been laid. I could offer each one of these a tenth of an acre; the shed was there, the tools were there, the land was there, the seeds and manures could be got, and there was no rent to pay. Financially speaking, of course, all this was artificial scaffolding. Some such scaffolding must be supplied at the first. A man of business talent—an academic calling does not foster it!—who can make such a group run on its own wheels, is the man we await. My cue was to give myself the minimum of difficulty in the demands I must make on my uncomprehending recruits. I could show a dour-looking hard-headed fellow my book of tickets and say to him, 'Forty of these every week, if you will put that strip into a crop of potatoes,' knowing well that if an average crop matured he would have had just

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enough tokens by the end of the season to entitle him to two-thirds of it. With the remaining third I hoped to cover the cost in money of the things for which I had not asked him to pay, the rent, manures, seeds, and interest on the capital sunk in the capital goods, the shed, tools, &c. Or, to speak more accurately, I knew that if the year were an average one, the members' tokens at the end of the year would fall *within* two-thirds of the crop. And in that event, I promised in every case to make up the difference.¹

This meant that each man was paid by results. If his crop were good he would have a big dividend to come, if poor a small one. All the potatoes in the field were automatically in the pool. One-third, it was understood, were to be sold for expenses. Two-thirds were to be stored, and handed out to the men, for units, as they wanted them, during the winter and until the next crop (1935) would be ready.

When the 1934 crop was drawing near to the harvest, I took stock of the number of units that were 'out'. This was quite easy to do. They were all numbered serially, like pound notes. I saw how many I had left of my original number. That gave me the number of half-pounds which two-thirds of the coming crop must be able to meet. But not all I had given out needed to be met, as the reader will perceive if he thinks carefully at this point. A great many were already in the till, returned. This was because friends gave us clothing. We reckoned a

¹ Full detail is given in the Appendix.

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unit as being worth a halfpenny, and put all the clothing in the pool, labelling each garment a certain number of units. The men, receiving their weekly units, would use some of them to draw a coat out of the pool, or a hat, or a pair of boots or socks. They would also bring their boots and have them mended for units (provided they brought money in addition to pay for the leather).

It is true that this clothing and these repairs occasioned some outlay of units on my part. Whatever a garment was worth in units, five per cent had to be given to the member who fetched it. Whatever units were paid for a shoe repair, a percentage (much higher in this case) was paid by me to the group shoe repairer for his services. Similarly, when still another of our members commenced knitting socks for the group, he had to have extra units for this. Anyone could have a pair of new socks for units, if he brought money to cover the price of the wool. Some of these, as they went into the till, were only replacing the twenty-five regularly given to the knitter for every pound of wool knitted. But always there was a margin, so to speak, on the right side. It was largest in the case of the out-and-out gifts—e.g. clothing. The men, earning their weekly units—really drafts on their future crop—would come into the shed and draw those other things out of the pool. And though a certain number of the units they relinquished as they took away the garment or the repaired boots was only replacing extra units given out to the carriers of

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the clothing or the repairer of the boots, a margin always remained of potato units which would never be presented against potatoes. It is really what Sir Leo Chiozza Money has called in his latest book, a 'product' currency. Once the piece of paper has made its claim on a piece of goods, and has gone into the till, it is dead. It does not come alive any more, unless (for the sake of saving printing) it is issued again, to the worker, in reward for 'approved' product—which, in point of fact, it always is.

The working principle of the group currency system is thus the simple one: Remember the total number of units, subtract the number cancelled plus all those still unissued. The difference is the number 'out'. They represent the total liability at any moment. Periodically survey the stocks to see that the units are well covered. And they are always covered if the number outstanding against the pool can be redeemed by two-thirds of the stock therein contained. The remaining third is the margin for sale. In a fully running scheme, that third would be made up of a certain excess (from the group's point of view) of the most saleable articles, potatoes, flour, cloth, boots, or perhaps some 'line' or other—but lines are always dangerous ¹—kept running for the purpose.

The net economic result is that these men are only having to push upon the glutted market a fraction of the labour which they must normally spend on those

¹ See the last paragraph of this chapter.

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items of their sustenance which they are now electing to obtain by homecroft methods. Hitherto the entire pressure by which the men were obtaining these articles for their households was a selling pressure. By the new method of obtaining them, only one-third of that effort is effort to sell, or get into the clogged market. Even if, at the outset of these activities, one can only hope to touch a portion of the total pressure-to-live—the exertion which produces a man's sustenance as a whole—and change it, as to two-thirds of its volume, from a wage-earning pressure to a self-supporting one, from a pressure exerted on fellow men to one exerted directly on nature, it is worth doing. To relieve twenty men of the need to obtain from wages, or by competition, even two-thirds of a certain limited range of articles necessary for their existence, is not only a relief to them but is, up to that point, a definite relief to the unbalanced economic situation as a whole. What the general situation needs is precisely to have the selling pressure reduced—the pressure of the unemployed to sell their labour—by two-thirds, through their becoming two-thirds independent, i.e. able to consume two-thirds of their labour directly by employing themselves, and only under compulsion to market one-third to buy what they cannot produce.

Such is the general plan which is at present in the position of waiting to be tried out in various places to see how far it will really go, and how far it must go

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before it begins to be able, as it were, to turn on its own pivot, and cover expenses. In the Appendix on 'How to start a Homecrofting Group' will be found some suggestions as to where the point is to be looked for. There seems every indication that twenty-five men, well equipped and possessing variety of skill, could run a system to 'pay'. Every attention must be paid, however, to the new meaning given to that word in homecroft accountancy. Production here is for a pool. This pool is a common cupboard, containing the maximum variety and quality of the necessaries of life for the group's use. Only its overflow is for sale. If it degenerates into a shop, and the group into a producing company exploiting some 'line' or other, for the market, and living on the money, it will immediately have become a business, and the men as liable to unemployment as ever when times of depression come.

Chapter 5

The Logic of the Homecroft Economy



In starting the Cheltenham Homecrofting Group, the plan given in the previous chapter was the one we stumbled upon. A pool filled by the men for 'units', which can all be redeemed by two-thirds of the total saleable contents of the pool, is the central principle. Theoretically, the issue of units to the worker could be either by time or by results. We fell upon a method of paying by results accidentally; and we incline to look upon it as a happy accident.

It simply occurred to us to offer each recruit two-thirds of whatever grew upon his land. It was then easy to break the further news to him that he would receive the crop in a specially advantageous form, in the form of claims upon a pool which contained everybody's crop and some other things besides. We then proceeded to add the said other things, obtaining them gradually from various likely producers within the group, and slowly furnishing these individuals with the necessary plant as we went along and even with some training. Against all the 'other products'

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which thus went into the pool, we issued units; but always fewer than we charged for them, and always—we found out gradually how to compass this—by results.

Details of the system are by no means fully worked out, but enough is available to enable an indefinite number of groups to begin. In the Appendix is given a statement of how we charge, for instance, for boot and shoe repairs; and how we pay for those same repairs. We fell upon this rather early. What gave us much more difficulty was how to devise a method of paying by results for crops other than potatoes; crops coming to fruition (this was the trouble) at different periods of the year.

The latter was overcome in the end easily, as all our difficulties so far have been. We now draw a line across the year at a convenient place, say the 28th of November, or just after the main harvests are over, the moment when the land is barest of crops and the larder fullest. We know roughly the potato-equivalent of peas, beans, rhubarb, berries, marrows, or whatever else grows on the ground—how many half-pounds of potatoes, that is to say, they are severally worth in the shops. Everything as it is reaped for the pool is booked to the credit of the plot at so-many units, as it drops into the pool—there to be labelled the same number. When the end of the year comes, the book total is added up. It is remembered how many units the man has had by instalments during

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the year, or if three successive men have been working the plot, how many each has had. By whatever amount this total of units, paid into the men's pockets, *falls short of two-thirds* of the units booked to the credit of the plot, that difference is given to the cultivator; or if there be more than one, divided between them proportionately to the time the plot has been under their several charges.

The aim of the system is to add fresh varieties of produce to the pool continually, so that the central store shall be as rich as possible from the householding point of view. It is the nature of the Homecrofting Group to grow in two directions; laterally, by acquiring new members, and vertically, by heightening the quality and enriching the variety in the pool. The two should proceed together; but all the adventure is in promoting the vertical growth. The membership will widen of itself if the pool is rich. In producing new things the practical maxim is to keep all the work within the group. That policy naturally keeps the units within the group. Our boot repairer and our knitter at Cheltenham are both also food producers. Our weaver, poultry-man, pig expert, and miller whenever we advance to these, will be so also. The extra units spread amongst them enable the group to draw out the extra things from the richer pool. When they have reached saturation-point is the time to have more men. To let new recruits come as they will, however, is the most practical plan, actively fostering only the vertical development.

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The logic of the process is that specialization, the division of labour, will arise of itself wherever it is an advantage. Only, it will no longer carry a sting. It will be free to be the blessing which it potentially always is. The boot repairer, for instance, ought eventually to become a boot maker; and at a more distant day he should be presiding over some modest type of boot-making machine turning out perhaps fifty pairs a week for a 'family' of a thousand families. All the other corollaries, power loom, small spinning machinery—it may not be procurable as yet but it surely could be made—a tailoring establishment, a hairdressing establishment and the rest, ought to emerge in their time and place. And the question whether the system can sell enough to pay its overheads and raw materials, and do so a great deal more easily than the members could otherwise have sold in the labour market the labour which normally goes to produce their household requirements, will begin to answer itself.

The two directions of growth go hand in hand in this further respect, that when the co-operating group has once attained a certain size new products are more easily made. To enrich the variety of commodities in the pool becomes simple. It is not simple in the beginning. A very strict law limits what can be done in the early stages. We must dwell on this for a moment, for to grasp it is a valuable preventive of disappointment.

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When ten men propose to make their own bread, for instance, a question comes up which is the same in form for each and every similar proposal. The bread is made and placed in the pool by the maker, it being his contribution just as other things are contributed by other members, and he receives a few extra units for it just as the others receive a few extra for their 'other-work'. The members as a whole are now supposed to draw their bread out as they need it, presenting units enough to cover the labour and money sufficient to cover the raw materials in the loaf. The question, however, is: How much money? It sounds triumphant to say, 'Only enough to cover the raw materials.' But they may have to offer more money in their own store for these raw materials than is charged in a shop for the finished loaf. Always we have to ask, Is our money-price for the bought ingredients not necessarily greater than the shop's money-price for the finished article? If it is, homecrofting has lost its economic point. It may be continued for its educational value, or for its interest, or for its aesthetic quality or for anything you like, but it is entirely deflated; it has become an entertainment, not serious work; a good healthy way of putting in the time, but no longer real life.

Of course the Homecroft system has an answer to the dilemma, as the reader doubtless already sees. If the flour in the loaf costs more than the loaf, it is for us to do our own grinding; and surely the shop loaf is not cheaper than our price for the raw wheat. If

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it is, we can repeat the process and grow the wheat! It is the same with socks, with clothing, with boots. Theoretically there might be ways of tanning our own leather for boots. It once was done. And are there not numbers of ardent and capable people all round us to-day, who are bent on reviving those old crafts? Linen could surely be produced absolutely from the origin—a bag of flax seed all that is wanted—if the art of treating flax can be recovered. And it was once universal.

This is the formal line of reply to these difficulties. But so long as numbers are small, and every man must play many parts, they are real. They are *the* difficulties of the enterprise. They are the adventure of the enterprise, to put it in another way. Food production (vegetables and rabbits) you can start; boot repairing can be started; jam making, poultry, all kinds of wild-berry gathering and many other thinkable projects might certainly be tried; and along these lines the interest of the game will no doubt itself attract numbers, if the gift of enthusiasm is in the leadership and the gift of accuracy is in the clerk—this clerk who has the hub of the whole process in his hands, the distribution of the units, and the book-keeping. But until a certain growth is established, the system cannot be held to have come into its kingdom, it cannot be said to have been thoroughly tested.

The economic question must always be, How far

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back in the process of manufacture can we go? We wish to have our suits made at home, for money enough merely to cover the price of the cloth, our own units defraying the labour. We find this no use, *i.e.* no saving, or not enough to be worth while. We find tweed cloth costing almost as much as a finished suit of rather poorer quality, which might be good enough for us. Can we hitch electricity to our loom, then? Any chance, supposing we are not content with making the suit on an electric loom for units 'plus money for the yarn', of our spinning the yarn itself?

The distance we can retreat to get a point of insertion for our wedge is largely a question of machinery. It is a great mistake to think that the rise of the Homecrofting Group would hurt the engineering trade. It may not want the present machinery. It has no use for a power loom that will take a carpet fifteen feet wide, for instance. It wants machinery suited to itself. It may give the inventor some fresh problems for his ingenuity; but it would not wish to be without him. Groups must have the best of implements.

Only, there is no blight upon the fruits of ingenuity any more. Our half-hearted centralization has made machinery a curse. It only saves labour, it saves no man's labour. It extrudes some workers from the economic system and overloads the remainder. Almost no discovery or improvement which man can make escapes this fate, except in medicine and sur-

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gery. Food plants grow more prolific by scientific breeding, animals by the study of animal nutrition; manures are improved in the laboratories of the Agricultural Stations and the great chemical works till we are within sight of a manure that will both feed the plant and kill the weeds! But all to what purpose? Merely that in the pressure of a perverted competition where all are sellers and none buyers, those who can afford the new methods seize them and leap ahead, out of the pressure, and scoop the remains of the market from in front of the others who have not had the tip, or who cannot afford to avail themselves of it. The cynic wants in consequence to see the clock turned back. Research is pointless. Better grow one blade of grass where two grew before, than vice versa. 'To expel all the pests from the orchards of England would put a third of the market gardeners out of work!' That kind of remark comes across the wireless as a joke. And in the present state of our economic affairs it is unanswerable.

But it is surely not a final state of our affairs. Let us dream for a moment, if the tax upon faith and imagination is not too great—and I grant it is great enough—that the country were filled with self-providing circles of healthy men and women, which all unemployed could fall back into whenever they fell out of wages. Every chemical which helped them to drive out their pests, every successful fertilizer or implement which enabled them to set more economically about their work, has become unqualified

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good news. If anything suggests that 'salvation by groups' is in the womb of time and hard upon the birth, it is just this circumstance, that such a change promises to recover the good of good things which had gone from their nature and turned to their opposites; it promises to yoke the forces of invention and discovery once more to the service of mankind. The logic of the régime we propose is a new economic order of innumerable small circles of independent ex-unemployed, with the nation as a big circle round them all.

Chapter 6

Self-Subsistent Homecrofting Groups can save Industry

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But the metaphor of separate circles is in one way inept. *It must not be thought that we are against centralization.* We are only in favour of taking care of the decentralized. We only urge the swift saving of the victims of the centralizing process in the only way immediately open, by making them self-providing. And this is not a process that will hurt centralization.

There is indeed another way of saving them, also not inimical to the centralizing tendency of modern industry. This is to take courage and go the whole way and centralize everything. We could frankly gather all the reins into one pair of hands, transfer all the vital means of production, all the services, all the large-scale industry at one swoop to the Government and be done with it; running the state thereafter as one huge concern by impressed labour; shortening the day without lowering the wages until all need only work an hour or two in the week and engage in occupations of leisure for the rest of the time.

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My chief reason for not pursuing capitalism to its logical conclusion like this, finally enthroning and deifying it—my reason for advocating a change—is that a completely centralized social system is not a structure built to last. Like the most refined types of machinery, it achieves its height of perfection at the cost of a certain precariousness. Splendidly efficient in fair weather, it becomes a terrible *débâcle* when anything goes wrong. It is a thing too delicate for a rough world. These are days of uneasiness and commotion. It is well to guard against exposing vulnerable flanks. And centralization is obvious vulnerability. If all the lights in a country come from one central power-station, a single shell can put them out. It would not be so easy to bomb them out if they were tallow candles. A town could be poisoned by tampering with its central waterworks; but not so easily if it had learnt the lesson of Poore and supplied itself from a thousand separate wells.

These considerations could be multiplied. They all argue the danger there is in allowing the centripetal force in society to drive everything before it. But they are not the final considerations. External danger is not to be treated in this way. It has to be tackled much more fundamentally. There will never be protection against the madness of the world so long as nation is competing against nation for work.¹ If we would lessen external danger we must think of

¹ As distinct from the healthy competition for *kinds* of work see Chapter 12.

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some way of removing that kind of competition. In any case, freedom to centralize we want and must have. Only it must be in healthy form.

We are not against centralization. But something different from the thing itself must accompany the thing if we are to get the good of it, as the soil accompanies the plant or the air the flying bird. Centralization and nothing else is a negativity; it is the upper millstone without the nether; it is a thing living on itself with no source of recuperation, a semi-existence, a mere whirl, fast and brief and then out.

Undoubtedly a thorough-paced communism is a solution. It is *the other* solution. But it is completely unhistorical. It forgets all about the ascent of man. It forgets how many environments he has been through, how full a cup he has to carry. There is mischief in the wind when we poor earthy human beings, or too large a percentage of us, are asked to do nothing for six days out of the seven but pursue the higher life. We cannot live and do it. Yet that is what we are condemned to, if capitalism is driven on to the throne of the State, there to change its name.

There are only two systems of economics, in the end, as there are only two philosophies: the one is the economics of science and efficiency and the other is the economics of freedom, of limited and tempered science and efficiency. The former will always have its glamour. It would be worth making for, except just that there is that fatal point where efficiency—

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the short cut home—becomes dreadfully inefficient. There is a point, and it comes more quickly than we often imagine, at which it merely takes its place beside all the other short-cuts-not-takable, with which our probationary existence sits surrounded. There is a point at which it sins against the fundamental sanity and common sense upon which, whether we like it or not, the world seems to be built.

We therefore propose to limit nothing in the centralizing tendency except its penchant for self-destruction. Of mass production, as it is now known, we say deliberately that so far from seeking to arrest it we offer it the one means of continuing its life; we propose to introduce the balancing factors which alone permit it to go on undestroyed.

The Homecrofting Groups suggested are not foreign bodies to be thrust into the centralized system of a country's industry to annoy it. These independent circles are to be naturally formed through the centralizing forces themselves.

Any one may see that certain kinds of commodity are never going to be provided by small bodies of people catering for themselves. No Homecrofting Group will produce a railway system or a motor works. Their nature is to patronize those systems. They literally nourish what they do not take the place of. Self-subsisting groups help established industry. They are its customers.

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One of the posters placed on the roadsides recently by the publicity department of Imperial Chemical Industries comes to mind as bringing out the point exactly. It depicts the United Kingdom—a great splash of a green-coloured map—with the words written over it, ‘Wherever you are farming get the I.C.I. fertilizers.’ No doubt the great firm studies the whole country in detail, selling in every district just the product best adapted to that district. This efficiency is not going to be any less efficient after Homecrofting Groups have arisen. It will only need another placard. It will run; ‘Wherever you are homecrofting . . .’ buy this or that from us. Still the function of what has been called great industry remains, under our régime. Only, the people it has deprived of a livelihood in course of its amalgamating and rationalizing—all that legacy of little uncoordinated chemical businesses surviving from the nineteenth century, in the case of the I.C.I.—have now been left not disconsolately walking the streets but happily employing themselves and able to buy fertilizers.

But, it may be asked, ‘Might not groups possibly make their own?’ Yes, possibly. And in that event no harm is done. That is the operation of the principle we desiderate. That is the limit coming into evidence, which determines just how big the big firm is to be; how big it can be without destroying itself. The conditions which are now allowing multiple

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businesses to swell indefinitely are working the 'undoing of these businesses—all silently but quite un-restingly. They are filling the world with wageless men.

Let any mass-production process gradually absorb the whole of the business in its particular line in the country if it is clever enough to do so, so long as the ousted people are able to make for one another. It is free to do all it can, so long as they too are free to save themselves. If we rise to the economics of freedom, we shall not be afraid even of the big firm's freedom. It can only help the country, never hurt it. The whole of the possible fertilizer business is only a certain quantity. It is larger if fewer of the independents make their own. Otherwise it is not so large. In any event, so far as it survives it has customers; the people it is not employing for wages, and whom no other is employing for wages, are employed.

Central industry may still produce all that the groups do not produce. There need be no doubt about that. Its advertisement can still run, 'Get your fertilizers—similarly your motor truck, your pedal bicycle, your combine-harvester, your patent plough, your newspaper, your evening at the pictures, your holiday on the Continent when you take one—from us.' In the new social order which we contemplate, big works, travel bureaux, vendors of pills and plasters, syndicated newspapers, are all still going. Only, they are in a full-blooded, healthy world; the sea has not

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gone dry in which they swim; in spite of their having turned out so many to wander wageless in the world in process of their economizing and enlarging, those people are not poor. They can turn round and support their own harsh stepmother. They have something to exchange for the products of the very industry which turned them adrift.

We have completed a stage, during the present century, in the history of industrial improvement which throws all the former ways of construing the phenomenon out of focus. It was all very well when only one industry here and there economized a bit and stole a march on its neighbours. A few displaced operatives more or less made little difference, even if they had to stand by and watch their luckier mates supply the whole of the customers by working the new method. They might be trusted to shuffle back in again somewhere. Some new trade would arise. Nay, the cheapened product might make their old trade so enormously busy that they could even be taken back there. But now the people whom industry is dispensing with are silting up the sea, and industry itself is almost aground amongst the silt. It cannot rehabilitate those multitudes of people anywhere; and it cannot sell to them. A particular industry can only here and there snatch at the disappearing remains of the fleeing market by economizing still more, aggravating the silting process further, bringing the final *débâcle* nearer. Our principle is no enemy to industry in that plight. It is precisely the only means

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of its relief, the condition of its continued existence.

It is like the bending of the bow. Industry is shrinking itself up ever further to reach an ever higher efficiency of discharge. There is nothing intrinsically wrong about this. Provided the victims of such super-efficiency could still live and prosper, having only to live a little differently, it would fulfil its function. It would lighten the burden of life for the generality of men.

Why, then, has it not done so? What is it that needs to be changed? Homecrofting Groups, we have shown, would relieve the tension. But why is there any tension? Is there no natural arrangement of things, by which if it had kept the arrangement, industry would have prevented the tension from ever gathering, prevented in consequence the list, the deep lop-sidedness whatever its nature, from which we feel our economic order to be suffering? And would it not be well, concurrently with any adventure we may make in the way of self-subsisting groups, to put this main balance-wheel of the economic machinery into position again and let it do what it can towards righting the whole—if there indeed be such balance-wheel, and if it be out of position?

Here we are approaching the second half of our problem. We shall find the strongest reasons for thinking that there is such a balance-wheel and that its falling out of place was an actual historical event.

Self-subsistent Homecrofting Groups

Herein too consists our answer to the doubt raised in Chapter 2, as to the literal ability of single families of the people to live on the land any more. The true answer to that question is that it cannot be answered. We simply do not know whether there is any future for family smallholdings or not; whether or not enough grit is left in our people to face the realities of the cultivator's life. But the argument is unanswerable for replacing the balance-wheel, i.e. restoring the economic motive to the unemployed to try a land life, and backing that motive by all that a revised education can do for them. Besides forming Homecrofting Groups for the unemployed, we must open the land to them.

Chapter 7

Where Unemployment has come from

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We have held that the workers whom the forces of progress are extruding from industry must fall back into self-subsistence, and so far we have contemplated their falling into a multitude of independent social groups and not into a single communistic state. But a group is complex. Will it never be possible for such of the ousted workers as may not be ready for this formation to go to the land and support themselves directly, family by family? The truth is that this should always have been possible. If it had been, there would have been no unemployment.

This is Phipson's long-neglected programme. The independent group, for him, is the family farm. He contemplates putting a vast economic tide behind the industrial unemployed, to float all who have any tincture of the feeling for the soil still in their blood back into self-supporting agriculture of the ancient kind.

The feeling for the land, of course, is often weak
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and often dead. But an economic motive is a great awakener of slumbering tastes and powers; it even creates them. We know how the opening of the Canadian West drew men of all occupations into farming; how the big wages of the eighties made men into colliers and how the mere rumour of economic advantage creates a gold rush. But the economic motive turning the thoughts of wageless men to the land does not, in strictness, need to be created. It is a natural force, always sufficiently available, always really operating. We only need to take advantage of it. The victim of 'improvements' is already gravitating to the land, pulled thither except where we deflect the pull, by the very forces which have lost him his wages.

The nature of this pull may best be made clear by an elementary illustration. Suppose a hundred men are digging the earth for food, and it occurs to them to delegate two of their number to make spades. The majority will suffer some immediate disadvantage. They will all have to work a little harder to keep those privileged two. But they will soon forget it when they all rejoice in better spades. Suppose now, further, that one of the two invents a process whereby he can make all the spades. That will no doubt be something of a shock to the one who is superseded. But he need not despair. He is not irrevocably condemned to stand by and see the whole game being played now between the cultivators and his mate. The first touch of destitu-

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tion will suggest to him *that his cue is to go back to the digging*. And he will find that he can do so. He is really wanted there. His fellows, though once more they may grumble at a temporary disturbance, will consent to sit a little closer and let him in. For after that, instead of ninety-eight keeping themselves and two, they will be ninety-nine keeping themselves and one. And they are not so blind that they cannot be made to see it.

We would submit that the secret of the balance between industry and agriculture, and the cue to the health of every human society to the end of time, is to keep these two complementary forces alive; the longing of the wageless man for a living and the longing of the people on the land to have him over beside them. These two have got out of balance, and here is the real source of our unemployment.

We have to ask then what has interrupted this profound order of nature and whether the obstacle, whatever it is, can be removed.

Material progress is from the beginning a process of labour-saving: of doing the same work with fewer people. If those superfluous people would consent to disappear somewhere, and leave the world to be run by the remainder, that would be no solution. The very task of statesmanship in an industrial civilization consists in accommodating those people, for they are the pivot of the whole machine. They seem an inconvenience, but if they really disappeared, those

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who were left would soon discover that they had to disappear too. If a manufacturer puts in a machine instead of men, he saves himself only so long as too much of that kind of thing is not going on. The few people discharged from his particular works and shot into the world at large are but a drop in the bucket. They are without resources. They cannot buy—even from him. He does not need to mind if plenty are left who have resources. But when everybody does it, the world becomes too full of unemployed and half-employed people; selling, as we have seen, becomes increasingly difficult, the only way to do it being to keep in front, cheapen processes still further and create still more wageless men. That is the vicious circle which needs to be broken. The process of cheapening by human invention must be cured of its habit of stopping sales.

Why not interdict the inventor, then, dismiss the organizer, forbid the labour-saving? What was wrong with the Luddite mentality in this matter?

The answer is that we neither want these things done nor can we really do them. What else is the meaning of human existence but the gradual conquest of nature by more and more efficient processes—with the slow and gradual attainment of that leisure for the higher life, which such conquest leaves? We do not believe in a Lotus land of plenty, but it is hopeless to dispute that the higher life is the meaning of all life. We must find another way than this of

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removing the obstacle which has accumulated our unemployed.

The truth is that despite all the confusion now caused by labour-saving, there is a place into which the bewildered hosts of disbanded men are naturally received, and at which they are always aimed.

Under a naturally working economic order, the closing of one line of occupation should open another. An instinctive belief to this effect inspires all our pathetic present efforts to transport and re-educate workers for jobs that do not exist. Training and moving people is of little avail so long as the great constant forces of progress are piling up the unemployed in heaps which have no outlet. That process must be permitted automatically to provide for the people it displaces. We hold that the natural place for them is on the land producing food. Whenever industry ceases to be able to afford them a subsistence wage because of the lowering labour-cost of the goods it is making, they should find themselves able to buy all they need, of those cheapened goods, with the food they can spare after supplying themselves, out of what they raise from the soil by their own labour.

And the process is at root an automatic one. A farmer has to pay for his land, so much a year. What he thus pays is, in the last resort, a portion of his produce. His rent is a part of his crop, given up yearly to his landlord. On the remainder he lives—by con-

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suming some of it and selling the rest. Now, if progress is cheapening production all the time, he ought to live better and better on these sales. Let us look into this.

His land is always the same; the labour he puts on it presumably remains about the same; the crop in an average year will always be about the same. The food in his hands, then, being able to support labour always the same length of time, *while labour is learning to produce more and more in the time*, can only have one result. It must be leaving him richer and richer. If so, he will be tempted to do as any other man does who rises a little in the world, namely, engage others to relieve him of some of the hard work and give him a little leisure for higher pursuits; this especially if there are many others about who are ready and anxious to accept his offer.

But if our farmer is growing richer, there will be those other people about. The very process which is making him better off is a process of labour-saving, which means that a supply of labour is being freed to help him.

This, very briefly, is the natural route by which industrial progress spreads its blessing without causing unemployment. The industrial worker who is rendered superfluous is, like our spade maker, temporarily discommoded. But the same trail which led the spade maker back to the digging is still there for him to travel along, if it can be found. Only,

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instead of being a mere rough track, it should by now have become a broad smooth highway.

We ought to have all the equipment and paraphernalia for the superfluous industrial worker's land education ready. Homecrofting for the family should be an established and well-understood science. No child of the potential working class—which means in practice, as things now are, no child of any class—should ever be launched into this uncertain world at the end of his school years having had no thorough grounding in the elements of self-support; so that in the last resort with land, a hoe and some seed, he could make shift to keep himself from starving. In the whole army of industrial workers, there should not be a young man or woman whose pleasantest school memories are not associated with training of this kind; with learning, the boy to do the man's part and the girl to do the woman's part, in the running of a semi-self-supporting garden home. Certainly every post-primary school, which is catering for children not aiming at the University but presumably destined to work with their hands, should make this its distinctive mission and peculiar mark, that all who emerge from it emerge equipped for the soil if ever they lose their industrial wages—in other words, that the education given, the science, the geography and history, even the literature and language, are regionated around the food garden and man's immemorial task of primary living.¹

¹ See Appendix (B), pp 153-7.

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The education that is in a garden is endless, from the botany of the plants or the chemistry of the manures to the geometry of the onion beds, the design of the paths, or the arithmetic of the house-holding. The science of education has advanced as every other science has, and is a magazine of power for our salvation. In this as in other matters, only the fulcrum for the lever is lacking; we only need adequate knowledge of the point at which to apply our resources.

Culture could be got from the making of this road—as indeed the Board of Education with its sporadic interest in matters rural is already half aware—even if it led nowhere. But in the last resort, we must remember, ‘roads are secondary’: The motive is the fundamental matter, the underlying economic drive. Our primitive spade maker with no road, but with the incentive, stumbled his way across a track. By all means let us have a plain broad highway, if it were only to play about on, and let it connect the one vital point with the other; let it run from the place where the industrially superfluous congregate to the place where there is land to receive them. But we have still to inquire where the incentive has gone; why the slope on which these people find themselves is not towards the land; why even if the road were there, they would not walk along it; why when it is actually not there, when the industrially superfluous have no memories of the land or even of having been taught

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about it, we do not yet see them moving in its direction, stumbling along the track, far oftener than we do.

We see them moving on to allotments, and that is significant. But why do the farmers not want them? Why have the three and a half millions who were listed eight decades ago as 'engaged in agriculture' dwindled to-day to little more than one? These are the questions which turn our attention to the money system. Our investigations into it will probably leave us asking: what has closed the route to the land and why in consequence there has ever been unemployment at all?

Chapter 8

Why the Unemployed do not seek the Land

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At the time of writing still another movement is afoot for putting people into smallholdings on the land. How undying is the notion that the place for the unemployed is there! Nothing seems to kill it. After every failure and bitterness of disappointment it only lies fallow for a few years and then springs up again. It is the persistent consciousness, ineradicably in the heart of the populace, that all real renewal of life must come from the soil. Crudely and spasmodically it surges up behind the politicians, making them feel they must move or seem to move in the general direction indicated. It is as if people knew how unemployment could be ended.

There may be a way of doing this thing. At least, there are broad, far-reaching, general conditions which must be fulfilled before we can know whether a movement of the kind can succeed or not. We shall see that they chiefly concern two of our most important institutions, money and the institution of rent.

In the last chapter we have tried to show what appears to be the general intention of nature in the

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matter. A certain amount of work must always be done to support a people. Except in special circumstances, those who are doing the hardest of this work, the raising of the food, will always be found having offers of assistance, if there be others about who, owing to the rising efficiency of industrial labour, are finding themselves superfluous, resourceless, and therefore willing to assist. In the last resort, if men are idle, a natural pressure of them towards the land should begin to be felt. That is the nature of the situation.

It makes no difference to this conclusion whether we think of a static population with a static number of needs to be met, or of a growing population with multiplying needs.

If in a certain line of manufacture or service certain ingenious devices are able to give to one man the strength of ten, the other nine may not at once find the land their only resource. They may find new needs calling them to other industrial work. Or—theoretically speaking, although the fact is never so—such devices may be discovered so slowly and gradually that increases of population, without any accession of needs at all, may still occasion the full tale of specialists to be employed in other work than food.

In either of these cases, *cadit quaestio*. There is no problem. Things go on as before. So many are producing food and so many are at other work. To see the problem arising, we must imagine what is really the fact, that no matter how fast population and needs may be multiplying, the rate of improvement

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is outrunning them. What is to be done when any population finds it can do all the other work it requires more easily than before? How are we to accommodate a shrinkage of the industrial army?

The public is so inured to experiences of universal depression, throwing all branches of human activity alike into a calm, and to booms which throw all alike into a fever, that they find it difficult to imagine a state of affairs in which the same forces which occasion an over-supply of labour in industry should occasion a demand for labour on the soil. We slip into the assumption that agriculture is just another industry. If the industrialists do not want men how should the farmers be able to take them?

But we are speaking of the larger rhythms; of the definite, unvarying pull of a natural tendency, which, like gravitation, may work mischief if we don't understand it, but can never cease to act. The pull of the land upon the unemployed is as real as a natural force. And we are in trouble because we have queered the pitch of it. Let us look at it again.

Every individual requires a given amount of staple food. The food producers upon the area of supply of a nation will never need to raise more than a given quantity so long as the population is steady. But this does not mean that they never need more men; or at any rate, that they never want more. When the towns begin to throw men out, forces are working which will, if allowed to do so, elevate the whole mass

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of food producers, and leave interstices beneath them, in all kinds of accidental places; interstices into which new food producers (ex-industrial workers) will, if they are intelligent, moralized and free, find and insert themselves, of their own free initiative.

The same food supports the same labour. But the efficiency of the labour rises. The same food, therefore—unless the operation of the tendency is sidetracked in some way—must bring the farmer a richer return in the products of labour. With that enhanced income he is in a position to leave the work more and more to the needy people whom invention is depriving of wages, he himself moving upwards meantime towards a rather more affluent and leisured life. This we venture to regard as the natural economic order in a progressive industrial nation.

Is it possible, then, to allow these natural effects still to happen? How can we hope to preserve this simplicity of economic motive throughout the complications of modern society? A glance at the argument is enough to show that there are presuppositions beneath it. The farmer must on the average always have the same surplus of crop to dispose of. This, of course, he will have. But also he must always get the same money for it; and thirdly, the money must always have the same purchasing power on the average over labour.

These presumptions, however, outrage no economic principle. They do not tell against our argument that the landwards motive can still persist

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among the unemployed, but definitely in its favour.

If in a year of normal abundance, when there is no reason in nature for any such thing, the farmer finds the price of food grain falling away; or if, receiving the same price in a normal year he yet finds himself poorer because the purchasing power of the pound has been whittled away by mysterious influences of which he has no understanding; or thirdly, if while the pounds the farmer receives for an average crop continue to be the same in number and each pound continues to be worth as much, he finds that increases in rent are steadily raking off his prosperity as fast as it accumulates; under any of these conditions he can do nothing for the unemployed.

Our contention, however, is that all of these obstacles to the natural landward turning of men who have no other resources are artificial; to remove them would only be an ease and a comfort to everybody; and above all it could be simply done. In comparison with the crude and elephantine operations to which the body economic in our era has been subjected, it certainly could be simply done.

The reason is that the doing of it is almost more a negative process than a positive. It removes abuses rather than introduces regulations. It perpetrates no artificiality and no injustice. It merely returns to a natural balance.

If, no matter how greatly production has been cheapened in terms of labour, the farmer's pound

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while coming to him in the same numbers does not buy gradually more, it leaves him no richer. The farmer has then no part in the general progress of the world. The force that is raising humanity is not lifting him. He cannot let the unemployed come in beneath him. In consequence, the great world force (of inventive genius) is not lifting the unemployed either. They are imprisoned in the towns where there is no work. The health-giving breeze is blowing for them outside but they cannot get into it. Their highway to the land is out of action. It can only be kept open if, in a normal year, (a) the farmer now on the land gets always the same number of pounds for his crop, (b) the pound he gets is one which always supports the labourer for the same length of time and so commands gradually more of the products of labour, and (c) always the same proportion of the pounds he receives has to be set aside for rent as formerly. Nothing is so hard to introduce as an injustice. Here none is proposed. It would not be unjust for the farmer to obtain the same number of pounds for his crop every average year. It would not be unjust that the pound should always support the labourer for the same length of time in the same kind of year. And under those two conditions there is no injustice, nay, there is hardly even any very grave inconvenience, in the principle concerning rent either.

To receive for a piece of land in perpetuity the same money rent for which he originally let it, is not even to tie the rent-receiver to the strict letter of his

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bargain. This annual payment, with which we are asking him to be content, is a proportion of the average-year crop, always. This supports the same labour, and therefore buys more and more as progress continues to cheapen production. The rent-receiver is thus becoming always better off on the same rent, precisely as the farmer is becoming always better off by having the same surplus crop for sale. His perpetual rent is a perpetually rising rent, so long as progress continues.

Apart from injustice is there artificiality? That the pound should buy always the same food in a year of normal plenty is apt to suggest price-fixing; but no such expedient is in contemplation. The very basis of the economics of freedom is to permit a man to dispose of his property. There are two objections to any price-fixing programme; that it is not needed and that it is impossible in any case. To fix prices is economically impossible except in special circumstances, 'as in war when the country is threatened with invasion and most men are ready to toe the line. Even then the regulations quickly wear out and they always leak. But no such thing is normally called for in our case at all. It would have no point.

The price of wheat in an average year will remain steady of itself, if the pounds in people's pockets are always just precious enough to support the labourer for the same length of time in the same circumstances. How precious are they in people's eyes? That is the only question which has to be asked concerning pounds. And the answer depends on their numbers.

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We do not judge how precious food is by the number of pounds which it costs. We judge how precious the pound is by the amount of food it will buy. And thus also do we judge of anything else, how precious it is. If the price of wheat fails to remain about the same every average year, on the open market, when not interfered with, then it is not the value of the wheat that has changed, but the pound that has shifted. And do not let us say this is a mere convention, that it 'may be looked at either way'. It is precisely here that we have all gone wrong. Economics is not a conventional matter. It rests on the solid earth, and we have de-anchored it—to our discomfiture.

Adam Smith seized the point:

'The nature of things has stamped upon corn a real value which cannot be altered by merely altering its money price. No . . . monopoly . . . can raise that value; the freest competition cannot lower it. Through the world in general that value is equal to the quantity of labour which it can maintain; and in every particular place it is equal to the quantity of labour it can maintain, in the way, whether liberal, moderate or scanty, in which labour is commonly maintained in that place. Woollen or linen cloths are not the regulating commodities by which the real value of all other commodities must be finally measured and determined; corn is. The real value of every other commodity is finally measured and determined by the proportion which its average money price bears to the average money price of

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corn. The real value of corn does not vary with those variations in its average money price which sometimes occur from one century to another. It is the real value of silver which varies with them.'

Phipson, meditating upon this profound saying, and on McCulloch's blundering commentary upon it—reflecting that it is a question of what the facts are and not at all of what conventions we choose to make—confesses to some misgivings about the word 'corn'.

Do the facts say that the real value of things is their value in corn? Is that the barometer by which we should read whether our pounds are keeping their stability or not? Cereals are not the only food necessity, even in England; while if we narrow 'cereals' or 'corn' down to 'wheat' we find that in many countries it is not even the staple food. We associate various other staples with other countries; oatmeal with Scotland, potatoes with Ireland, rice with India, rye with Germany and Russia, maize with certain other parts of the world, and there may be places where the prevailing nutriment is different from all of these. 'Upon this important question' he says 'I should be loath to speak too dogmatically, and have expressly refrained from more than tentatively adopting what I have taken as the standard food-unit of the United Kingdom.'

But writing at a time when the notion of index numbers was far from being the commonplace of economic theory which it is today, he suggests the possibility of devising a composite unit of articles of food, and expresses his faith that a unit can be found

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such that the average value of another unit, representative of all other commodities, in terms of this one would be found to rise as the price of this one fell. Later, he experimented with several units, first simply 'food' including cereals, meat and fat; then 'corn' (wheat, barley and oats) and lastly a unit of wheat alone. It is true that the composite unit which he made use of to represent 'all commodities' was rather a crude one; viz. 1 cwt. each of bacon, ham, beef, pork, butter, cheese; 10 cwt. each of wheat, oats, barley and potatoes; $\frac{1}{2}$ cwt. each of tea, coffee and cocoa; $\frac{1}{4}$ cwt. currants, $\frac{1}{4}$ cwt. raisins and 3 cwt. sugar, together with the following other-products: 1 gun, 10 lb. gunpowder, 1 cwt. each of books, cordage, flint glass, copper, tin zinc, paper, soap; 1 ton of coal and of iron goods; 1 dozen hats; 1 dozen pairs of boots and shoes; 10 yds. each of linens, silks and woollens; 10 lb. of cotton yarn and a gallon of oil. But he found that in the United Kingdom, between 1855 and 1885, the value of this collection of things (omitting only the wheat) in terms of wheat alone rose and fell almost exactly with the cheapness of wheat. Indeed, having tried them all, he found the simplest standard the most exact. Wheat by itself came closer than 'cereals', these came closer than 'food'.

Refinements do not matter. The point of importance is that in a rough and approximate way Adam Smith's surmise is found to be statistically confirmed. And that it has not changed for the world as

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a whole even now seems indicated by such subsequent work as has been done on the subject. D. Ferguson and G. K. Montgomery, of the International Institute of Agriculture at Rome, discovered that very high coefficients of correlation obtained between the world-production of wheat and index numbers of wholesale prices in the United States, Britain and Germany; the coefficient being $\cdot94$ in the case of the Bureau of Labour Statistics index number of wholesale prices, $\cdot912$ with Sauerbeck's index, and $\cdot879$ with the Statistische Reichsamts index. 'This discovery,' writes Mr. Ferguson in the *Co-ordinator* for March 1930, 'which was made before we were aware of the existence of Phipson, proves that his thesis of the predominating influence of food production on all prices is correct.'¹

It is clear then that McCulloch himself is perverse in his sententious 'note 270', where he taxes Adam Smith with perversity for having declared that the value of corn is equal to the quantity of labour it will maintain. When a labourer finds a pound in his pay-envelope, *the length of time it will support him* is clearly the measure of its value for him. Conventions entirely apart, we are warranted in concluding that that is also its real value. That should be steady. Which does not mean that it should be the same always; for years are not all the same. But it should

¹ The *Co-ordinator*, Vol. 7, No. 3, page 42. Published by the Agricultural and Industrial Union, 7, Queen Street Place, London, E.C.4.

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keep the labourer for the same length of time in years of the same abundance.

Average-year food is absolute value in its material form, as Fichte long since taught us. If a given quantity of it becomes exchangeable for a different number of pounds, it has not changed its value. The pounds have changed theirs. What we must do to the pounds, if that happens, we shall inquire in the next chapter. Meanwhile, neither injustice nor artificiality attaches to an arrangement by which rents remain the number of pounds agreed upon between the parties, and pounds remain always worth the same average-year food. And these between them will insure that science and invention spread their blessing through the whole body of the people, instead of merely enriching some; that they will drive their great wedge into the right place—that they will insert it *beneath* and raise the whole body of the people; not drive it blunderingly into the middle, where it only raises some by crushing down others.

It is of course no Utopia that is here proposed, no New Jerusalem. The first impact of the inventor upon the economic system will still be disturbing. It will still imply telescoping processes and displacing men. Only the unemployment is not final any longer. The displaced will have somewhere to go.

In the earlier stages it may happen that the cash in people's pockets which has been set free by this

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cheapening of the commodities on which it had usually been spent, is merely used to satisfy some other, hitherto unawakened need or needs; and the industrially displaced may then, as we have seen, be able to move over and find occupation in a new department of industry itself. Even this is an inconvenience, a price to be paid for development. But the masses of unemployed now around us prove beyond a peradventure that the rate of budding of new needs, needs for air travel or wireless sets to take two contemporary examples, does not approximately keep pace with the rate at which rationalization throws men off. This kind of opening cannot take them all.

The adverse verdict which has been passed on some popular economic assumptions, such as that the total of human needs is a static quantity, may have to suffer some revision. We have rightly concluded that there are limitations to the validity of the notion of a static work fund, but we have been over-impressed by them. It is dangerous to regard this doctrine as a great error with a margin of truth to it. It is really a great truth with a margin of error.

But if the average-year wheat price in the free and open market does vary, what does it behove us to do in the matter? In other words, how does one steady the pound? It is time now to turn to this question. It is the last question that needs to be disposed of in order to restore the pull of the land upon all those of the unemployed who are not ready to fall into Homecrofting Groups.

Chapter 9

The Secret of a Steady Pound

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We have seen the importance of a steady pound for keeping the track open which leads the unemployed across to the land.

We have also seen the criterion which determines whether the pound is steady or not. Wheat is not dear if its price in the open market has risen above the average in a normal year. Such an event means that the pound has gone cheap. If in any year at all, either the buyer has to pay too much, in the free and open market, for the staple food of the people, or the producer selling the staple has to accept too little for it, then something has gone wrong with the pound. It is too common, and people are not prizing it as they should; or the contrary—it is too scarce and they are prizing it too much; and the number must be put right.

This view is based, of course, on the quantity theory of money; a theory of old standing having limitations which need to be remembered in some contexts, but a theory which, when all the qualifications have been

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inserted and all the arguments are over, remains substantially correct. It is like the work-fund theory, a great truth with a margin of error in it;¹ and we shall go badly wrong if following some temporary wind of economic doctrine we are deluded into thinking it a mere error.

What we must do then if the average-year wheat value of the pound alters, is to change its numbers, this by the obvious process of making extra ones; or if it is ever necessary—but it should not ever be necessary—destroying some of those which already exist.

There is nothing intrinsically difficult about such a process so long as we only need to add, and as we shall see there should never be any need to subtract. The only difficulty in adding is that we have not now a firm block of pounds circulating in the country, all visible and tangible, which we can count and thus know exactly what replenishment they need. What we have is a vast confused inheritance from the money systems of the past, and the real trouble is to see how we might withdraw the confused system and insert a simplified one in its place without shock; and yet it is not so difficult as it seems. There is no need to be so bewildered about it as we are.

Half the mystery of the pound—Sir Robert Peel on a famous occasion asked, 'What is a pound?'—arises from our habit of thinking it mysterious. We should

¹ Compare Chap. 14.

of a Steady Pound

give ourselves over a little more frankly to quantitative conceptions in the matter. All we need to know about pounds, even the present ones, *is that they are scarce objects*. They pass from hand to hand and enjoy a certain scarcity value. And if, judging by the amount of food that needs to be offered in the free food market before you get one, you find that people are prizing these objects too highly, then they are too scarce; the proper authority—the State—must make more and put them about. The authority only needs to be careful not to commit the opposite blunder of making them too plentiful.

The latter would, if anything, be the more serious mistake of the two. It would be a very serious mistake. Yet unless we are still in a barbaric age it is certainly mere folly to over-insure against it by making them of something which can never by any possibility become too plentiful, like gold.

The quantity of gold in the world is a dead, immovable thing. Or rather, it moves of itself, by jerks, and throws prices about. It is subject to great sporadic increases which come unbidden, and not at all at such a deliberately adjusted rate as keep people always ready to offer the same amount of average-year food for the same amount of the metal. It is our efforts to make this clumsy thing elastic that have caused us all the bewilderment.

Undoubtedly the invention of paper had laid at the feet of authority the ideal substance out of which

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to make pounds. The obvious plan is to make them all of good, tough, beautiful, properly stamped paper, preferably of a new design to mark a new departure. And they should all be alike. There would be a vast simplification in a policy of uniformity. We should still need to keep some of our pounds in the special form of small change, for a pound is a large unit and we need those dividers. But there are only three other kinds of pounds at present familiar to us, the metal ones, the paper ones, and those mysterious invisible ones which we call credit pounds. They should be made the same, and all visible.

Despite the formidable complexity of the present system, this is not a change which need necessarily occasion any sensible inconvenience.

If the banks have a supply of gold pounds they should receive exactly the same number of the new ones in their place. If thousands of private individuals have an account at the bank, the pounds which they 'have' there should be actually put there by authority. If a sufficient number were printed and the places got ready for them in the vaults of the banks, the movement could be done in a night, with no disturbance to anyone. The bank books, with their records, could all stand exactly as they now are; except, as we shall see, that some of them should be in another place, and those who keep them should be Government servants. The country would then be running on a currency of duly authenticated national paper. And the nation would be free to print extra

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pounds if required in order to guard against their growing too precious in people's eyes.

In merely making all our existing pounds visible and numbering them serially, we do not need to raise any large and vague questions about what is 'behind' the notes, or use phrases about the 'credit of the country'. Those pounds are nothing whatever but pieces of authenticated paper with a scarcity value; and their value is kept up precisely as the value of diamonds is, by seeing that they are scarce enough. Half the difficulties about pounds would disappear if we could learn to avoid the word credit. If a man has a 'credit at the bank' that merely means that he has pounds lying there—only they happen to be invisible. They are pounds all the same. And the bank, when it 'advanced' him these pounds (supposing he had a loan), increased the number circulating in the country by exactly that amount, whether it took a legal hold of a part of his property at the same time or not. Suppose that it did. Suppose he pledged his house. This only means that his title deeds are in the drawer at the bank; and, in our patois, that amount of actual property is 'behind' the credit pounds and functions as 'backing' to them. But the two literal and separate facts are (*a*) that a piece of property has passed from the customer to the bank, and (*b*) that the number of pounds in the country has increased by the amount advanced. The bank has monetized a piece of property into pounds. And when the loan

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is repaid and the title deeds are given up and the property reverts to its owner, the pounds are simply no longer extant. They have been deprived of even their invisible existence.

All that happens when the banking system as a whole gives too much credit, as during the war it had to do, is that it monetizes too much property, it makes pounds so common that people simply cannot prize them as they should. They are like daisies in May. It is not in human nature to value them as formerly.

It is easy now to see how most of the pounds in existence are made. The fewest are minted out of gold by the King's servants in London. The supply is really kept up by the makers of the invisible ones, the banks, working according to a certain rule of thumb with a not very respectable history. And the question whether the banking system, operated though it is by men of perhaps the highest probity in the whole of the business world, is the best regulator of the number of pounds in the country is rather a vital one.

The truth is the institution is very badly adapted for this work. There is no call to 'nationalize the banking system'. But there should be a division of labour between it and the Government. The banks are now discharging two functions which do not mix well. And they should allow the Government to take over one of them, and all the books connected with it and all the clerks who attend to it, namely, the one concerned with the safe-keeping of money. This

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would still leave the banks a great work to do, what is now in fact their major work, as we shall see. But it would automatically bring to an end their way of issuing money. It is frankly a bad way.

For the banking system cannot issue a set of invisible pounds to any one except in return for something. It makes these pounds to lend them. And though the responsible heads of the banking world have a high sense of public duty, they are by their very position business men, answerable to shareholders. They are lenders of money. And their natural temptation is to issue pounds to those who can offer the best return. Interest must be paid and the capital must not be lost. These conditions are the first matter for their consideration always, whether the issue is for rebuilding a slum, developing a patent, financing a boxing match or for gambling purposes.

There is no reason to doubt that the banks steer the most patriotic and respectable course that they reasonably can. But they have enough to do steering that course, without having the responsibility for seeing to the amount of money in circulation in the country. They are users of money, and they should not also be makers of it.

In a rough haphazard way it can be said that the system rubs along; the various new sets of invisible pounds issued balance more or less against the sets repaid and annihilated, and thus a roughly even number is kept in constant circulation, although

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every now and again come crises when a great number have to be issued or a great number annihilated, to the dire and unmerited distress of whole classes of the population.

At the outbreak of war the issue of new pounds of the invisible category had to be enormous, so that people with fixed incomes found themselves robbed of half their resources, since people could not value a pound highly enough to give more than about 10s. worth of goods for it. In 1921 the banking system began to see to this. It embarked on a policy of refraining from re-issuing pounds as they fell in and so reducing the number by an enormous margin in a very short time. The result was an avalanche of bankruptcies. Firms having paid high figures for their stocks while pounds were plentiful found themselves trying to sell their stocks in a world where pounds had gone scarce. They could not get more than a fraction of their outlays back. They did not know that pounds had gone scarce. Still less did they know the reason; namely that the banks were annihilating them. Had they known they would have been furious—quite as furious as the few who did know and wrote 'extremist' pamphlets about it, like Mr. Arthur Kitson. The world had not become nearly so clear about all these things as it is to-day. All that business men knew was that prices were mysteriously falling. Even the bankers did not quite know that they were reducing the circulation, and causing disaster. They were only reducing the volume of

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their loans and returning to 'sound finance'. Most of them to-day would admit that they should not have done it at all; and that really the best thing to do with an inflation in the currency of six years' growth is to let it stay, and content oneself with not allowing the rot to go farther. That undoubtedly is what the banks should have done.

But even were there none of these crises, this whole system, as a way of having our money made, is clearly a haphazard affair, wholly unscientific, and with no relation whatever to the needs of the nation. But here we do not mean merely to repeat a parrot cry which every one has heard. To what needs exactly has it no relation?

It has no relation to the duty of the pound to be *always just scarce enough to buy the same amount of average-year staple food* and in consequence just scarce enough to buy always more of other-products, as invention cheapens production. All the making of pounds should become again the exclusive function of the mint, and the number should be such that the free market in food showed no variations in the food price except such as the season justified.

It is to be observed that under such a régime there ought never to be any need for annihilating pounds. There should be a need for slowly increasing them. The population is not stationary; and with the advance of civilization the uses for money increase, so that the amount per head must rise if the basic food

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of the people is not to fall. But the amount of these issues would not need to be guessed. They would be shown on the barometer. They would most likely be a steady annual amount. They would be put in circulation by the Crown, in the ordinary course of paying its servants. And they would relieve the citizens of that amount of taxation every year.

To relieve the banks of the function of keeping the supply of pounds right, to restore that function to the Crown, and have them all made of visible paper at the mint, would involve no change in the money-broking function of the banks, beyond just that they must not create the money they deal in.

Before the banks lent any money, they ought always to have needed first to look in their vaults and see whether they had it. On the scheme we are proposing they must, like any other broker, look up their lists and see whether they have a customer with the money to lend. The customer should lend the money, and they take their brokerage or commission for putting the transaction through. If the customer places his money with *them*, and *they* lend it, and also safe-keep it for the borrower, their temptation, when they have procured the sum for their borrower, to allow him an overdraft—that is, their temptation to create a few invisible pounds and lend them to him—will be too sore; will hurt too much to stop the old habit. It will probably be felt even by the bankers themselves as a far better policy to remove the

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temptation entirely, by confining them to the one side of their present business—what is becoming more and more its chief side—the investing or broking of money. They might be quite willing to leave to the Government the whole of the safe-keeping function. In drawing a cheque in these circumstances I should not be addressing a request to pay some of my money into the other man's account, *to the banking system*. I and all other people would now have our current accounts with the Government; and we should ask it to make the transfers.

It would be very easy for the Government to take care of all current accounts in establishments of their own—perhaps annexes to the Post Offices. All individuals and firms should be required to transfer their current accounts to those places, and leave the banks to the work for which they are supremely fitted, that of finding investments for people who wish their money invested, and when money is wanted finding where it can be had. They should continue to hold the key-point in the business world, but under the same laws as govern the rest of it. Occupying a position of the highest trust, investing vast sums of other people's money, they should be brought under the same regulations as other trustees. If having been given a sum to invest they duly invest the same for a commission, it should not then be possible for the borrower, having deposited the sum with *them* for safe-keeping, to ask *them* (by means of a cheque overdrawing his account) to pay over to some one else in

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his name, sums he does not possess and has not borrowed. His current account should be in another place, with people who never lend money or procure loans, who are Government servants, and who have no concern with anything but people's current accounts. Cheques should only be drawable upon moneys which people actually have in the State Safe. When I have had a loan negotiated for me, through my banker, and the proceeds deposited in the Safe, I ought then to be able to ask at the counter for a book of cheques all ready made out (in whatever different denominations are convenient to me) for the net amount, only awaiting my signature. I could not then overdraw. And any 'concession' to a depositor, by the Government representative, in the shape of permission to draw a cheque or two beyond what he had deposited, could be treated by the law of the land for what it would literally be, a conspiracy to utter false money.

The replacement of all existing pounds by pieces of appropriately designed paper bearing the national mark, and the transfer of all current accounts to Government establishments, would yield us a pound whose value could be kept steady; and with skill, the change could probably be made so quietly as hardly to cause a ripple on the surface of business. With steady rents stated in forms of these unchanging pounds the land would be as open to the unemployed as Homecrofting Groups, whenever industrial improvements left industry no longer able to support them.

Chapter 10

On losing our Work to the Foreigner

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The problem of running a currency is to keep its units having always just the right degree of preciousness in people's eyes.

We have said that this is a pure question of their scarcity. If all the diamonds now lying in store were let loose on the world-market they would become so plentiful that the price would fall disastrously. Pounds in the same way must be kept scarce. They must be fed into the circulation at a rate just sufficient to keep their value steady.

The term 'steady', here, must not be misunderstood. If it suggests fixity, as though the pound were to be made exchangeable by law with a fixed amount of something or other—as, under the automatic gold standard it was mechanically convertible into 123 grains or thereabouts of standard gold, if presented in certain places open to the public at certain hours—it is misunderstood completely. To tie the pound to a substance, like this, will never make it equally

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precious at all times, unless this substance is always equally precious; which gold certainly is not.

A money unit is always equally precious if its value in food rises and falls with nature. Only when the pound always keeps the labourer the same length of time in the same kind of year, is it steady in the relevant sense of having a purchasing power over the products of labour that remains steadily proportionate to the efficiency of labour itself.

The numbers of pounds, then, must be regulated by the rise and fall of the open market price of the labourer's food—the staple food of the country. 'Is wheat as cheap as it is plentiful this year?' is the question which must be asked. 'Is it as dear as it is scarce?' If so, the pound is stable; people are regarding it with due respect; they are spontaneously placing a steady value on it. If anything in the market grows expensive or cheap we may now be assured that the price of that thing is really changing; it is not the pound itself that is shrinking or stretching.

And normally the Government should never find it necessary to tax pounds out of people's pockets and pulp them. If a great but brief national crisis did make an inflation necessary, it might be desirable to bring the circulation back to the normal again afterwards—though certainly never to wrench it back (as our banking system did on the last occasion) in a crude and shocking fashion. But if the inflation were one which had had to be of long standing, so that the bulk of people's contracts had come to be made in

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the devalued pounds, it would be better to let it remain. It would be the lesser of the two inevitable injustices. Apart, however, from the possible aftermath of an upheaval, or the need to correct some great displacement or other, no change except an upward one should ever be required, in the number of pounds circulating.

And any one could check the pound, who knew the state of world harvests. He would know, therefrom, the degree of abundance with which food would arise from the soil and flow in through the open ports of a free country. He could then ask whether its price was as much below the average for the last eight years as the quantity available was above it, or vice versa. Any deviation from this norm would show that the pound was being too little or too highly thought of. Its numbers would have been proved wrong; the rate at which extra pounds were being made would have been shown to be overtaking or lagging behind the increasing uses for money occasioned by a rising population and a developing industry.

But in addition to its stabilizing influence on the internal economy of the country, an unbacked purely national pound with a steady food value at home would have a most important naturalizing effect on foreign trade. It would make all commerce with other nations automatically reciprocal. Without the aid of any protection measures whatsoever it would prevent our work being taken away by the foreigner.

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In doing so it secures the country against what, after the machine, is the next great source of unemployment.

It would not interfere with free trade. On the contrary, it would protect free trade itself; which is perhaps the only thing that was ever worth protecting.

Normally, a human society is a self-supporting unit. It has a certain standard of life; and to keep it up requires of its working population a certain total amount of labour. We have seen one of the two main ways in which the amount of this labour grows less; namely by the country learning to manage its work better, so that it can obtain the same output from fewer hands. And we have seen how work thus lost by the machines need put no one out of employment. The chief other way in which unemployment can arise is by foreign competition. Work not only disappears to the machines but it disappears abroad. A national currency prevents this leakage, as it prevents the other.

This important result comes about because when other countries receive 'mere paper' in payment they must always send it back. If Britain adopts this policy, the outside world cannot act like a great sink into which her money can flow and disappear like a river disappearing into the desert sand. And this is one of the most serious unperceived evils from which Britain in the last sixty years has been suffering.

One is apt to think at first that a currency made of

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paper, without a gold backing, would be a very inconvenient medium with which to trade abroad. What would be the use of going into a foreign country tendering only a piece of scrip which did not represent gold in the bank of England? But the case is exactly as if a member of a Homecrofting Group presented himself at the store of another group, offering his own paper.

If the reader can carry his mind back to the Homecrofting Groups, it will be convenient here to reconsider the importance we attach to making the currencies of different groups different. This is in order to secure reciprocity of trade amongst them, if trade ever springs up. It is to ensure that one shall not draw away another's currency, and so deprive it of its life blood. And the international parallel is exact. Countries in the world are precisely the same as Homecrofting Groups in an area in this respect. If a country finds itself over-importing and unable to sell, there should be another way of turning the tide for that country than bleeding it of its currency until its whole price level is pulled down. The tide should turn not because people abroad at last find its internal price level low, but because they find its money, which is coming in to them in a flood to pay for the imports, and which has no fixed price to them, abundant and cheap.

A small and struggling Homecrofting Group will have every reason to beware of a big neighbour; to

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beware, not exactly of its competition but of its ever getting into a position to compete. A common currency would put it into that position immediately. This whole subject of the importance of separate currencies was illustrated to me very vividly by an incident in the early stages of the second phase of the Homecroft experiment.

Walking through the streets of Cheltenham one day during the winter of 1932, I perceived that a movement, or rather several movements, for unemployment relief were afoot in the town; because numerous small grocers' and chandlers' shops, fruiterers, dairies, &c., were displaying notices as I passed, intimating that they accepted the vouchers of various unemployment funds in payment for their wares. Finding one which professed to receive 'all' vouchers, I went in to inquire if they would accept those of our Homecrofting Group, then just commencing. In order to explain the difference between ours and all the others, I asked the good lady what she did with the vouchers, to which she naturally replied that she took them to the bank and received money for them. 'In the same way,' I said, 'if you take ours along to our headquarters you will receive potatoes for them.' But as one can quite well understand she was not very ready to do business. She did not particularly want potatoes. I mentioned some other commodities and services which we had on offer. But she was still reluctant—not sure she wanted any of them, and there the matter had to be left.

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It is perfectly obvious that her position relatively to my visit, proffering claims on our small store, was exactly the position of a merchant in a foreign city being offered by some British traveller a claim on Britain as payment for his goods. He would receive the British tourist as he would any other prospective customer and as the shopkeeper received me. He wants to sell, as she wanted to sell. But when it comes to payment, he would rather have money which he can spend anywhere, just as the shopkeeper would rather have had money that she could spend anywhere. The only difference is that Britain, being an island many thousands of square miles in extent, and thickly populated by one of the leading industrial races of the earth, makes rather an enormous shop compared with the one which I was representing. From this point of view it would be only common sense for Britain always to buy abroad with claims on her own shop, nay, it was sheer folly for her ever to have thought of doing anything else.¹

On the one hand, her shop was so enormous that she could have paid with mere paper claims on herself without difficulty or inconvenience; while, owing to her peculiar position, it hurt her, definitely, to pay other nations with gold, or with anything *which was their money as well as hers*. To give them such money was a plain temptation to them to keep it, to

¹ How she prospered so long as she paid abroad with claims on her own shop, as Germany has been lately trying to do, may be seen from the figures given, pp. 119-122.

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use it to make purchases or discharge debts at home, instead of bringing it back to these shores for its equivalent in goods, opposite the goods left here.

The automatic Gold Standard was a blanket money system for the world. The effect on Britain was to make her money stay away; to make the rest of the world treat her not as a place to spend money in, but as a place in which to sell things and obtain money to spend elsewhere. We must try to make clear the reason for this.

It is most easily illustrated if we can imagine the case of a plurality of Homecrofting Groups neighbouring each other, and suddenly acquiring a single currency common to them all. This at once puts the small ones at the mercy of the large ones.

It is obvious that my grocer friend, scanning the piece of paper I had given her—one of our Homecroft units—and asking what she could get for it, and where she could get it, and when, was in the same position relatively to me, as if she had been the store-keeper of a neighbouring Homecrofting Group, when a member of another group who wanted something from this store, came presenting his own tokens. 'These tokens are not ours,' would doubtless be the greeting he got as he tendered them in the strange place for the first time. And there might be higgling and negotiation. But there is clearly no fatal reason against his being able to buy with them eventually. As a member of another group, he has earned them,

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possibly by hard work. He might wish, in a moment of impatience, that there had been only one token common to the two stores. Then his tribulations would not arise. But the probabilities are that he will be able to use these tokens peculiar to his own group, in this new place, if he perseveres. All would depend on the quality of the two stores. If his own was but a poor one, he would find his hard-earned units not valued very highly. He might have to give rather more of them than he would like for the particular commodity which he had been tempted to come here to purchase. Doubtless the temptation he had been under to come here at all was due to the superior wealth of this store. It was apparently the centre of a stronger group than his, with goods in greater variety and abundance, and perhaps also of better quality.

These differences of strength, which would doubtless exist from group to group wherever homecrofting became common, are the features in which they are parallel to nations. The position of Britain among the nations of the world, which made her adoption of a blanket-currency code running all over the world a very mischievous thing for her, was a position like that of a weak Homecrofting Group amongst stronger ones, when a blanket code is proposed for them, whereby there comes to be only one kind of token for them all, or all their various currencies are correlated to one.

This is precisely the kind of thing, incidentally,

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which someone is sure to propose. As surely as ten groups ranging from a membership, say, of fifty to a couple of thousand arise in a distressed area, some 'co-ordinator' or other will almost certainly wish for some kind of a 'clearing-house', in which to sit above them all and exercise a function of some kind. And it will be very well, so long as he does not try to have a code accepted, fixing how many units of group A are to be the standing equivalent of a unit of group B, and so on. To fix the units in that way, by an automatic rate of exchange, is to institute one currency for all the groups. The next step is to have one mint, one size of units, one colour-scheme and all the rest of it. It is possibly, if wisely done, a good thing; but certainly not a thing to do from aesthetic motives. What we are concerned with, for the moment, is to grasp the economic results of it; which, whether good or not when one is dealing with a number of self-subsisting groups in an area, are certainly fatal to some countries when one is dealing with the different countries of the world.

What is the result of imposing a common currency on a number of Homecrofting Groups or even on two, especially if one is much bigger than the other? We can get the answer from our illustration. What would have happened, if I could have told my lady of the grocery establishment that our little group was linked to that enormously larger one, the country as a whole; that those homecroft vouchers which she des-

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vised were correlated to the money of the country; that they literally were, every one of them, a fixed fraction of the pound sterling—perhaps one four-hundred-and-eightieth, or $\frac{1}{480}$; which is in fact about their money value? That would have been linking our little group to another one much bigger and stronger. Suppose, for example, that the Government had declared our unit to be legal tender for a halfpenny. It is clear that the lady of the shop would then accept them at once. For then, what had been a unit-claim upon one paltry store would have suddenly become a unit-claim on the whole town of Cheltenham, the whole land of Britain, and under a universal and automatic gold standard, upon the whole round globe. She would be eager to sell all she could! On the other hand, what would be the effect on us? Where is this person, having taken the chit, going to spend it now? Certainly not in the *little* store but in the *big* one; not with us, but in the Cheltenham shops. The little store will be left with its goods unsold. It will quickly be out of business.

That is the standing difference between little and big, in a context of Homecrofting Groups. The little store, if it values its own little life, if it does not want to find its goods constantly being left unsold, and itself gradually squeezed out of existence by its larger neighbours, must avoid competition with them. It must trade with its own tokens. Then it is sure that what it spends outside will be spent again over its own counter. The moment you clap a grid

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down upon the whole ten groups of an area, the bigger will begin to swallow the less, and eventually the biggest of all the whole of the remainder. Ten groups will telescope into one; nine busy little 'clerks' will find their occupations gone. One success will be recorded in the history of the Homecroft movement in that district and nine miserable failures.

Note, that so far as Homecrofting Groups are concerned (and it is the same with countries) there is no objection to the ten having a monetary centre. In the new social order which we contemplate, the banker has an honourable function. But the monetary centre must be a free market, not a clearing-house. Let anyone who cares to do so open a bank at which a member of group A can buy B units or C units for his own; or vice versa. But let there be no fixation of prices, no blanket code, no reduction of all the separate currencies to one—unless, as above hinted, with eyes open, with the deliberate intention of not having several little centres of life, conducting their spontaneous dealings with one another, having their common newspaper, annual games, or what you please, but only one big group.

For so long as these groups are running their own currencies, all *vicious* economic competition between them is cut out. Though they may joust at games together, vie with one another at a craft show, compete in artistic production or in making poetry (and again it is the same with nations), *they are not in*

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competition with one another for work. A homecroft member walking off to a neighbouring group to have his hair cut because he can have the operation better done there, a Tyneside shipbuilder going to Belgium for ship's plates because they are cheaper there, is not letting his own group down. He is not taking its work away. He is only giving a gentle jog to the dilatory barber, to the backward foundry. By that deed of desertion, the barber's or the foundry's work has not really gone to the other barber, or the other foundry, *but to some one else within the home group.* The units left 'abroad' in payment for the imports have to be brought back to buy something else here. What work the home craftsman, through his inefficiency, loses some one else gets—some one else at home.

The reader will perceive how like the whole argument begins to sound, to the old stock arguments for free trade. It is indeed so. Those arguments were sound. They only were making an unconscious assumption, namely that each country is trading with a currency peculiar to itself. Make that assumption true, and you make all the arguments valid. Goods can thereafter only be paid for with goods. Foreign trade need not be balanced. It automatically balances itself. Free trade needs to be protected by separate currencies. Under an automatic Gold Standard it is a misnomer.

It will be observed that the parallel between the several Homecrofting Groups and a plurality of

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countries appears to become inept at a certain point. Under a common currency it is the big Homecrofting Group which stands to gain, the small one is starved. Under a world currency the big group suffers from the union.¹

If my grocer friend had been told that my units were halfpence, she would have accepted them and spent them in the big shop. Why is the British shop not advantaged, then, by its bigness, under a currency common to the world? For it is not. We take up this question in the next chapter. There is no inconsistency. It is really because although British goods lack neither quantity nor quality nor variety, all is neutralized by their being dear. And yet they are not dear!

For it was not by cheaper goods that she was defeated in the world markets. The goods from other countries which displaced hers were not really cheaper. Rather, the pound, when it was taken away to those countries to buy, changed its value—altered its average-year food value—*en route*. The sovereign, just because it was now world-money and did not need to be sold for other money at the frontier of a new country but ‘ran’ straight through, lost its stability. Just because it remained the same in substance, everywhere, it changed its value wherever it went. Its value grew as one took it across the sea. It bought less average-year staple food at home than anywhere else away from home.

¹ See the figures pp. 119-122.

Chapter II

The Great Betrayal

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The aspiration to have all the moneys of the world united by a single Gold Standard was a very grave error but a very intelligible one.

It is always easy to imagine that because unity in itself is a good thing, to set up any kind of uniformity must be a step in the right direction. In the case of money the temptation was particularly insidious. What possible harm would come of fixing all the exchanges at a definite figure? It would smooth the passage of commerce. It would stop the higgling at the frontiers. The British merchant when he went abroad would know at once how many lire he had in his purse, how many dollars, how many francs. If all the world linked its coinage to Britain's, what could be better for the British foreign trade?

No such good came of it in reality, however, once the knot was tied. This economic and historical fact, and not the dust raised by the bi-metallists about the marriageability of gold and silver, was the true significance of the events of the early seventies when

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so many of the leading countries of the world hitched their moneys to that of Britain by monetizing gold.

That transaction could not bode any good to Britain. It could not escape but call up competitors against her, having artificial advantages with which it was impossible to cope. We need only think in concrete terms of what the change meant when gold became sole legal tender in other countries than Britain herself. It meant an immense widening of the 'shop' upon which British money was a claim.

The American merchant having sold his cargo in Liverpool, found that he had actually had dollars given him—literal dollars which he could take home and spend. Or they were lire, or they were marks, or they were francs. They were whatever he cared to call them, so long as he kept within the circle of the gold-using countries. It was a wonderful change for him. The payment he received in Britain for the goods he had left with her was not British sovereigns (exclusively) any longer, but gold bars which need not be coined. Without necessarily even moving them from the bank, he could go to Germany and show his paper, and straightway he had so-many marks and could buy with them. Or he could show his paper at home, and he had so-many dollars.

The real money unit in all the leading countries had become the grain of gold. Our merchant's cargo had made him so-many-grains rich and given him a claim on the world; instead of enriching him by so-

of British Commerce

many pounds-sterling, which could not (without much inconvenience and loss) give him a final claim out of England.

England had had a gold money ever since anybody could remember. But up to the seventies it had been practically peculiar to her. Nowhere else was gold the only legal tender. Any one selling to England for gold, had better spend the money where he earned it. Three-cornered trade was indeed easy enough. He could spend his earnings in any country, and he often did spend them abroad. But always what he was tendering was English money. People who took it from him had business to do in England with it. If he could find no one in Italy or Germany or wherever he wished to trade, who had a trade with England, he must either buy goods in England with it himself, or melt it down and sell it to the German or Italian jewellery trade, and obtain in that way the marks or lire he wanted for his German or Italian purchases; which was a rigidly limited way of doing; since if people did it on any scale, the trade could not take the glut of gold which would be occasioned. After the change, he could spend his gold finally in any country of the gold bloc. It was literally money. So-many grains were automatically so-much of the currency of the country.

By stepping on to the British money, Germany and the others became economically provinces of Britain. Our merchant had merely to look at his earnings and

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ask in which province of this greatly widened Britain he would spend them. All that region through which a single money runs is economically one country, and the place to spend one's money is of course the cheapest place. This, in the new country created by the gold standard, could not be Britain. Britain was the dear province; and that is the place to sell, not to buy. Germany or America was the place for buying. They were less industrially developed. Always this is the relation between a people which is more and one which is less industrially developed. The advanced people, despite all their enterprise and ability and achievement, are the disadvantageously placed, in this topsy-turvy arrangement. They are like the small shop in our illustration.¹ They are not really a small shop of course, or a backward one, or for that matter a dear one—in terms of the labour cost of an article. They are the best equipped in the world. Things are really cheaper here than anywhere. But the moment the simpler people are linked to them on the same money, a sea-change occurs. For of course the simpler people can live longer on a grain of gold. They can therefore do more for it. Erect your machinery among them and immediately you can produce a cheaper article.

Moreover when the currencies are linked it is particularly easy to erect the machinery. Capital, to use the ordinary phrase, is mobile. It was always more

¹ See pp. 103-8.

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mobile than labour. But when currencies are linked it acquires wings. Before then there was a barrier to pass. There was only one way by which a British manufacturer, ambitious for some accidental reason to establish a factory among Indians or Afghans, could proceed to do so. That was to buy the Indian or the Afghan money. Over that bridge he must pass. Even if he decided to unpick his mill, ship it out and set it up again, he still must have a supply of the money of the country to pay wages. This he could do without loss, only so far as the money of that people was to be found on the bourses of the world; only so far, that is, as the nation had begun to give its money to Western people for their goods; implying both that it wanted these goods and that the West to some extent respected and trusted its money. Intercourse must have begun in other words; or have begun to begin. And our adventurer would have to fit his transaction into this beneficently-slow process, he would have to keep step with it, in any enterprise which he hoped to make to pay.

The employer ambitious to use the labour of the primitive race could not go faster or farther than the degree of civilization already reached by the primitive race warranted. If he did, he would find himself going forth to buy their money on a scale too great for the amount of it which was available. He would create a famine in that commodity and force up its price on himself. The transfer of his business to where there seemed to be cheap labour, would

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become an affair too costly. Doubtless he could do it, but gradually; not in a way to make a fortune at a stroke. He could not simply walk off with a million pounds to 'wake up Afghanistan', or the like. It would not be enough to know of the virgin forests of the placè, or its hidden gold or coal or oil. He would have to ask certain other questions about it, how long the missionaries had been there, and what stage in general things were at. A certain decency would be imposed upon his haste. The devoted people would have some little time to become educated up to industrialism, before being pitchforked on to the crest of it.

The disparity in general development between Britain and the other countries with which she became lock-stepped in the matter of currency was less pronounced than in this imaginary instance; but it was a perfectly real and essentially similar divergence. A number of countries, all in the front rank of commerce and civilization, and yet all quite definitely less industrially developed than Britain, joined themselves to her in one money union. Capital could immediately move, where labour could not possibly follow. And it was tempted to do so. There was no need to buy marks or dollars to invest in Germany or America. You had them already. There was no danger, supposing too many people were clamouring for dollars, of forcing the price up. The price was fixed. A kind of show of buying at a market price

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there was, of course. The fixed price had a little, gentle, infinitesimal yield in it. It could move between the gold points. One 'bought' dollars. But if they showed the first sign of going dear—as though one might possibly not get the full number out of one's bars of gold—one didn't buy them. It was perfectly easy to send to the bank for the gold and ship it out, whereupon it was automatically the proper number of dollars. The swing of what should have been a free pendulum, the movement of the beam of what should have been a freely-swinging balance, was fixed by the cost of the (very reasonable) shipping and insurance charges for the transport of gold.

Wherever the ounce of gold could keep the labourer longest, there the ounces tended to go. For there they could buy the largest amount of the products of labour. And so the inevitable happened; although not even after it happened was the cause in the least suspected—till Phipson preached it decades later into ears entirely deaf except perhaps for those of people like Mark Major and his friends. Let us look how the figures of British trade were affected by these changes.

For entirely special reasons, Britain had, for thirty years after the introduction of her free trade, been in a position to lead the industrial world, and did so. It is well to realize how very emphatically she did so. Taking the records of the seven quinquennia

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between 1840 and 1874, and regarding the first quinquennium, 1840-44, as 100, we find from *Statistical Abstract for the United Kingdom* and *Blue Book* (Cd. 4954) that her exports rise as follows, per head of the population:

	1840-4	1845-9	1850-4	1855-9	1860-4	1865-9	1870-4
<i>Quinquennium</i>	1st	2nd	3rd	4th	5th	6th	7th
Exports per head	100	109	158	213	245	308	381

But by 1874 the new monetary era had begun; Germany had de-monetized silver and monetized gold, and the other leading countries had followed her. Britain, till now, had been the place where the machinery was; where, therefore, a given amount of food, supporting the labourer for a given length of time, was worth most in products of labour, of any place in the world. Also, during that period, the pound had remained roughly always the same amount of basic food. This was not due to any knowledge or care on the part of the authorities, but it happened so. Taking the price of wheat per quarter in 1840-4 as 100, the prices in the seven quinquennia (*Blue Book*, C. 8706) vary comparatively little. The figures are:

	1840-4	1845-9	1850-4	1855-9	1860-4	1865-9	1870-4
<i>Quinquennium</i>	1st	2nd	3rd	4th	5th	6th	7th
Wheat price	100	94	85	100	86	93	95

A fairly steady price for food in Great Britain so that food fetched a fairly steady number of pounds, a big return in manufactured products for your food-

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pound, and free ports—these things together kept the world buying manufacturers, with food products and with raw materials for manufacture, in these islands.

Immediately, however, the pound which had been obtained in Britain no longer required to be spent there, but might be spent where it had stretched its staple-food value; that is, amongst people whom it could maintain much longer than it could a Briton, the Briton lost the whole advantage of his advanced knowledge and his business capacity. For the same *food*, Britain was the cheapest place in the world. For the same piece of international *money*, she became immediately the dearest; the money, now, being one which raised its food-value immediately you took it anywhere abroad.

Britain, which could manufacture for the smallest expenditure of food, adopted a money which differentiated against her. The whole world was artificially made one country, before it was nearly ready to be one country. Britain in consequence simply became the dear quarter. It was merely a matter of starting machinery in the other places and her hitherto great trade began to flow there. This, and not the lack of gold, was the real explanation of 'the great slump of the seventies'. By a monetary trick, she was handicapped out of open markets. When other nations stepped on to her money, she should promptly have stepped off, and continued as before purchasing from the world with her goods. She

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should have adopted an unbacked paper, which was merely a ticket for those goods, as formerly her gold had approximately been; and so deprived herself of any possible means of paying for her imports, except by exports. Instead of paying by exports, she took to paying with money. Only one result could be looked for and the records faithfully show it.

Taking the seventh quinquennium from the introduction of free trade as our base line and calling it 100, we find the previous phenomenal rise in her exportation not merely suspended but sharply reversed. From *Blue Book* (Cd. 4954) we find the figures for the remainder of the century running thus:

	1870-4	1875-9	1880-4	1885-9	1890-4	1895-1900
<i>Quinquennium</i>	7th	8th	9th	10th	11th	12th
Exports per head	100	81	90	84	82	81

This happening in the calm waters of the nineteenth century, might, one would have thought, have awakened at least the suspicion that some definite change had taken place. The suddenness of it should have been a shock. But like so many monetary changes—like the change which we ourselves propose in order to regularize our trade again—it took place so silently that no one felt the faintest tremor or saw the shadow of a ripple. The depression was blamed on every conceivable fact except the simple one that England was trying to continue her business on a money which had become common to her and the world.

Chapter 12

The Nations' Need of Disentanglement

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We have been considering how agriculture can be given a chance to be able to drain off a substantial proportion of the unemployed—those who may not be prepared to homecroft in groups but may be ready for a venture on the land in the old way.

Our position has been that but for a long-standing kink in our economic structure the land would now have been attracting them. That kink consists of two misarrangements which prevent the blessings of progress from reaching the food-producer. The food producer cannot rise with the tide that is raising the world, because on the one hand the rent receiver above him can always ask for more pounds from him, while on the other hand the pound itself has been a slack, supine thing, which could not keep its value.

We have seen how easy it would be to make a new set of pounds which could be kept rigid, and how quietly they could be substituted for the unhappy collection we now have. We have also seen how this civilized and corrigible pound would affect the

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other great source of unemployment, foreign competition.

Foreign competition at present takes away work. With a free paper pound peculiar to the nation it cannot. Work can then only be imported from people abroad, by their taking work in return. If foreign competition drains away employment in one kind of occupation, it automatically makes other occupations busier. Those falling out of the one can go to the other. The problem is reduced to one of re-education and transference.

On the other hand, when all the world is made economically one country the area of every competition is increased, and nation is set struggling with nation for work itself. There is constant risk in every nation that employment may be taken away by its neighbour.

This premature, artificial, external union forced by a common money upon differently developed peoples, and the unnatural competition arising from it, have two further consequences for these peoples, one affecting their internal and the other their external affairs. Externally it strains the relations between them. Internally it immensely accelerates the drive of life. Tension without and tension within—these are its fruits.

The tension within is sufficiently familiar. It takes shape in that ubiquitous all-pervading tyranny which we call the pace of modern civilization.

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Why are we all going at such a pace? It seldom occurs to us to ask the question. We say 'modern life' and settle the matter. But it surely is a question. Wealth, we know, is power. It should bring assurance, self-possession, repose. It is poverty that drives a man from pillar to post. Yet modern civilization, the wealthier it becomes, must always rush the faster.

The reason in the last resort lies in that economic fusion from which we have been suffering for sixty years. This it is which has brought all a man's competitors in one wild mass on to his very hearth-rug. 'What are all the people hurrying for?' asks the innocent child on its first view of a cosmopolitan city street. They are hurrying because every soul of them has too many others to keep abreast of.

Competitors from all the world are now in every race. There were once numerous small areas, everybody was in one or another, and a man could hope to be among the winners in a race confined to his own district. Now the recruiting ground has widened. It has been a gradual process, with definite historical steps, and has largely been a phenomenon of transport. The individual who was once only in a parish competition, making boots or wheels or coffins, finds himself no longer even in a county or a national competition—for this work which is his living—but in a world-wide one.

Competitors from all the world are now in every race. But it is quite futile merely to erect barriers to

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keep them out. For one thing, what is so often said is in some part true, that people need a certain amount of driving from pillar to post to make them duly progressive. We need more competition than was common in the Middle Ages. But just as there is a point where our appreciation of the variety of modern life turns to rebellion at the pace at which it is driving us, so there is a point at which competition becomes economically monstrous; and the question what to do about it, is a question of fixing that point. Once we see where foreign competition becomes an evil, we shall see that tariffs are absurd as a treatment for that evil.

Modern international competition is monstrous, as it appears to us, not in that it is strenuous, but in that it is for the wrong object. An object has been competed for, which nation should never have been pitted against nation in pursuit of. That object is work. Work is life, and nations have been competing with one another for their life. It makes for a bad atmosphere.

No nation should ever need to say to another, 'Am I to have work or you?' It is like the question 'My life or yours?' between people with firearms. The foreign rival invading the markets of this nation with his cheaper products should never possibly, by so doing, find himself filching away this nation's employment. Parish may invade parish with this result quite innocently; or county county; but international friendships cannot stand such a strain. Yet tariffs do

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not help. The only help is to disentangle the nation's currency from that of other nations.

It is a wrong state of the world when, as under an automatic gold standard, it can continue selling in Britain where prices are high and doing its buying in a more primitive place where prices are low. If that other place were really a piece of England, say the stretch between the Channel and the Thames, it would be quite harmless for the world to do all its buying south of the Thames and only sell in Lancashire. The workpeople of Lancashire could go south of the Thames where the work was, and leave Lancashire to be a residential area with its investments south of the Thames. But Lancashire workmen cannot go to Germany or Japan.

It is a similarly wrong state of the world when one nation can canalize a whole staple industry of another away from it, without that action having any automatic effect in starting up some other industry within the nation's borders, to take the displaced people. If Poland is to have the British coal trade, there is nothing amiss about that. Let Italy and Spain and South America and the other places buy the coal which suits them best. That is economic freedom. But such freedom is a monstrosity unless separate currencies for separate countries go along with it. Under such currencies, on the other hand, freedom is the only source of economic health. Let Britain's money be national once more. Then,

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immediately the sales of British coal to Italy, Spain and South America cease, Italian, Spanish and South American money is at a premium in London, the supply having been so much reduced; not the same buying from them on our part as formerly; and this not because we have any objection to their oranges or hides, but merely because since they ceased taking anything in exchange, it is not economically possible. Their money has gone dear, and British money on their markets correspondingly cheap. Such is the effect of separate currencies. There is not the call for British money in the South American markets any more. Polish money is what they are calling for. That is where they are buying. And this is entirely good and well for all parties. If they cease to take their supplies of coal from us our money will cheapen on their hands. It must. It is not our doing but economic law. Any extensive sudden cessation of this kind must drive up the price of their money on our markets and down the price of our money on theirs; which is good for all parties. It breaks the force of the wave. It generates a reverberation of other exports on our side and other imports on theirs, moderating their haste as in the case of the cheap-labour exploiter; making the transition decently gradual by keeping it an exchange of goods for goods all the time; and thus allowing our displaced miners time to find their way into better occupations; occupations which are there, since other exports are now wanted for those countries or, in so far as such are not

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wanted, the imports which came from those countries are stopped and there is work amongst us making the corresponding home article. All nations alike are calling for this disentanglement. They are erecting tariffs only because they cannot formulate their need.

If Britain is using a national currency, what holds when a nation which had been in the habit of buying from her decides to change its custom to another shop, holds equally of the decision of any foreign Government to keep her goods out by a tariff.

A tariff is a great temptation since separate currencies have stopped. In the world as a whole, the machines are rapidly lessening work, and no nation has yet learnt where to bestow its unemployed. A tariff is a way of saying to other nations, 'We have people to keep employed. We make our own things. We do not want to buy yours.' But beneath it all, *sotto voce* so to speak, they are still willing to sell. No tariff-erecting nation wants to hurt its sales. If their moneys are national, then, a tariff simply fails of its purpose. It is made to strike both sides of the trade at once. By however much imports from Britain, let us say, are lessened by a tariff, by that same amount the demand for British money is lessened, in the markets of the tariff-imposing country; while the price of that country's money in London is raised correspondingly. The suddenness of the interruption is broken. The trade must be goods for goods. It tails off gradually. And it tails off equally both ways.

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The net upshot is that two countries which had been exchanging a good deal, for each other's benefit, are now exchanging less. The clock has gone back a bit on the horologe of time. Some people in both countries have been disturbed. But nobody is out of work. They have had to change their work, that is all. The one accustomed to producing hides which had been getting shoes from the other because they were superior, now produces fewer hides and does its best at shoes. The other accustomed to producing shoes, which had been getting its neighbour's superior hides in exchange for them, now produces fewer shoes and drafts off its superfluous men to do their best at hides. Monetary disentanglement turns the tariff weapon against the hand that rises it.

What holds of tariffs under separate currencies, holds of all artificial interruptions of trade whatever. If, under a régime of national currencies, Indians or Chinese boycott British cotton goods, they merely hurt the sale of their own tea. If no more British cotton is to be taken in India, no one in India needs British pounds any more so far as buying cotton is concerned. What then is the use of their continuing to send tea or jute to Britain for pounds? They cannot continue it. It is economically impossible. They have made it so. And once more, they have done no terrible harm—only set the clock back. Some of their tea hands will have to obey the call for cotton to be made in their own country; while we fall back on

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some shift or other, sending our cotton to people who have rather less good tea and will trade with us, or falling back on some other beverage, either procurable for exported goods which our people make, or if not, then producible at home by the people no longer needed in the manufacture of exported goods.

Incidentally, it should be noted that the boycott or rebellion is the less likely to need suppressing in these circumstances. It hits the people of India or China themselves, and in so far as they are enlightened and free they will see to their own salvation. Those who are hit have a motive for influencing the remainder in the direction of peace and goodwill. On an automatic gold standard all is disastrously otherwise. Britain may be boycotted in India, but pounds are as useful to the Indian people as ever. They do not buy only in Britain. They are valid in all the world. The boycott policy has no immediate economic repercussion upon the boycotters. Indian merchants may still keep all their tea gardens going and their employees busy while Lancashire workers groan and starve. It calls for some artificial measure, police, punitive expedition or war.

Whether we have to deal with boycotts or tariffs, which are an attempt to set trade back—or whether we have to accommodate ourselves to those natural redirections of trade, which are a symptom of its going forward, as when a country which had patronized our shop sees itself better served in another—it is absolutely essential to the peace of the world that

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every natural currency-sphere should run its own currency. It does not make for disunity. On the contrary, it makes for that national integrity of each people, without which they cannot deal with one another freely and without fear.

The most that any nation should ever need to fear from another is some spirited challenge to change its lines of occupation. It should not be economically possible for a foreign rival, even though he has the utmost freedom to come to this country and sell his goods, to filch away the nation's employment thereby. Parish may take away the employment of people in the next parish, without harm. County may invade county with such a result, as we have said. But international friendships cannot stand the strain.

There was a time when demarcations and divisions of all kinds were much more numerous than now, and no idea is more familiar than that boundaries count for less and less as human society advances. Families have become tribes, tribes states, and states federations of states. Everywhere the isolated becomes connected. But the process cannot go on haphazard. A law governs its right accomplishment. And our bristling contemporary nationalisms prove that it has been deeply transgressed.

Unification has proceeded as if it could be accomplished all on the same plan. From the parish upwards, areas have subsided into larger areas till economically speaking the only area we do not think

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of merging into its neighbours is the world. Parish marches may be economically obliterated without much hurt, but not so international boundaries. The permanent function of an economic boundary is to prevent the one area from losing its employment to the other. Always, in this matter, work may safely go only where the people may follow. If the work is drained away into a foreign country, misunderstandings arise. Let kinds of work go there, but not work.

It is no real evil to the individual that his kind of work should be held on a somewhat precarious tenure, against more and more competitors. It is good for his moral fibre and good for his skill. But if the loss of it does not mean automatically the provision of other work within his own country, which on that account he has his chance to obtain, he is competing for his life. Competition should be for luxuries, but not for life.

Universalism in money converts the human form of rivalry into the animal form. It changes a natural and chivalrous jousting for prizes into a race for the altogether indispensable. It gives competition the wrong object, sets too high a stake. The high stake makes the desperate struggle. And the desperation of the struggle makes the pace within and the fear of war without.

There could be no shallower objection to a national money than to say that it savours of nationalism. Nationalism in the derogatory sense exists precisely

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because of the sin which an international money has committed against the international spirit. That spirit has long been growing. The industrial era, the rise of free trade, the great Exhibition of 1851, all suggested to observers of an earlier generation that a new feeling was abroad among nations; that the follies of military rivalry were passing; that the more advanced peoples were really beginning to want to be good neighbours. But the specious fallacy that any sort of uniformity helps unity did deadly work when it vaguely associated a monetary union with dwelling together in unity. John Stuart Mill—who should have thought more clearly—already wonders how much longer the absurdity of an indefinite number of different little currencies is to be allowed to hinder the unification of the world. How far his attitude was influential it is hard to say. In any case the nations, conscious of a new rôle of world-citizenship coming upon them, did assume too early that they were ready for a common money. It was as though at the tender, tentative beginning of an interest in one another, they had been thrust, without ceremony, into a neighbourhood absurdly, impossibly, embarrassingly close. It was unbecoming. And no one can wonder at the sequel; at the strange lack of understanding of themselves and their motives which the nations have since displayed; still deeply desiring to be good neighbours, but neither able to like another, nor yet to understand why they cannot; perpetually embracing each other in a frenzy of

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anxiety to swear eternal friendship, and at the same time making furtive gestures to keep each other off. Disentanglement is what they need. The great desire of all nations, surely the strongest and sincerest world-desire known to history, the recent dear determination of the peoples to bury the memory of war and usher in an era when men could be sensible and live in peace, has been thwarted and stifled and turned into its own opposite, largely because beneath the silken threads of mutual understanding and friendship which the peoples had begun to throw around one another, was slipped unawares a galling fetter. That is why this veritable passion of internationalism could not get itself carried out. Every one knows that it was and still is the deepest mind of the modern world. International recriminations are wanted by no one. What has compassed its defeat? Simply that nature distributed mankind into nations and they became economically merged before they were culturally unified. Instead of each reposing calmly on its own base, slowly lifting its head into the free upper air of a common scholarship, a common code of business dealings, a common standard of morality and of economic life, they plunged without thinking into a struggle for existence with each other. None was secure that the work which the machines had not yet taken away from it, was not to be raided by the machines of some other nation. Life was in competition, and each nation dimly knew it. Each felt, with perfect and tragic truth, that the only safety lay

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in seizing the diminishing market by getting ahead of the others.

This is not the natural relationship of independent peoples. It does not become their dignity. The quantum of total employment within each—except for its lessening by progress—should be uniformly self-maintaining. The alternatives before Britain today should be 'coal or some other work' or 'textiles or some different occupation', not the desperate 'coal or nothing' or 'textiles or nothing', with its result of strained feelings in all the chancelleries of Europe, and sparks in the clouds overhead. It does not follow that, with natural relationships re-established, international misunderstandings will be at an end. It is not human that they should. But with reciprocity made inevitable, their sting will be drawn. They will no longer be a hopeless problem. A sweetening will have come into the conversations. Conversations can be sweet between peoples who know that however they may think themselves momentarily disadvantaged one by another, at this or that particular turn of affairs, all are secure of their livelihood. Though they compete, and may in the course of competition bicker a little, they are competing after all for the secondary things, not for the altogether indispensable. They are secure of their economic integrity. Their competition is not for life.

Chapter 13

One Currency for the British Empire?

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It is not convenient here to raise every question that might come up regarding the effect upon the world of that system of national currencies which we have seen is needed to obviate unemployment. But in the course of the endless debates that have taken place on unemployment the British Empire has figured largely, and measures have even been taken which deeply affect its well-being. It may not be inappropriate to ask what if anything the result would be upon the Empire, if we made our pounds pieces of British national paper. Our view is that provided the currency adopted was not an Imperial but a purely British one, its influence would be towards consolidation of the Empire; putting a kind of an economic seal upon the spiritual bond.

This arises from the still surviving economic relationship of the derivative peoples to the mother country, and from the principles which govern investment of a national currency.

England has made her mark as a foreign investor.

One Currency

Introducing free trade in the forties of last century, she quickly sprang into the position of manufacturer to the rest of the world. As her citizens grew rich they put out their money, not merely in further factories at home but in loans abroad where new countries were developing. The resulting interest was neither hoarded in a chest nor was it all used for developing their own island. It went abroad again. It has been truthfully pointed out that this was and still is England's conception of herself. She is a nation with much money abroad.

And her conception of the function of that money is not merely that it shall bring interest, but that it shall bring orders. The foreign borrower will place his orders where he gets his capital.

If England's currency is national, this becomes more than a pious hope depending on the sentiments of the borrower. It is then not economically possible for her to lend abroad without receiving sooner or later an accession of foreign orders. And before the seventies she used to receive those orders. But when she has only a world money to lend, which may be spent anywhere, there is nothing to hinder the people who borrow from her paying their interest, and only passing the orders to her if her goods are cheapest—which they are less and less likely to be, as we have seen.

This is the reason, incidentally, why people are now saying that investment abroad can be overdone; that development of foreign railway systems with

for the British Empire?

British capital was all very well in the railway age, but that it would be better now to regulate foreign investment, and give public utilities at home a chance, and so on. The apportionment of investments at home and abroad is another of the economic processes which have ceased to look after themselves and must be managed. Mysteriously they have come to do harm.

From the point of view of the question we are discussing it will be observed that the citizen of the Empire is in exactly the same position as the foreign citizen. Borrowing a world money from Britain he is tempted, even if he be a citizen of the Empire, to spend it where there is no guarantee whatever that it will occasion orders in Britain. On the other hand, borrowing a money which is exclusively British, there is no possibility that he should not occasion orders to go to Britain, even if he be a citizen of a foreign country with no particular loyalties in that direction.

Equally whether he borrows a national currency or an international, he can place his orders where he pleases. He can have his locomotives made in Philadelphia or in China on an English currency, perfectly easily if it suits him to do so. The difference is merely that in this case, the American or Chinese engineering firm must be purchasing something from Britain; whereas if international money has been borrowed from Britain and used in this way, they need not.

The whole theory that foreign investment brings

One Currency

foreign orders thus depends on the assumption that Britain uses her own money. And the belief derives its force from her experience during the time when she did so. She was then investing the national work. Under an automatic gold standard she was only investing work, national or other. And the dice were all loaded in favour of its being other, and against its being national. The dice continue to be so loaded, so long as the money is international. It makes no difference whatever that it should be invested in the Empire.

But when Britain is investing a national paper money of her own abroad, does it make any natural discrimination in favour of the Empire? For if it does, its introduction at once outclasses everything that has been suggested as a means of cementing the bonds between Britain and the outlying peoples.

And the answer can be confidently affirmative only in so far as it is still true that the overseas part of the British Commonwealth keeps its interest in primaries and Britain her industrial interest.

Of course, blood remains thicker than water, and the outlying citizens of the British Empire are probably predisposed to purchase in Britain if they are as well served there as elsewhere. But they will not patronize an unduly dear shop out of sentiment; nor can they be expected to. With the world open to them, they will ask where their surplus goods, the overflow which they have to exchange, is going to

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exchange for most. There they will spend the proceeds of their goods, quite oblivious of the fact, if it be the fact, that the money which set them up in business came originally from London, and that they still send their interest-payments to London.

The practical question, therefore, is whether the introduction of a national money reinforces their natural attachment by an economic motive any better than one artificially generated by tariffs and quotas; which when they work put the clock back, and when they do not (as they usually do not) destroy the very soul of a people.

The ultimate fact on which Britain can rely for giving her overseas population a real motive to conduct their exchanges with her in preference to others is her enormous capacity to import food. A people which has food products to export, if it has the choice of taking them to Britain for other products, or taking them to the rest of the world, will tend to take them to Britain, chiefly because the rest of the world is sufficiently supplied with food. Now the main exports of the overseas Empire are still agricultural products, of which food is the principal. From this point of view it is probably just to expect that without any pressure from differential duties, a national currency would take British products into the world, opposite the bulk of the characteristic exports of the Colonies and self-governing Dominions.

The home country and the peoples of the Empire

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do not, in literal fact, need one another economically at present. But by nature they do. Britain is still a manufacturing country while they still produce primaries. The only reason why they do not now feel their need of her and she of them is that neither needs to buy, directly or indirectly, where its selling is done. Reinststate that requirement and it will probably be found, on the whole, that the other members of the Empire can, of all places in the world, get the largest quantity of the kind of goods they want (in exchange for their goods) from Britain and vice versa. Give them all their separate and distinct paper currencies, and they will quite possibly feel their unity renewed. Here, once more, to distinguish is the way to unite.

Many of the British Colonies and dominions are heavily in debt to Britain. Rumours of default even occasionally disturb the atmosphere of the City of London. Under separate currencies the debts of those Colonies are their salvation. Clearly the one thing to sell in such a Colony in these circumstances would be British money. And it would be got by exports to Britain.

As regards proposals for an Imperial currency, it is to be very carefully observed that any single and uniform currency would tend to disintegrate the Empire. In so far as it could be made to run at all it would set up strains everywhere. It would make the Empire economically all one country over against the world. The world would then do as it has done,

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sell to the richest province of that country, namely Britain, and buy in the other parts of it. Hence inevitable stresses and strains, conferences, misunderstandings, futile efforts to make a machine work that is wrongly built. An Imperial currency if it were a success, would be for that reason a failure. In so far as it held together at all, it would set up a long slow process of shifting the Imperial centre of gravity. It would banish Rome from Rome.

It stands to reason that nothing could much assist the Empire if it worked the slow decay of Britain. Such would be the inevitable effect of successfully imposing on her a distinctive currency to be shared with all the Dominions—with, for example, 250 millions of people so much poorer than herself as are the people of India.

When the world has brought its goods to this country and sold them, our interest is that it should buy from us—directly or indirectly—in return. We have taken from it and it should take from us. We do not mind whether the customer spends in the very place in which he sells. But something should go out from us opposite what has come in. That is barter as it has been from the beginning of human affairs. If the money with which we pay belongs to our area and is not recognized elsewhere, the barter takes effect. But we must see to it, since there is nothing to shepherd the money which the world is spending with us into one part of our area more than another, that no hurt can accrue to us, wherever in the area the world

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spends. Is it indifferent to us, then, where within the Empire our currency is spent? Plainly not. The currency-sphere must not include some higher and some lower-standard peoples. If it does, the old trouble will break out. The world will buy from the latter and amongst the former only sell. It will lay down a pipe-line which constantly tends to conduct money from the one extreme of development to the other, like the pipe-line laid for Britain's money in the seventies, which took it to the other gold countries, and might have brought her to revolution instead of merely to depression, unless she had fallen upon a way of increasing her pounds by manufacturing invisible ones. For it was the competition abroad and not the want of pounds that, as we have said, made the great slump of the seventies in England.

A currency is a current, with a gravitational flow. If the whole of its area is approximately on a level it circulates about indifferently like a stream meandering through a plain; flowing from quarter to quarter as each thing it is seeking to buy happens to be produced more cheaply in terms of labour, in one spot or in another. If there is any depression in the area, especially if as in the British Empire there is a vast region where men work habitually 'for as many pence as the British workman requires shillings', it will flow there and fertilize the region, leaving the higher places to the long agonizing process of trying to get low enough down to be also watered. That is what caused the low prices in England after 1870, not the

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dearth of gold. A cheque pound is as good as a gold one. And they were common enough.

Much sentiment is wasted over the problem of Empire settlement. One hears of the 'urgent necessity of peopling Australia's empty lands' and the like. And well-meant proposals are made for the 'adoption' of various areas by various Local-Government areas in England in agreement with the Dominion Authorities, the intention being apparently that each county at home should have a piece of fertile land in the Commonwealth as a destination for its own overflow, quite apart from the big Dominion towns, to which settlers so often drift. On a grander scale, one hears of proposals to find a home for the Jews, or a place of refuge in some unclaimed quarter of the earth for some millions of refugees from Germany or Russia, where people of one race or culture could be more or less all together, and conduct a life of their own quite apart, as it is naively put, from the rest of the world. All this is very well and perfectly feasible on one condition only—that they are given their own paper currency at the same time. After that, it only needs organization. Without that no amount of organization has much chance of success. In a gold-standard world, the whole of the millionaire benefactors together in joint stock company can do no more for the refugees in the end, than first place them in their new home, and then invite them into a world-competition. If they keep their standard of life low

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enough down, they will survive. But if they raise it, the outside world will soon be amongst them again with its direct trading, tempting them to buy away from their own shops, with money which need never come back to them until their whole price-level is reduced to the point which the competition determines. Nothing can save the world in the lump. It must be saved in circles. We need to re-study the economics of the smaller group.

Between circle and circle there cannot be over-trading in either direction so long as each circle trades with its own money. To over-import goods from any foreign country is to over-export money to it. This reduces its price there, if the price of money-units is free to move. Otherwise, i.e. if money-units are tied to gold and not free to move, the whole price-level at home must move downwards, or trade cannot be balanced again. The tail must wag the dog. Instead of the price of a country's money-units abroad falling, their purchasing power at home must rise. Instead of the rate of exchange between two countries adapting itself freely to the natural fluctuations of trade, it remains rigid and generates a one-way trade. It forces the richer country to over-import and the poorer to over-export.

Chapter 14

Why the great Increase in Parasitic Occupations ?

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We have tried to draw a picture of how social progress ought to go. There is also a picture of how it is going. And our representation of the one can hardly be caught in full clearness, except against the background of the other.

While the words of the last chapter were being written, Sir James Jeans was comforting the British Association ¹ with the thought of the untold new wealth which science has brought to the world. He admitted indeed that science sometimes put men out of employment, but against that he made the familiar point that sometimes it created more work than it took away. Scientific research did lead to labour-saving invention; but it also made certain more fundamental discoveries which ultimately led to new trades catering for new popular demands, providing employment for vast armies of labour. The problem,

¹ Meeting at Aberdeen, September 1934.

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as he conceived it, was to keep a balance between those two kinds of scientific discovery. We had been having too many of the one and too few of the other; a steady flow of labour-saving devices with no accompanying steady flow of new industries to re-absorb the displaced labour. This could not but lead to unemployment. But since prophecy is impossible in this sphere, and there is no telling what research is going to lead whither, there was nothing we could do but push on and not be left behind in the international race.

Next to the fallacy that uniformity of money promotes harmony among the nations, perhaps the most deep-set economic fallacy of our time is this one, that men displaced from industry have nowhere to go but into the service of *new* popular demands.

This is not the nature of things. Science can and does ultimately cause the re-employment of the men it deprives of their living; but not in this way. The scientific way is indirect. The new industrial occupations it opens are not the main absorbent for the unemployed. Its improvements should ease up the whole rural population and let them in there.

Only the miscarriage of rent and the flabbiness of the pound have prevented the men discharged from industry, and not admitted into new industrial occupations, from being able by exercise of their liberty and intelligence, to wend their more or less devious ways into their several self-made places on the land. The real work for the unemployed is to relieve some

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of those who are now supplying the basic needs, not to supply new ones. New needs will arise, and call for as many of the extruded workers as they require; but an independent life on the land remains the only natural place for the mass. If this absorbent is closed to them, they can only press into the middle occupations, fill these to embarrassment, and there with other parasites generate decay. That is the track civilization is upon. That is how it is going.

To close what we venture to call the natural valve, and turn the whole force of the unemployed on to the supplying of new needs is to put an artificial pressure on the most sensitive place in our human constitution. Surely our candle is burning already, and giving beautiful light. Why, in the name of all that is precious, start it burning at both ends and in the middle, under a forced draught! We should leave new needs to arise of themselves. We should let them ask for what they want—never put pressure upon them.

It is tempting to speculate on what had been the result if this valve had never been closed, if rent of a changeless amount stated in pounds of changeless value had been the rock on which a free society was built.

The valve has been closed, be it observed, not because rents or rent-receivers are iniquitous institutions; they are on the contrary the very fabric of the economic order; but merely by our forgetting—through a process as human as the story of the banks

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—that when a man has sold the enjoyment of a piece of land to another he has sold it, equally whether it was for an annual sum or for a lump sum down. He cannot take it back again except by the reasonable process of buying it back, as he might buy back a horse or a coach which he regretted selling. We have not regarded rents as sales, and so have permitted them to be altered, either surreptitiously by failing to keep the pounds in which they were stated always the same in average-year-product value, or overtly by permitting the landlord to revise the sum.

With rigid rents and food-steady pounds, the displaced industrial worker, when he has seen that times have really changed for his trade, and that it is of no use persevering trying to get back where there is literally no room for him, can go out among the present occupiers of the land and just because of that state of affairs have some hope of seeing an opening. Those earlier on the road than he, and already some time established, will here and there have acquired savings and be thinking of getting places of their own. Times are such that one or another amongst the oldest-established of the agricultural labourer class, can go up to the present tenant of a piece of land and offer him a better rent for some portion of it than the tenant is himself now paying. Land has grown in value. Its yield is able to purchase more of the products of labour owing to technological improvements in industry. The present occupier is still only paying his original rent and knows he can never be asked to

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pay more. Why should he not bring a new man in under him, accepting rather more in rent than he himself has to pay, and so begin himself to be something of a landlord, although one who in his turn cannot raise rents after having granted them. His place with his former master can be taken by one of the men on the road.

The just incidence of rent is what secures that there shall be an opening for the extruded man, and that he shall be able slowly to rise. It alone spreads the benefit of human advance. The present occupier of the land feels it, in this instance, because he has a piece of profit-rent handed to him. He no longer needs to work so hard. The old servant feels it because he has now advanced to a piece of land of his own. The down-and-out industrial worker feels it because he has taken the old servant's place, and has a living where he had none. His mates, the remaining industrial workers of the town, also feel it, for he is no longer competing with them for wages. Finally the industrial employer feels it, because he has acquired his machine and has yet not killed his market. It is of course mere metaphor to particularize the operation like this, as though it would happen so in every case. But these are the principles, and would be the general long-range results. Rent is the fulcrum of the balance between industry and agriculture. It must stand firm as part of the framework of society, if there is to be freedom within that framework. The principle of a natural minimum

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wage in industry thereby secured is an indispensable part of any social order which is to be human and not merely animal. The whole working of the economic order is thrown into progressive disarray if landlords may notch their rents up and up. Between 1750 and 1877 the total rental of English land rose from £12 millions to £52 millions, according to Mulhall. If this is to be relied on, an estate let in 1750 for £12,000 per annum, in perpetuity, could have carried by 1877 twelve layers of tenants and sub-tenants in a descending series—each stratum of families forming itself beneath the last, as the last rose to let it in. Rent not abused is the principle which holds the gates to the land open, and gives the superfluous another resource than clinging desperately to the skirts of industry itself, trying to force themselves back on to its pay-sheet—thereby forcing industry into erratic developments which will provide occupations for them.

We little realize for how much this unnatural pressure has been responsible. We have probably altogether underestimated the economic significance of the man at a loose end coming to one better off, saying, 'Will you not let me'—do this or that for you. That man has the ingenuity born of distress. He is the source of much. Whence else came the cynical doctrine that the way to make a fortune is to invent a new vice and become the sole caterer for it?

It is tempting, at any rate, to speculate on what the probable result would have been, if this valve had

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never been closed: if the thunderous words of Bracton had literally stood: 'Let the lord take that which is his and go his way.' The colossal tempest of the industrial revolution would still have given the country a shake, no doubt. But the force of the wave would have been broken. These industrial towns of ours were recruited from the land. When they became overfilled, had the way back been open, the people would have streamed back. But they were forbidden this, their lateral spread. The pent-up human forces therefore could only thrust themselves upwards. First there was the long period of more congestion and horror, described by the nineteenth-century phil-anthropists, by Carlyle and Kingsley and Dickens. Slowly relief comes; but no *horizontal* relief, only the upwards-forcing of the tormented human masses, into the occupations which they have stimulated society into 'needing'. All the host of middlemen grows up, all the elaborate game of selling, the multiplied clerking, order-taking, advertising, delivering. And that, of course, in itself is nothing unreasonable. But far beyond it lay the ultra-refinements of all manner of 'service', shading everywhere into the same pandering to fads and fancies which has been written across the face of every decaying civilization in history. It is true that civilization awakens new needs, but new needs do not make civilization. That is only the confusion of sophisticated social theory running before the wind of fashion. The whole picture is revolting. Yonder were the men of the dawning industrial era

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cooped up in towns in heaps—their ‘stertorous unquiet slumber heard in Heaven’. As yet, under all their ‘coverlet of grime’ they are essentially unspoilt. They are from the country, most of them, and would gladly be on the open fields. But pressed together in their prison, they can only find something or other to do for those above them for the further cushioning of their life. New demands break out, not gradually and healthily as they do in a population distributed over the wide spaces in terraced series of wealth and rank, such series as it is the natural result of progress to generate, if our argument has any truth; but intensely, rapidly and under pressure. And the tastes in question are not confined to those for whom the workers work. They are reflected into the workers themselves. The denizens of Dickens’s slums are well acquainted with hunger. But the real misery is that the hungry people are people with appetites acclimatized to delicacy. Poverty is not to them an unvarying monotony of potatoes and salt or porridge and sour milk; but dregs of tea and chitterlings and scraps from rich men’s tables. The blare of city life is accessible to them, and is breath-of-life to them. They are the reflection of a city-dom, which has arisen in the very last resort, from nothing so much as the effect upon the ears of the affluent, of the appeal, ‘Is there not *something* you can let me do for you?’

Human progress is a spiral. Its direction is not straight up, but round and up. And if the outward

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movement is arrested there is no right movement upwards.

The tragedy is that all those things are the very beauty and glory of our human inheritance if we will only go the proper way round to get them. The new demands, needs, tastes which are forced into being by urban populations churning on themselves, are the very material of true cultivation could they have been let wait—as the non-urban leisured classes would have let them wait—till they could be naturally born. But the penned-in people literally learn to mistake condiment for nourishment, shadow for substance. They influence the whole scale of human valuation, and end in that inverted mentality which always sees the towns and their life in the centre of the picture, and the country as if it were some forgotten appendage to them—the country, which should bear them all with ease and joy like decorations on its own broad breast, which should only amuse and delight itself with them, wholly uncorrupted by them, and because uncorrupted by them save them from corrupting themselves. In fact, however, the country has drained itself into them. And becoming parasitic upon its own parasite, it has fallen for want of objective occupation to self-absorption, to ransacking itself for ever new sensibilities to awaken, new nerves to touch, until unable to be stimulated further it sinks back in exhaustion, still strangely and pathetically murmuring inarticulate benedictions on the forces that are destroying it, calling them Progress, Refine-

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ment, Freedom, Self-Expression and thinking it has not had enough. Hard as Phipson's saying may be found, that the independent food-producing groups of a country are its only 'true' buyers, the fact remains that theirs are the sort of needs which industrialism should be mainly occupied supplying—whether the people to be supplied are found in its own country or have spread by emigration into an Empire far beyond its borders. There is no necessity that we should puritanize ourselves, or resolve to refuse to furnish cinema shows and flood lighting, chewing-gums, patent medicines, racing coupons—almost whatever is asked for. We can stand all these things—they will only become adornment and joy—if there always remains a broad enough background of solid substance in the national life to carry them. An industrialism whose main customers are masses of people who need fuel and oil, cottons and woollens, mattocks and rakes and reaping-machines, roads and bridges and rolling-stock, will arrive at the other things—it only will not live on them. How to keep primary and secondary in their true relation is the core of the social problem. Any sociology not interested in preserving this balance is not interested in its subject-matter. The severest criticism of the Bolshevist régime in Russia is precisely that it envisages the country as a department of the town, agriculture as one of the industries.

Chapter 15

Summary

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A thesis like the foregoing suffers to some extent from its simplicity. It deals with elementary conceptions which have had a long reign in economics; and, because they are basic are very difficult to modify. For the most part we have not been seeking to deny them but rather to give them the very slight turn which is needed to bring them into line with the truth and entirely alter the practical outlook for unemployment.

For instance, two ways of treating unemployment have been held axiomatic by different sets of people; namely, to try like Mr. Roosevelt in America to restart the industrial machinery, or to confine ourselves like the National Council of Social Service in our own country to helping the victims to bear it, till some clearing of the economic weather comes of itself to relieve them. It would be a mistake to say that we take no side in this controversy. We do side emphatically with the National Council. It is of no use trying to absorb the unemployed by starting up

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the old machine. We would rather say, go down like St. Francis and succour the helpless, only do it in the right way. Infuse the spirit of brotherliness into the victims of the slump, get them together into brotherhoods of 50 to 2,000 to work for one another in the family spirit, and you will find you are doing the other thing too, only doing it also in the right way; not, indeed, setting the old industrial machine moving, yet restarting production; doing more, that is, than merely diverting your poor people or helping them to endure till better times come; actually bringing the better times, by putting the people economically onto their feet. Both Roosevelt's way and the National Council's way of treating unemployment are the same when either of them is rightly gone about. Our Homecrofting group simply brings two things together which were thought to be separate. It does two functions in one which were thought to be different. It goes out to help the victims, and finds itself moving the very economic depression itself.

Our other provision for the unemployed, namely their absorption into agriculture, introduces a distinction between two things which have often been regarded as axiomatically the same. We have suggested that as men are extruded from industry, owing to progressive methods, agriculture should receive them. But to the orthodox economist agriculture is an industry. And it is unthinkable that

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prosperity in the one should synchronize with unemployment in the other, so that the closing of opportunities of work in the factories should open them in the fields. How can a continuously increasing number of workers, shed from industry because of 'improvements', become wanted by the farmer? An industrial depression hits all industries, including the agricultural industry.

Thus the economist—or at any rate many economists. But in speaking thus we are letting the mere proximity of a paltry hundred and fifty years of 'great industry' blind us to a distinction which, because it is economically vital, has written itself out in the whole contour of economic existence almost since the world began, the distinction between the agricultural basis and the industrial superstructure of society, between, to put it accurately, those who must market everything they produce before they can live and those who, like the traditional peasant family group, make so many things at home that they do not need to market very much at all.

It is a daring statement perhaps, but we are compelled to say that there is an ultimate distinction between the seller and the buyer. The seller is the person who lives by selling; the buyer is he who does not. The buyer has an independence which the seller has not. And the buyers are the basis of the state. The state is a community of independent members, or rather groups, each of which stands

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solidly on the earth and is therefore able to support the others. These independent nuclei may either be families or larger groups, their function is the same. Only the families have existed in the past; but both could exist, as we have advocated. They are nuclei of individuals whose joint work produces the bulk of their own requirements, and who buy only with their overflow. The proposal for Homecrofting Groups is really a proposal to revive in the nation a mass of such fulcra, as supports, in order that industry itself may be retained. For the people who sell are retained by those who buy, not *vice versa*. All industry needs to be thus retained by a class who are able to buy from it. Homecrofting Groups are a beginning of that class—or rather, of a modern form of it. They are made by turning the helpless victims of modern methods into self-supporting nuclei with a surplus; and therefore into buyers; into constituents of that independent class without which there can be no state and therefore no industry.

They are really the only formation of the people that can save industry from itself. Invention, as we have seen, by always curtailing the production-process, is eliminating labour and leaving people without resources. At its present rate, it is rapidly filling the world with wageless men. It must be saved from itself, by turning these extruded people into buyers of its products. You turn them into buyers whenever you gather them round a pool to fill it with their

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own necessities by their own labour, and to take payment in paper claims on their own pool. *They can then go with these claims, and patronize the industry which extruded them. And only so does it seem possible for that industry to be saved from the consequences of its own development.* Mechanical progress can go on only if all dependent sellers, when they are pushed out of the selling class by science and invention, are free to form themselves into the class of self-supporting, independent buyers who can more or less live whether they buy or not. An industrial depression which hits all industries does not hit these Homecrofting Groups. It makes them more prosperous. It pours recruits into them. And the very cheapening of the production processes which causes this recruitment makes every group's overflow go farther. In consequence of industrial development the claims on a pool, when the members of it go forth to buy with them from outside industry, can purchase more. The economies effected in production, which created them, have also created a cheaper market and so increased their purchasing power.

Whether the new class of buyers are Homecrofting Groups on the land making 'everything' for themselves (except such luxuries or utilities as a group of a few thousand cannot conveniently produce) or whether they are family groups each on its own farm, which is what is meant by a revived agriculture, makes little difference in principle. Industrial improvements, though causing unemployment in in-

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dustry, make them prosper. We have advocated both absorbents, although in the end the two are one. Both are buying groups—only, the one is smaller and the other larger. And a class of buyers is what our civilization must contrive to develop.

Whether the buyers in question be such family groups as we have been familiar with—farmers, small-holders, cultivators of the soil—or whether they be Homecrofting Groups of the larger kind, they are at any rate a mass of comparatively small producing groups. But one great advantage of working out the remedy in terms of agriculture as we know it, is the vivid light it casts upon the function of rent in the whole enterprise.

When the economist cannot see how agriculture can ever possibly absorb all the overflow from industry, he is failing as we have said to distance the subject he is studying sufficiently to see it. He is allowing himself to be obsessed by this immense mis-growth of modern industry in the foreground of his field of vision. It has been a devourer. Agriculture has been absorbed into its vortex; and there is nothing now but industry. All of us practically live by selling all that we produce. But though this seems an elementary fact, it is not quite so. It is derivative. In other words there is a reason for it. And the reason lies in two things—that the number of pounds in a rent-contract has not been held unalterable so long as the rent was paid; and that

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the food value of the pound, in terms of which rent contracts are made, has been allowed to drift. Let rent contracts be unchangeable and let the average-year food value of the pound be steady; maintain these two fundamental conditions of civilized prosperity firmly; and you can either proceed to make new independent buying groups along the lines advocated, or you can make use of those that are ready-made to your hand, the actual crofting, farming, small-holding families—as the absorbents of the unemployed. The only elements of priority which Homecrofting Groups may be held to have over revival of the traditional farmer class, are (a) that they are an *immediate* way of bringing succour to the unemployed, and (b) that they are intrinsically a higher social phenomenon than the traditional crofting family, inasmuch as while they till the land and produce their own food, they are capable of an indefinitely more advanced standard of life. And there is one other point of superiority. If salvation is sought along the lines of Homecrofting Groups, it is probable that there would be no need for restriction of machinery at all—not even in agriculture.

If the money unit is always the same average-year food, then the rent at which I let a farm is a given amount of the land's average-year produce. If we regard it as a fundamental law that the tenant is entitled in perpetuity to all the surplus produce of his farm after this rent is paid, and to all the comforts such surplus may come to be able to purchase for

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him as progress goes on, it is obvious that the same labour devoted to his farm will make him a richer and richer man. The labour of making other goods being continually abridged by science, his surplus produce goes further in buying them. The victims of labour-saving can therefore be taken on by him as servants or as sub-lessees of parts of his farm.

Let us attempt one more re-statement of this cardinal, and not really difficult, argument. Suppose the amount of home-grown food absorbed by our island population is a certain fixed total amount. The farmers are now supplying this. The difficulty which I think prevents apprehension of the simple fact in question is that one does not at once see how farmers, already working their various holdings in a normal way, could come to want more men, even though science and invention and industrial progress are 'putting men on the roads'.

The farmers will of course not need more men unless they work less hard themselves. But to be in a position to work less hard is the natural reward of prosperity and the natural goal of every life. If I am able to pay a maid to sweep my rooms I rejoice. I am always glad to be released for higher occupations. It is my interest as well as my duty not to keep her out of a job. It is my interest as well as my duty to divert a part of my income to her and live on the rest. That is what the farmer does—not in present conditions of course, but when rents are fixtures and pounds are stable in terms of food, so that he can get

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the full advantage of all progress; the surplus of his farm, after the rent is paid, leaving him the richer for every abridgment of production and consequent cheapening of the product which science and organization effect. The farmer does not go on producing the crop himself after he can pay another man to do it. He is a free tenant, holding his land in return for a certain fixed slice of his average-year crop. On the sale of the remainder he lives. With progress this remainder buys more. He can pay a man with a portion and live on the proceeds of the other portion. In other words, the farmer having prospered will offer his farm to another man at a market rent pay his own head-rent out of it and live on the difference, or he will partly do this. He will offer a part of his farm at a market rent, and add the difference to his income.

The same law, exactly, governs the ultimate prosperity of the Homecrofting Group. The economic life of the country is like nothing so much as a great game, the unemployed being people who once were in it but who have been put out. They are now spectators merely. And it becomes very clear as time passes that they will never all be in again. Here and there an individual who has perhaps acquired some special training at Government or other expense may find himself able to scramble over the heads of his fellows and get back in; but always at the cost of keeping someone else out. The old work-fund theory is not so

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false as has been represented. It is not a great error with a little margin of truth in it. It is a great truth with a little margin of error. What is clearly wanted at a time when every one except a theorist sees that there is not enough work to go round, is that the lookers-on at the great game should cease trying to get in again; and instead, should face about and start an innumerable series of little games of their own, found a new class, a class of groups each of which rents a piece of land like a small-holder—enough to supply itself with food—and practises ‘subsistence farming’, not on the old hard method which it is now the despair of American agricultural leaders that they cannot reintroduce but on a method compatible with modern standards of life, the method of making as nearly as possible all their necessities by joint production and division of labour, and purchasing their luxuries from central industry; making such purchases with those surplus claims on their own common pool, which they possess.

One need not dwell further on the mechanism of these purchases. The member of a group can make them, either from central industry or from another group. To the general coin of the realm, these innumerable little homecroft currencies are nothing but a new kind of merchandise which has come above the horizon and is being dealt in by the shops. A claim on a certain pool is just a packet of goods. And it sells for what it is worth like anything else. When members of Homecrofting Groups wish to buy fertilizers

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from the I.C.I., or borrow money from a bank, they merely sell some surplus claims or deposit them as security in the bank. There is nothing very significant or new in the relation of the Homecrofting Group to central industry—the ‘mass production’ which has been throttling itself by throwing men out, and which they alone, by getting themselves into a position to be purchasers, can now keep alive. The Homecrofting Group is merely a number of erstwhile unemployed people who are still unemployed, but have now created enough wealth to be able to buy as before.

The significant relation is that between two Homecrofting Groups. And here we are getting beneath another of the current axioms; the apparent advantage that a low-standard people enjoys in the world-competition.

This is again a situation which the economist as a rule simply cannot see otherwise. If a native of India can live on as many pence a day as a British workman requires shillings, has he not an advantageous position, and can anything in the world alter such an economic fact? Yet this too invites the same answer as before. You are looking at a derivative fact and mistaking it for a primary one.

I grant it looks very natural. But appearances are not all one way. From another point of view it looks upside down. Skill and education and culture ought to be (and at bottom surely are) advantages to man

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in the conquest of nature; and if they have become a disadvantage I must insist that this is not a quite elementary and necessary truth. Rather, it is an unnatural position into which we have brought ourselves by an artificial arrangement.

In 1934 a report was published giving the results of an inquiry by Mr. Gamble, the research secretary of the National Council of the Y.M.C.A. in Peking, into the Chinese standard of living. Two hundred and eighty-three Peking families were asked to keep accurate accounts of their income and how they spent it during the year. The families ranged right through the social scale from professors to bird-catchers. At the bottom of the scale were to be found working-class families of six which, on a wage of 3s. a week, could not only exist but come out at the end of the year with a balance on the right side. No wonder if they do not need to buy cotton goods from Lancashire. Japanese statistics, it may be presumed, are little if any different. No wonder if they can sell cotton shirts in Lancashire.

How are we to stand up to that? How is it possible to prevent the more primitive community having the cheaper labour? And if it has the cheaper labour, how is it possible to be immunized against it?

Firstly, I am eager to grant that none of the received methods do immunize us. One cannot forbid the more primitive country to erect factories; and it is not economically sound to shut its goods out of our

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markets, either by tariffs or prohibitions or 'cotton-conversations with Japan'. We can only try to keep ahead in the quantity and quality of goods which our machinery and processes turn out. That may not seem very hopeful. But there is another thing we can do. We can act as if we were a Homecrofting Group purchasing those goods with its own tokens, from another group. The money we pay to Japan should be an order on Britain; a paper claim on the British shop. Then although Japan sold us shirts, it would only be for a money which she must spend on something else that we make. The money we paid to Japan, being only our own paper, must come back.

'But' it will be insisted 'under an automatic gold standard too, the money comes back.' Yes, but when? And by what means? Under an automatic gold standard, an over-importing country does not right itself until it has paid out so much for goods from abroad, that its money has become scarce at home, and pulled down its home prices to the level of those in the other countries of the world.

'But' I will be asked 'is not that merely an unfortunate, but again a very natural fact? Who are we, that we should be able to sell to the world with our price-level up?' I can only repeat that from another point of view it is most unnatural, and point out the artificiality from which it arises. As we have put it, there is no necessity that the tail should wag the dog instead of the dog wagging its tail. There is no necessity that the whole price-level of a country should fall,

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as by some vast geological subsidence, merely in order that its over-spent money should come back. Over-spent money should bring itself back. It should come back by its own gravity. The money itself should be selling at discount where it has gone, and come back in that way. That is the effect of a glut of goods on a market. And it should be the effect of a glut of British money. 'But British money does sometimes glut the foreign market, and its price does rise and fall even under an automatic gold standard.' Yes, but only between the gold points. The balance is only permitted to swing between these two narrow limits. The gold standard is nothing but the artificial fixing of the price of a country's money, e.g. the number of dollars or yen that are to be paid for a pound. Abrogate that; if Britain is sending too much money into the surrounding world let the price of her money fall freely in the markets of the world; then her home price-level may stay put. Her cheap money will then come back to her sharply. Gresham's law will see to it. Bad money drives out good. British pounds that are a glut in New York market are exactly in that position. And let us remember that a sensitive balance, poised between two opposite and counteracting forces, remains spontaneously steady.

The truth is we only need to slit the seams by which the nations have sewn themselves together and set them free, and they will live at peace in a world abundantly big enough to hold them all.

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It may be said with truth that the immediate drift of social affairs is not towards the ideal we have here represented. It is towards regimentation—sometimes of a more communistic, sometimes of a more Fascistic sort. All I have to say upon that is, that regimentation would be a good thing enough if freedom were played out. But I believe there is an economics of freedom. There is such a thing as the free state. It is a better thing than regimentation and costs less. No violence is implied in it, or even compatible with it. To bring it to the birth is the only real revolution—a silent one. ‘The change’ to quote the great author whom I have been imperfectly seeking to follow ‘would be such a one as is wrought in a frost-bound land by the gradual approach of spring. Here and there a grain would shoot, here and there the leaf-sheaves burst, a golden crocus raise its head, or starry snowdrop gem the ground. There would be no sudden ripening of an impossible harvest—nothing, perhaps, but a certain tenderness in the air telling of a present quickening; an unwonted feeling of independence, imparting a new sense of security.’ To bring this fully to earth doubtless requires more than any economics can give. But the economic behests which clear the path for it and render it possible are in the end only three. (a) Go down and save the individual victims of the present blind industrial process by grouping them into larger or smaller families of self-supporting ‘buyers’, without which industry itself cannot be

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saved from the consequences of its own orgy of invention. (b) Teach the rent-receiver to see—or at least make him by law understand—that he has never had the shadow of an economic or moral right to touch more of the total yield of his tenant's farm, than the annual portion which the tenant undertook to give him as rent; and make the tenant himself understand that when he becomes rent-receiver, he is similarly bound. And (c) in order to secure this end, make the British pound a food-pound in the only way which that can be done, namely by making it inconvertible into gold or any commodity whatever, a mere piece of national paper to be sold in other countries at all times like merchandise for what it will fetch. Then must the pound remain for ever at parity of purchasing power over food with the other moneys of the world, and trade be automatically reciprocal. The price of the pound in dollars or marks will oscillate freely with trade. And the number about which it will oscillate is that number of dollars or marks which purchases the same food in America or Germany as the pound does in England.

Chapter 16

Can different Theories meet ?

★

Iwould fain not have closed this effort to throw light on the economy of unemployment without some attempt to compare the great forgotten writer whose thought I have been chiefly expounding with other workers in the same field. But I can hardly do more for the present than merely testify to my conviction that the economic principle which opens to the unemployed the opportunity of self-subsistence on the land also provides something of a meeting-point for many contemporary theses which have seemed hitherto to have little enough bearing on one another.

Despite the mountains of irrelevance under which Phipson so effectually buried all he had to say, despite the absence of humour from his pages, the want of dramatic gift, the heavy Ruskinian style and the prophetic cloak, I cannot but think that he is only seeing together many of the truths which our various money reformers are seeing separately.

Thus, for example, Professor Irving Fisher. I do not know how far it is the habit of constantly overlay-

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ing it with a thought-pattern of my own, but it has been impossible for me even to expound the point of view I have been upon without stumbling unconsciously upon Fisher's very phrases. 'So far from the pound being stable because of an invariable gold content, it can only be stable if its gold content varies.' That is the English of the compensated dollar. And of course Phipson saw it. I give it only as an impression, but at least it seems to me suggestive of being on the right track, to find myself standing so close to the princeliest of all the money reformers on a point so cardinal. And it is by no means the only point.

Professor Cassel's name has been encountered, one supposes, by every student of the international money problem. Complete as the differences are—and this holds of all the theorists—between the view as a whole which has been expounded here and anything which Professor Cassel could accept as a whole, I still must humbly think that the mutual dealings of Homecrofting Groups, taken as a metaphor of the mutual dealings of states under separate currencies, would meet with his approval. It leads us to regard foreign units in a country's market as simply bundles of foreign goods selling there, like the goods themselves, at a price determined by supply and demand. That seems to me entirely consistent with the doctrine of Cassel as to how rates of exchange behave when their common basis has been shaken by war. That such currencies will exchange at about parity of purchasing

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power is not a strange doctrine to us. We proceed upon it throughout. Our exact assumption is that currency A appearing in the markets of country B will sell for just as much B currency as the goods it commands in its own home determine. In other words, the citizen of B will tend to spend his money to equal advantage whether he buys at home or in country A.

As to differences from Cassel, I can only speak more or less at a venture. But the root difference must, I think, be that the step-wise arrangement of the peoples of the earth into a series of descending degrees of social and industrial development is not for him a fact whose untoward incidence upon an advanced nation's trade would be mitigated any more by one currency arrangement than another. If so, the issue between him and the view taken here is deep; but also I think that any layman can judge it.

One cannot turn to British writers on money without at once lighting upon the work of Mr. J. M. Keynes—of whom, what must one say? Some gods are hidden in darkness and some in dazzling light. But I think even the most bemused of uninitiated readers may pierce the brilliance far enough to detect some genuine affinity here too; nay, even feel that our national currency, or something very like it, is this writer's real eldorado, his fascinating, half-discovered country. His *Tract on Monetary Reform* drove it deep into the minds of his colleagues that 'we cannot both eat our cake and have it' in the matter of stability in the money unit. We cannot enjoy a pound at once

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fixed in its price abroad and steady in its home purchasing power. And anyone at all, scanning Mr. Keynes from however melancholy a distance, may surely be forgiven for linking his name with far-reaching views about price-stability coming before external exchange-stability, about unfixing the sterling value of gold, about freeing the note issue from the gold reserves—in fact, with a mind moving in great wide gyrations towards a centre of attraction, for which a ‘national money’ might easily enough be the name. He is no friend of the Gold Standard and yet he seems to take himself to be more unique in that than he is. Deep in the second volume of the *Treatise* of 1930, after a passage arguing that gold would make an ideal international money if an international money were ideal at all, the bewildered follower of Phipson comes upon this:

‘But is it certain that the ideal standard is an international standard? It has been usual to assume that the answer is so obviously in the affirmative as to need no argument. *I do not know where it has been questioned except in my own “Tract on Monetary Reform”, Chapter IV.*’¹

And having risked this most revealing statement he proceeds to ‘attempt to do justice’ to ‘the considerations which can be advanced on the other side’.

I am not competent to go into these considerations, not having been reared in Mr. Keynes’s economic traditions. But I cannot feel convinced that he has

¹ *Treatise on Money*, Vol. II, page 301. Italics mine.

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seized the weightiest of them. I do not know why he gives the right answer to the question, "Should standards of value be international?" for what seems so wrong a reason. He replies to it in the negative, because purchasing power, he says, cannot *mean* the same thing in different parts of the world. But surely it can and must. If purchasing power be that in the unit which we all want to see steady, then it must mean at least a certain quality or power residing, among other places, in a money unit. It is a quality or power, moreover, which can be further defined. It is the power to command, in a free market, always that amount of materialized absolute value which nature, or the difficulty of obtaining it, justifies.

Now something embodying absolute value in material form, something such that special abundance of it in any year must free money for purchasing other things and make general prices rise, and any special scarcity of it in a particular year must conversely, by absorbing money which would otherwise be spent on other things, make general prices fall—something so constituted can, as we have thought, be found. We can see that under conditions of freedom this must be the economic behaviour of a people's staple food. And what is *a priori* obvious is also, so far as our observations go, able to be approximately empirically confirmed. Purchasing power over the same amount of the staple food grain of a country, therefore, which varies with the seasons and does not vary otherwise—that is what purchasing power (or

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at any rate the particular purchasing power of which we wish to see the money unit contain a stable amount) must mean 'everywhere'.

There is clearly a profound difference of view here, the gravamen of which must I think be connected with a difference as to the degree of respect to be accorded to common-sense assumptions. I think common sense does assume that there is something of absolute value, whenever it reflects on the subject. If so, it is surely justifiable to aim as we have done, at finding a definite material embodiment of it. We take it that the absolute value is life itself, perhaps in a wide sense. If such value can assume material and measurable form, a unit thereof must reside in that unit of matter which supports life for a certain length of time. This, food does. Hence the real value of your money unit, whatever it may be made of, is the food in it, as Adam Smith saw. And the stability which we want in a unit is not indeed that its value should be always the same, not that it should always support life for the same length of time, but that it should support life for the same time in the same circumstances, that its power to support life should vary with nature and with nothing else.

To enumerate random affinities with independent writers has perhaps little point when the opportunity is lacking to go fully into what may be only superficial resemblances. All one can plead is its fascination. I venture to think, if I may mention one more name, that no one will pass from the foregoing re-

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flections to the great work of Silvio Gesell,¹ without being struck with the thought that he is attempting, on the broad stage of the world rather than upon the more manageable area of a single country, an essentially similar reform.

When one comes to the numerous less closely affiliated writers, Foster and Catchings, Eisler, Abbati, Douglas, Soddy, Macmillan, Arthur Kitson and many more, the temptation to spend time grouping them round the circle at the centre of which one seems to find oneself standing becomes almost one to be resisted; misrepresentation is so easy, unless one is peculiarly well equipped both with knowledge of these reformers' writings and the gift of taking their meaning. Still, I am persuaded that the garnering in of that saving 'truth about money' for which the world has been waiting so desperately is not likely to be any one man's work; and the truest truth will be that in which the largest number of diverse and independent 'visions' can find a home. So long as all theories, to quote Sir Josiah Stamp, 'live lusty lives in isolation', that degree of intellectual unanimity which seems the necessary prelude to saving action is not likely to be attained. And I have no more earnest wish for the thing I have tried to utter, than that it be laid alongside other sincere utterances and compared therewith by that mass of uncommitted

¹ *The National Economic Order*, translated from the sixth German edition by Philip Pye (Neoverlag, Berlin—Frohnau, 1929).

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readers through whose suffrages alone actual reform is to be looked for.

The direction of reform here indicated has at least the advantage of simplicity. The formation of Homecrofting Groups can be begun at once by anyone who cares to read the Appendix to this booklet. As to the other and greater refuge for the unemployed, the family life of the cultivator, the legal changes required in order to naturalize our economic arrangements and show whether it can get itself carried out or not, are, although momentous in their significance, so unobtrusive in the doing as to be like the knocking out of the wedge which allows the great vessel to launch itself into the sea of its own motion. Men do not really need to carry such a measure by a dead lift. The state of our economic affairs is waiting for it. And if I do not follow the example of Professor Fisher and actually draft a Bill to nationalize the pound and secure finality in rent contracts, it is merely because it would seem to be such easy work, when the proper time comes, for the specialist accustomed to the task. If to grant a rent concludes a sale, if the national pounds in terms of which it is concluded have always the same average-year-food value, and if freedom prevails, then a new hope arises for the unemployed. Self-providing groups can be formed for them, the land can be opened to them, and foreign competition is prevented from taking away their work.