These Present Discontents.

I.

Whether or not the Great War has released the immense flood of criticism on every subject, which is the feature of the moment, or whether, as is probable, a position would in any case have been reached by this time in which a large majority of the world's population must have become profoundly dissatisfied with their lot, is no doubt arguable. But that such a position has arrived surely no one would deny. Even the hard-shelled Tory, if he be anything at all of a realist, must admit that, reasonably or otherwise, his opponents are making the working of that pre-war world to which his eyes turn back with longing, and to the restoration of which his energies are bent, an arduous and uncomfortable undertaking; while the audacious seekers after that New World so confidently promised as the logical consequence of a victorious peace, seem united on one subject only – the determination to make the old one as uncomfortable as possible for everybody.

Viewed dispassionately, therefore, it seems fair to assume that we really are on the eve of great, even fundamental, changes; that, while change must come, it is childish to believe that any sort of change will do; and, in consequence, to grant that it is of vital importance to know what is amiss with civilisation, as a preliminary to prescribing for the malady.

There are already a number of popular remedies on the market – there is State Socialism, for instance. State Socialism, however, is a little under a cloud – most people are more anxious to learn how it can be avoided than conspicuously eloquent on its merits. The orthodox, or rather Majority, Guild Socialists, for example, explain that the nationalisation which the miners want is something quite different from that which Mr Sidney Webb and the Fabian Society want, and are concerned very largely to assure their followers that, under Guildism, there will be no bureaucracy, or, at any rate, there will be quite a new kind of bureaucrat, warranted free from any of the old-world characteristics on which many people hold strong opinions. And there is Bolshevism

But it is a curious fact that almost the only feature that these prescriptions for the disease of the body politic have in common is that they are all more or less novel systems of *administration*, i.e. they assume that a new mechanism is required. It is quite true that they are uniformly introduced to our attention by moral and metaphysical arguments of an exalted nature, but the concrete embodiment of these sentiments seems to suggest that the whole problem is to design a social structure which will still more effectually subordinate mankind to it, rather than that he might be enabled progressively to conquer the machine which now enslaves him.

Before breaking up the wonderful machine of civilisation and industry as we know it, therefore, it is well to remember that there is prima facie evidence that, considered simply as a machine, it is deserving of a high degree of respect. By its aid all the wonderful achievements of the nineteenth and twentieth centuries have materialised, nor can the misuse which has been made of some of them be laid to its discredit. An organisation which permits a coolie in India to grow rice and jute in the certain knowledge that cotton fabric from Manchester will accrue to him as a result, is a good organisation per se, and there is absolutely nothing in the published plans of any Socialist body which offers the slightest prospect of replacing effectively the arrangements which at present enable such co-ordination of effort to function. If, therefore, we are in possession of an effective mechanism, built up by centuries of trial and error, we want to be very sure that our difficulties arise from the system as a whole before becoming irrevocably committed to its destruction.

There is another aspect of the question, however, which has only an indirect connection with administrative mechanism, and that is policy. Now, as that sturdy patriot, Sir Marcus Samuel (Since, Lord Bearsted), observed the other day, as he made the price of petrol four times what it is in America, there is no use in mincing matters. There are only two great Policies in the world to-day – Domination and Freedom. Any policy which aims at the establishment of a complete sovereignty, whether it be of a Kaiser, a League, a State, a Trust, or a Trade Union, is a policy of Domination, irrespective of the fine words with which it may be accompanied; and any policy which makes it easier for the individual to benefit by association, without being constrained beyond the inherent necessities of the function involved in the association, is a policy of Freedom.

As between these two policies, there could be no greater mistake made than to assume that all would-be reformers are aiming at freedom, though many of them, no doubt, honestly think that they are. The fanatical Labour theorist, who would deny the right to live to any person not engaged in orthodox toil, quite irrespective of the facts of wealth production; the Trust magnate who intrigues for Prohibition because it reduces his premium for Workmen's Compensation Insurance, or corners an essential article under the pretext of efficient production, are, no less than the mediaeval ecclesiastics who burned men's bodies that their souls might live, practical exponents of salvation by compulsion. It may be worth while, therefore, to see whether the industrial and social machine, as now operated, may not be equally the instrument of either policy.

As to every-day, practical, individual freedom, it will no doubt be granted that any man or woman who at the present time is in possession of a stable income of the "unearned" description, of say, £1,000 per annum, is economically free, i.e. such a person is sure of a reasonably high standard of life, even though his opinions may be highly distasteful to a large number of people.

This statement is only true, however, so long as the general level of the prices of those articles which are actually used to make the standard of living, i.e., ultimate commodities, remain as at present. But let us imagine that the control of all housing came into the hands of one man, who bought each house at ten times the present market cost, obtaining the (no doubt fabulous) sum of money required by means of an overdraft at the banks, *based on his ability, under the circumstances, to make the rents of houses ten times what they are now,* then this statement would no longer be true. Our hypothetical freeman would once again have become a slave because his necessities would force him to obtain more "money" on any terms imposed by those in control of it. The essential thing which would have happened is that a Housing Trust would have come into possession of the whole of the *credit-value* attaching to the *demand* for houses, and would have been able to make any price for a house, so long as that price enabled the Trust to retain the bank-credit with which the house was bought.

We may observe that in this simple example we have a complete instance of the embodiment of two diametrically opposite policies, the machinery permitting either of them, so far as we have so far seen, to become effective. The only essential to the complete ascendancy of the hypothetical Trust (which might, and probably would, be not only economic, but moral and intellectual) is that it should centralise the credit, and retain the power of price-making. In order to make the analysis of any value, however, we have both to ascertain whether such a centralisation of credit is probable, whether the function of price-making is indissolubly attached to it, and whether, in the first place, our economic freeman had any "right" to be in possession of "unearned" income (and so may be the prototype of the new Citizen), or whether it was merely obtained at the expense of someone else, as the orthodox Socialist would have us believe.

II.

In order to arrive at a sound conclusion in these matters it is necessary to start where all things start – in Nature – and to decide what are the motives which actuate men in this connection with the economic and industrial systems; and it is true, as well as proverbial, that self-preservation is the first law of Nature. Man does not live by bread alone, but he does not live very long without a reasonable amount of food, clothes and shelter. Secondly, and subsequently, he requires, and this increasingly, an outlet for the creative spirit. It may be noted in passing that it is just at this point that the "intellectual" is apt to fail in interpreting the great mass of humanity engaged in a deadly grapple with the weekly household bills, a battle which must in most cases be won decisively before the surplus energy becomes available for the satisfaction of the need of self-expression.

It is in the nature of things that the provision of food, clothes and shelter involves a conversion of energy, i.e., it means work, in the mechanical sense of the word; and when man had no available store of energy on which to draw other than that contained in the food he ate and converted into muscular capacity to do work, these things inevitably took up a good deal of his day, although there is good evidence that, by the fourteenth century, in England, a very tolerable material standard of comfort was maintained without excessive toil. At the present time, when every man, woman and child has on the average at least ten times the mechanical energy of the strongest man, at the door, if not at command, and the knowledge available for its beneficial use is incomparably greater, the struggle for existence is yet probably more intense than ever it was, and large classes of the working population live under conditions which are frankly abominable.

There is no doubt whatever that this is an anomaly due to misdirection of effort, and bearing in mind the primary motives which actuate men in the mass, it is clearly vital to see if possible where this misdirection occurs – why men, working hard for comparatively long hours, with marvellous tools and almost unlimited mechanical energy at disposal, seem yet powerless to achieve even elementary economic security.

We have agreed that the *primary* purpose for which men work is food, clothes and shelter. The modern industrial system does not allow of the direct exchange of service for these things, but of necessity introduces a common medium which we call "money," which is defined as "any medium which has reached such a degree of acceptability that no matter what it is made of, and no matter why people want it, no one will refuse it in exchange for his product" (Professor Walker). Consequently, in order to meet the primal necessities, men work for money, having always at the back of their mind that so much money represents so much satisfaction of these primal needs. It should be particularly observed that it is this faith, this credit, which gives money its value, and it is therefore true to say that all money is, or is fundamentally dependent upon, credit.

But (although the fact does not appear to have received any general recognition) there are two conceptions of credit, one, that of the worker, and a second that of the financier and banker. The worker for wages or other forms of pay gives "credit" to the idea that the more he produces the more satisfaction of primal needs is thereby made possible, i.e., this *real* credit is based on the *rate of delivering the required goods.* The financier uses this belief as a basis for *financial* credit, which is essentially a measure of the rate of making money. The nexus between these two "credits" is prices, and it is part of the argument with which we are concerned to show that it is in the lengthening of this nexus that misdirection of effort must occur.

The modern industrial system has an outstanding characteristic – it is the Machine Age; and men are increasingly employed and paid for making machines which themselves perhaps only perform one out of many of the processes which go to the production of something men really want in itself, an ultimate product, and these same men, *as individuals, do not want these machines for the making of which they are paid; they only want the ultimate product.*

Consider what happens to the money aspect of these ultimate commodities. Men must have them, and "it is no use mincing matters, the price of an article is what it will fetch." The rules of the game allowing it, retail prices will rise until the whole of the money paid for the production, not only of these goods but of the capital and export goods being produced at the same time, has been absorbed, assuming only that there is competition to buy and not to sell. This has the effect that if the upper limit of price is fixed, as at present, by "supply and demand," the price-maker is enabled to make such prices for ultimate products as will return to him the purchasing power distributed, not only in respect of these products, but of the plant which produced them, leaving him in control of all this plant, a situation which in turn enables him to control both the quantity and variety of its output, and so maintain his control over prices.

We are now in a position to see that a centralisation of financial credit is not only probable, but certain, so long as certain premises go unchallenged. What is the effect of this on real credit?

Now, if the purchasing-power distributed both in respect of capital goods (machinery, factories, etc.), and consumption (ultimate) commodities is always taken back from the public in the price of ultimate commodities only, two things will clearly happen. Since the illusion of the constant necessity for strenuous effort must be kept up, the price-makers will want to make as many capital goods as possible, and deliver as few ultimate products at home as will avoid revolution; and the workers who compose the mass of the public will progressively cease to believe in the purchasing-power of work for money, and will demand goods of the kind for which they have a use. That is exactly what is happening at the present time. In spite of the fact that, for instance, hundreds of thousands of houses are needed urgently in Great Britain alone (the position is almost as bad in America) the building trades are busy to the limit of their capacity in building or extending factories or other capital properties; while Labour is more and more determined to ignore scales of pay, and to insist on adequate standards of life, and, at the same time, and rightly, has completely lost patience with the generalisation that increased production is the solution of all our difficulties.

The end of all this is surely clear. In the moment when the victory for financial centralisation is complete, so also will the separation of real credit from financial credit leave the "victors" with a mass of monetary wealth which will not induce the baking of a loaf of bread. We shall then have Bolshevism; not the Bolshevism of the idealist, probably including in that category M. Lenin, but the Bolshevism which the policy of the destruction of the credit, attaching to money has forced on M. Lenin, which replaces inducement by compulsion, the banknote by conscription of Labour. Perhaps the realisation of this has reconciled our masters to Bolshevism.

However that may be, to those who do not look forward with undue enthusiasm to the apotheosis of the machine-gun, the re-identification of real credit with financial credit is the vital issue; and it is proposed to show that this is dependent, in the first place, on the removal of the price-fixing process from the play of financial supply and demand, and the reference of it to the ratio between the credit-value of capital-production and the diminution of that credit-value by consumption.

III.

It is to be hoped that the previous articles have made it clear that the decay of *real* credit is inextricably involved with a disbelief in the bona fides of those in control of the policy of industry; a disbelief which cannot fail to be intensified by the observation of the luxury which this control enables its possessors to enjoy. It is entirely beside the point that, in one sense, the accusation of conscious turpitude may be unjustified; that many so-called Capitalists are men of highest probity and culture, and that most of them can no more help making money than a cork can help floating – the embittered toiler is apt to say, in effect, that, being in control, they should deliver the goods, and that as they do not deliver the goods, except to themselves, they must be put out of control.

Eliminating rhetoric and personalities, he is right. The practical object of the whole economic and industrial system is to deliver, not "more," but the right quantity of the right goods to the whole of the people, with the minimum of discomfort to all concerned, the people themselves, i.e. individuals, being the judge both as to quantity and rightness. *After* that object has been attained, the productive organisation may legitimately be an outlet for creative activity. At no time is it a legitimate object of the general productive process to "provide employment" for the purpose of distributing wages – to make things which the public do not need, and the makers do not enjoy making, in order that some canon of obsolete theological morality, or the premises of an effete financial system, may thereby be satisfied. Still less is it a legitimate tool of the will-to-govern.

It will be seen, therefore, that the new motive in Industry which is required is not something founded on a half-understood altruism, but rather on a well-founded assurance that if the best results are not being attained it is because they are practically unattainable, not because some person or class is obstructing their attainment. This amounts to a demand for the control of the policy (not the processes) of industry in the interest of the consumer, since his demand is the source of all *economic* production, and we may notice in passing that there is no doubt here, in all probability, that the State Socialist error (for it is an error) took its rise – in the idea that this control of policy is resident in administration; whereas it is resident in Finance, in Credit issue, and price making. "Socialise" these, and there is no need to, and you had far better not, nationalise administration.

At this point it is necessary to make clear a fundamental proposition. Men associate together in industry because there is a true unearned increment in association – a telephone system requires a population to give it a value; ten men pulling on a rope can accomplish that which ten separated men could never achieve. With the growth of machine production and the utilisation of non-human sources of energy, this unearned increment is growing enormously more important that the earned increment about which the Syndicalist, in particular, is so concerned.

This unearned increment rests inalienably on a basis of Capital, not of Labour; and if Capital derives from and should be vested in the community, as is, broadly speaking, incontestable, then it is as members of the community, tout-court, unconditionally, that individuals should benefit by this unearned increment. The dividend is the vehicle for the distribution of this unearned increment, and it is in the universalisation of the dividend, and not in its abolition, that we shall achieve freedom. Only when this is realised will it be grasped that it is better for everyone concerned, and especially for Labour, that the routine operators of the plant of civilisation should be selected solely for efficiency, subject to the most drastic competition, and progressively displaced by machinery.

Dividends on Capital, then, come from a true unearned increment, and the recipient of dividends is only the pioneer of the future Citizen. But a dividend, in the ordinary sense of the word, is a payment of "money," of which we have already seen credit is the vital component, and although credit derives from the community, the organ of credit-issue, its mobiliser, is the bank. The most important and fundamental function of a bank should be to envisage the capacity of the community it serves, taken in conjunction with its plant and culture, to meet the demands made upon it; and, *under democratic control, to issue purchasing power, on behalf of the community (the true State) up to the limit of this capacity, so that as individuals the units composing the community can set in motion the machinery which will make such demands effective.*

Let me repeat, there must be somewhere something which stands as Trustee for the unearned increment of association above referred to, the greater part of which is inherited from a past generation. This Trustee we may call the State, and his agents, the banks. Then it must be clear that it is the business of this Trustee to divide amongst the tenants-for-life of the estate, its benefits, i.e. the State should lend, and not borrow, purchasing power, and that for the benefit of individuals, the consumers.

Currency being merely a sort of conveyor-belt for this purchasing power, the form the currency may take does not affect the question at issue. The strenuous efforts being made at this time to re-establish gold as the basis of currency are simply the outcome of the desire to monopolise the conveyor-belt in the interests of a comparatively small gang of persons who own the gold.

If, therefore, we can make the bank the servant of the consumer, and not, as at present, the tool of the financier and the price-maker, we can see that the bank only "lends" to those enterprises which result in ultimate goods and services needed by individuals for personal use; in other words, we can democratise the *policy* of production.

While the dividend is clearly indicated as the final method of distributing the goods and services which form the material basis of civilisation, it is not yet universalised, and, while aiming at its rapid extension, it is vital to the survival of real credit that the unearned increment should at once be widely distributed. If we reduce prices below cost, i.e. below the sum of the purchasing-power distributed during the production of the goods for consumption-use, and make an issue of financial credit to the producer to enable him to carry on his business on the orthodox principles, we have, in effect, given a share of this unearned increment to every consumer, and left him with an additional credit-power to form the basis of his future dividends. The basis of this financial credit issue has already been indicated; it is dependent on the ratio between the credit value of both capital production and ultimate production and total consumption.

It should be noticed that the control of credit issue and the regulation of prices are interdependent – you cannot tackle one of them alone. Such issues of credit are constantly in progress at present, and simply put up prices. Similarly, any attempt to *fix* prices results in the stifling of all initiative and the inevitable ascendancy of a bureaucracy. It is outside the scope of these paragraphs to deal with the mechanism necessary to put the principles herein outlined into practical operation, but it may be said that it is of the simplest description, and is practically all of it in existence. The writer will be happy to explain it to anyone who is sufficiently interested to write to him on the matter.

In conclusion, it may not be out of place to glance briefly at some of the results which might be expected to accrue from the adoption of the policy indicated; and this aspect of the question can hardly be better put than in the words of Mr. A.R. Orage, quoted from a pamphlet printed for private circulation:-

"…these results are brought about with the minimum disturbance
of existing social arrangements, yet with immediate social relief,

No attack is made upon property as such, or upon the rights of property. No confiscation is implied, nor any violent supercession of existing industrial control, no sudden or difficult transformation on the part of the State is presupposed. Nor are men expected, as a condition of the practicability of the scheme, to be better than they are. The scheme, in short, presupposes only what is.

"Nevertheless, from the moment that it is adopted, considerable changes are effected, and fundamental reconstruction is induced. Prices would fall to a level unknown in this country for five hundred years, and that without loss to the producer; and real wages (in other words, the purchasing power of wages) would correspondingly rise. Production would be enormously stimulated by the diffusion of spending power; yet, at the same time, extravagant consumption would be checked by the operation of the ratio of Price and Cost. Invention would obviously be encouraged by a common and palpable interest in labour-saving: and in general the whole of Industry would at once begin to respond to the spirit of a real co-operative Commonwealth.

"What democracy has effected in politics, that and much more would be effected by democracy in economics… It is certain … that its adoption would so profoundly modify the commercial relations of all nations as to remove the principal cause of war between them."