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"... Capital signifies "head, or source, or root material"—it is material by which some derivative or secondary good is produced. It is only capital proper when it is thus producing something different from itself. It is a root, which does not enter into vital function until it produces something else than a root: namely, fruit. That fruit will in time again produce roots; and so all living capital issues in reproduction of capital; but capital which produces nothing but capital is only root producing root; bulb issuing in bulb, never in tulip; seed issuing in seed, never in bread. The Political Economy of Europe has hitherto devoted itself wholly to the multiplication, or the aggregation, of bulbs. It never saw,—nor conceived, such a thing as a tulip."

Ruskin: Unto This Last.
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CHAPTER I

THE ECONOMIC CUL-DE-SAC

Disconcerting as was the financial and political crisis of August last (1931) that was precipitated by the drain of gold from the Bank, it has at least done one good thing. It has shaken the complacency of the average Englishman as not even the War had succeeded in doing; and thereby has clarified the political and economic atmosphere. Yet doubts may be entertained as to whether the lessons which the crisis should have taught us have really been learned. For though it led us to abandon the Gold Standard and to reverse our Fiscal Policy it has not led us to question those more fundamental political and economic assumptions that underlie our activities; and because of this it may be assumed we shall before long wake up again to find ourselves somewhere where we never expected to be.

The abandonment of the Gold Standard and the reversal of our Fiscal Policy have for the moment saved the situation. But it is an open
question for how long. No one in politics looks further back than the War, and to the ensuing financial dislocations consequent upon War debts and reparations they ascribe all our troubles. Yet it is evident that the crisis would have arisen sooner or later if the War had never occurred; for the central problem in society is the problem of over-production. The world is saturated with a plethora of commodities and agricultural produce for which markets cannot be found. This problem, which is the world problem, is behind the crisis and it has been developing ever since the days of the Industrial Revolution. For such reasons it can be safely predicted that any solution which ignores this more fundamental problem is no solution, and that crisis will follow crisis until it is faced, unless in the meantime catastrophe intervenes.

Socialists seek to evade this problem by calling it under-consumption. But over-production and under-consumption are not the same thing. It is true that there is under-consumption of the necessaries of life; but the recognition of this fact does not dispose of the problem of over-production, for in most directions our industrial system is equipped to produce goods enormously in excess of any possible requirements, while paradoxically over-production leads to under-consumption.
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because it leads to unemployment; so that to solve the problem of under-consumption we should direct our attention to the problem of over-production. Socialists will say that these troubles arise from the fact that industry is on a competitive basis and the solution is to be found in the nationalization of industry. But that again is an evasion of the issue, for even if industry were nationalized the problem would remain. A Socialist government would have to find some means of dealing with this problem, and there is no reason to suppose that it would find it less perplexing than do financiers and industrialists; for nothing in Socialist theory offers any guidance, while it is impossible to start de novo as so much Socialist theory supposes. On the contrary, any policy which is practical must be capable of being grafted on to what exists; and the experience of Socialist governments everywhere affords us no reason to suppose that they could handle it successfully. Russia is no exception to this rule, for the Soviet Government has never been called upon to face a problem of over-production. Their problem was under-production rather than over-production and it is a very much simpler problem to tackle.

Granted then that the right approach is from the point of view of over-production rather than
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under-consumption, the question arises: How is the existence of over-production to be explained? It is the consequence of the reaction of the unregulated use of machinery upon our system of finance—or the reverse—for like the problem of the hen and the chicken it is difficult to know which comes first in importance at any rate.

Looking at this problem from the point of view of finance, it is impossible to resist the conclusion that what we have hitherto regarded as sound finance is really very unsound. Our finance is unsound because it proceeds upon the assumption that there is no limit to the possibilities of compound interest. How baseless is this assumption is to be surmised from the fact that if a half-penny had been put out to five per cent compound interest on the first day of the Christian era it would by now have amounted to an octillion—an amount in bullion which, as incredible as it may sound, would occupy a space equal to several gold globes as large as the earth. It is only necessary to know this to realize that our financial system is finally self-destructive. Our financial system works with borrowed money. If money is borrowed, interest must be paid, and so the process of accumulation goes on until a load of interest charges is built up that is unsupportable. From one point of view it is this
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load of interest that is the ultimate cause of the present crisis, but its immediate cause is the general fall of prices which by altering the relations between debtors and creditors has made it impossible for debtors to meet their obligations. This general fall of prices has upset the calculations of financiers and thrown the machinery of finance and exchange out of gear all over the world. But it is not the whole story, for the thing which precipitated the general fall of prices was the enormous increase of productivity in agriculture and industry that has come about as a result of the application of the principles of science, coupled with the mania for increased production which never stops to reflect that there is a limit to the possibilities of human consumption and the supply of irreplaceable raw materials in the world.

All who have ever reflected on industrialism knew that the present situation was bound to arise. Yet until yesterday most people denied the existence of any problem of machinery. But the rate at which automatic machinery on a basis of rationalization has of late been increasing the volume of production while simultaneously displacing labour has secured recognition for at least one aspect of the many-sided problem which the use of machinery presents. It is an aspect which
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can no longer be ignored, because it stands to reason that if machinery is to increase production and at the same time undermine purchasing power by displacing labour, our industrial system must sooner or later come to a standstill, for the position is manifestly contradictory. An increased output demands more purchasers for its products, not less. Yet we are confronted by the paradox that as machinery is used the exact opposite comes about. It is this fact that makes industrialism finally self-destructive.

Though the existence of any social problem connected with the use of machinery has been ignored in our time, it was frankly recognized in the first half of last century, as is to be gathered not only from economic writings but from the political debates of the period. In the debates which took place over the acute trade depression of 1840–2 when the number of the unemployed was estimated at two millions, and which was connected by Cobden and the Anti-Corn Law League with the existence of the Corn Laws, it was the custom of the Tories to defend themselves by affirming that the distress was due to the displacement of labour by machinery rather than the Corn Laws; and a great deal of evidence can be brought to support that view, for on this issue the Chartists sided with the landlords against the
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Free Traders. It was a favourite theme of the Chartists that machinery was responsible for the recurring economic crises and unemployment that were so prevalent in the period. Machinery, they maintained, had completely dislocated society and would speedily bring about its own collapse. Beer tells us that the Chartists objected to Free Trade because the 'Anti-Corn Law League was composed of owners of machinery' and 'machinery was the great monster enemy of an unrepresented people.' It would 'always help the employer to buy labour cheap'.

The first effect of the Industrial Revolution was to enable the town workers to profit at the expense of the rural ones. For while to the towns it brought prosperity—the wages of the industrial workers were high and employment plentiful—by concentrating industrial production in towns it tended to diminish the number of by-occupations by which agricultural workers could augment their incomes, for before the advent of power machinery a considerable number of trades were represented in each village. But the prosperity of the industrial workers was short-lived. About the year 1806 the unrestricted use of machinery resulted in supply outstripping demand and from that time the displacement and

depreciation of labour became serious. In the year 1811 the problem had become acute, and widespread unemployment gave rise to the Luddite riots when the infuriated workmen rose and destroyed machinery. The riots were suppressed by Draconian laws which made the wilful destruction of machinery a crime punishable by death and in January 1813 eighteen workmen died on the gallows at York. But the problem remained. The unemployment was not a temporary phenomenon which speedily disappeared as a consequence of an increased demand for commodities following a lowering of costs and prices, as the school histories taught us, but, punctuated by temporary revivals, continued until the 'forties when prosperity at last returned, not because the problem of how purchasing power should be distributed under a system of machine production had found a solution but because external factors, by stimulating activity in every direction, came to the rescue, enabling society to put off the evil day.

In the year 1823 the locomotive was invented, and following upon it there came the great boom in railway building and development, which gathering force absorbed the surplus labour which factory production had displaced. In a couple of decades railway building was in full
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blast. First there came the building of railways and kindred works depending on them. Then there followed as a natural consequence an enormous development of iron and coalfields, iron manufactures and engineering works. Directly the railways were completed, factories of every kind and sort made their appearance in connexion with industries which had hitherto not been affected by machinery. New towns sprang into existence, and there followed a great shifting of population from villages to small towns and from small towns to larger ones that created an enormous demand for building, and which, with short periods of stagnation, continued until the early years of this century when it began to decline. Simultaneously with this there came after 1832, when steam-propelled iron ships were introduced, a corresponding development of ship-building which in the 'fifties and 'sixties led to an enormous expansion of the export trade because the shortening of voyages enabled manufacturers to open new markets and to consolidate those already won. Nor was this all. Foreign nations, persuaded of the importance of railways, began to place orders for railway work and to purchase the machinery necessary to set themselves going as industrial nations. Finally, there came the discovery of gold in California in 1848 and in
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Australia in 1851 which, adding enormously to the world’s stock of gold, reacted to increase purchasing power and maintain the great boom in trade which continued with short intervals of depression until two years after the War, when expansion was followed by contraction and the difficulties which led up to the present crisis progressively increased.

But it is a mistake to suppose that the War is the cause of the post-War difficulties. On the contrary, the War and preparations for war artificially prolonged the period of prosperity and prevented contraction taking place at an earlier date. Railway building came to an end for the most part in the ’seventies, and when that happened engineering works which had come into existence in connexion with railway building increasingly turned their attentions to armaments and munitions—a tendency that was encouraged by the changed political atmosphere that followed the Franco-German War. It needs little insight to see that this development so inimical to civilization was the logical outcome of the refusal of society either to regulate the use of machinery or to face the problem as to how purchasing power was to be distributed under a system of machine industry, for when everybody is left to solve his own economic problem we
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cannot be surprised if some find a solution in ways that are in their own interests rather than of society.

It is the refusal of society to face the social and economic implications of machine production that has turned discoveries in themselves noble and full of the promise of better things to evil, and explains why our enormous capacity for production leads not to prosperity but to unem-
ployment and destitution. Because society re-
fused either to restrict the use of machinery or to face the fact that its uncontrolled use upsets the wage system, the development of industrial-
ism has been lop-sided, chaotic and self-destruc-
tive while it has created a gulf between mechan-
ical development and human needs which every day gets wider and more unbridgeable. Because the problem which confronted the Luddites was not faced but evaded, the only way of keeping men in employment was to increase the volume of production with each new labour-saving in-
vention or to create new industries. This is the key to all the economic developments of indus-
trialism which have frustrated all efforts at stabilization. With an ever-increasing output it became a matter of life and death with us to find markets in which to dump surplus goods and obtain in exchange food and raw material. But
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no nation can afford to be the consumer of machine-made goods of another nation indefinitely; for to do so would entirely drain it of its liquid capital. Hence it came about that one nation after another that was once our customer adopted machine production, erected tariffs to protect its infant industries, and, in due course, perplexed with a problem of surplus goods, became a competitor for markets. This tendency compelled industrialized nations to be for ever going farther and farther afield in search of new markets until a time came at last when there were no new markets left to exploit. When this point was reached the real struggle began. Competition became intensified and the industrial nations were brought into a more violent collision with each other than had hitherto obtained.

This, I submit, is the economic explanation of the Great War, as it is the explanation of post-War economic developments. Once the expansion of foreign trade had reached its limit it was inevitably followed by contraction, for when the individual nations found it impossible to dispose of their increasing surplus of goods by securing new markets, they were driven to raise the level of their tariffs in order to recover in their home markets the trade which they were losing in foreign ones—which action in turn further re-
duced the volume of foreign trade and compelled each nation to raise its tariffs still higher. Thus the wheel comes full circle. The movement towards Free Trade and universal markets reacts to compel a contrary movement toward economic nationalism and self-sufficiency. The problem of machinery finally comes home to roost. No nation any longer can find an escape from its consequences by dumping its surplus goods in foreign markets. The problem can be evaded no longer. Each nation will have to face it or perish.

This country stood out against this trend of economic development as long as possible. But at last even we have had to come into line. The League of Nations like Casabianca still stands on the burning deck, a monument to academic futility. It still upholds the banner of the ideal unaware that the ideal it stands for is at the same time false and impracticable. From their position of super-eminence the League experts still implore the nations to lower their tariffs in the interests of Universal Free Trade on the assumption that only by this means can trade be revived. But the nations turn deaf ears to any such suggestion, for though each of them subscribes to Universal Free Trade as an ideal yet they cannot reconcile it with their separate interests. And no wonder; for did they only know it Universal Free
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Trade is an economic impossibility as I shall show later. It is an extraordinary situation. Free Trade is plausible, and no nation in the world ever abandoned it until its position became desperate, until it had to choose between abandoning it and national bankruptcy. Yet in spite of this universal experience, it has never occurred to the orthodox professors of economic science who incidentally are well represented in the League's secretariat to question the validity of Free Trade theory, for with a few honourable exceptions even those who support Protection do so entirely from motives of expediency, affirming their belief in Universal Free Trade as an ideal, and politicians as we have seen recently assume the same position. One by one as they announced their acceptance of Protection they made haste to assure us that in principle they were still Free-Traders. I can excuse the politicians for they have their faces to save. But with professors of economic science there can be no excuse because such an attitude is grossly unscientific. A scientific theory is an hypothesis, essentially provisional in its nature, to be abandoned when it conflicts with or ceases to explain the facts. But so far from these professors of economic science being prepared to abandon Free Trade theory because it cannot explain the facts, the more it is contradicted by them the
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greater is their tenacity. Perhaps the real reason of their attitude is that they have never taken the trouble to examine the Free Trade theory in the light of history, having apparently made up their minds beforehand that a fact which contradicts Free Trade theory will not on examination prove to be a fact; perhaps it is that they are merely sentimentalists masquerading as scientists. But whatever the explanation, there is no denying the anomalous nature of the position in which they now find themselves, and if the League is to continue to live the need is urgent of replacing the superstition of Free Trade by a theory which can explain the facts.

I said that Universal Free Trade is an economic impossibility. That is easily proved because Free Trade presupposes conditions that do not exist and never can exist. It assumes between countries an equality of productive power and natural resources, the same price levels and a mobility of capital and labour which are nowhere to be found. In their absence it comes about that whenever two or more nations are joined together by Free Trade the one which has a superiority of productive power and natural resources tends to impoverish those which suffer from an inferiority. It gets richer while the others get poorer. It is because of this that
Universal Free Trade is an economic impossibility. As a consequence of the influence of the Physiocrats and Adam Smith, who enjoyed an international reputation, the main current of Continental opinion, from the eighteenth century until thirty years after the repeal of the Corn Laws, flowed in the direction of Free Trade. If then not only European nations but the whole world has turned away from Free Trade it cannot be ascribed to some incurable prejudice as Free Traders are accustomed to assume, but rather to some much more fundamental reason, which I submit is to be found in this—that the Free Trade dream was dispelled by the logic of facts. Free Trade was a possible policy for this country at the time of the repeal of the Corn Laws because we not only enjoyed a superiority in nearly every branch of manufacture but a commercial ascendancy. This superiority extended to the various textile industries of cotton, woollen, linen, lace, silk and to iron and steel and hardware industries. It owed its existence to the great series of great inventions which created the Industrial Revolution and enabled British manufacturers to engage in production on a grand scale and to produce commodities at a price much cheaper than was possible for other
nations with their pre-industrial methods and apparatus. It was because Britain enjoyed this superiority that Free Trade was so far as manufacturers were concerned a perfectly safe policy to adopt. Great Britain could afford to dispense with Protection precisely because at the time her manufactures did not stand in need of protection.

But with other nations it was different. What was our advantage was their disadvantage; and it was because of this that in spite of their belief in the validity of Free Trade theory they found themselves with no option but to adopt Protection; it was because of this that Universal Free Trade was an economic impossibility. It was an economic impossibility, because the superiority which Great Britain enjoyed in every branch of manufacture made it impossible for other countries to compete with her on equal terms. The adoption of Free Trade by other countries under such conditions could only have resulted in the flooding of their markets with British goods which, if persisted in, would have entirely destroyed native industries and ended in national bankruptcy. This circumstance made it that the history of Protection all over the world has been the history of efforts of non-industrial nations to prevent themselves
being ruined by British manufactures. Statesmen in old-established countries had to reckon with the fact that their urban populations depended upon native manufactures and crafts for their livelihoods, and that if they adopted Free Trade their industries would be destroyed by the greater cheapness of British wares, with the result that their artisan population would either die of starvation or become dependent upon public or private charity; for under such circumstances it would be impossible for them to find work in occupations which were mainly agricultural, such as the production of corn, wine, timber or tobacco, because they were already fully manned, while it would be impossible for them to build up machine industries to compete with British manufactures under such adverse economic conditions. The other alternative was emigration, and it was only possible on the assumption that there were other countries which had not adopted Free Trade. There is no escaping this conclusion. Even Adam Smith had expressed a doubt as to whether a nation could acquire new industries under a Free Trade system. Viewed in this light the whole system of Protection is seen to grow up as a consequence or necessity of other countries industrializing themselves, where it
was not to prevent themselves from being ruined if they preferred to remain on a craft basis.

Our colonies who, it might be supposed, would be powerfully influenced by the mother country towards Free Trade, were driven by a similar inexorable logic of economic necessity to adopt Protection. Each of them having had experience of the economic instability which results from having too many eggs in one basket and the inconvenience of being too dependent upon Britain for their supplies of manufactured goods, erected tariff walls to protect their infant industries, and found themselves committed to policies of Protection. The justification of their action is to be found in the fate of two countries—India and Ireland—who did not like the colonies enjoy fiscal autonomy, and who were not therefore at liberty to protect their native industries, with the result that they were almost entirely destroyed by the competition of British manufactures. In each of these countries the problem of poverty has been enormously intensified as a consequence of this compulsory Free Trade, which left behind a legacy of hatred that in each country led to the rise of nationalist movements to overthrow British rule. Yet Free-Traders, blind and ignorant of facts, are such incurable sentimentalists as to imagine that Free
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Trade promotes international peace and goodwill. It does nothing of the kind. It is no mere coincidence that the nineteenth century should have witnessed the rise of nationalist movements all over the world. Such movements will on examination be found to be defensive movements against the aggressive economic warfare to which Free Trade on a basis of industrialism gives rise. The fact should not be lost sight of that China which of all countries in the world was the most exclusive in its economic policy was the most pacific. The troubles of China to-day are the natural consequence of the Free Trade we forced upon her and the infiltration of Western ideas which followed.

No nation in the past has ever had occasion to quarrel with us because we adopted a policy of free imports. But there can be little room for doubt that Free Trade has led us to quarrels with other countries, for just in proportion as a nation leaves its home markets unprotected it will be driven to find markets for its own manufactures elsewhere. It would not be true to ascribe all the little wars we were engaged in during the nineteenth century to Free Trade; for undoubtedly the ultimate cause was our acceptance of the quantitative standard of production which, committing us to a policy of in-
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dustrial expansion, obliged us to be for ever searching for new markets in which to dispose of our surplus goods. Yet Free Trade is not to be altogether acquitted from blame, for it was accessory after the fact. The pretext of our interference in all such cases was the right of one nation to have access to the markets of another; and though we never acted upon it in our relations with European nations which were well armed we did not hesitate to do so in our relations with Asiatic and African peoples where we thought it might be done with impunity, as in the cases of China and India already mentioned. The aim of all such wars was to corral markets for Manchester and Sheffield, Leeds and Birmingham. Nor is there any necessary connexion between Free Trade and the cause of liberty. Bismarck and the Junkers were Free-Traders and so were the slave-owners of the Southern states of the U.S.A.—a fact which goes far to explain why after the Civil War the cause of liberty became identified with the cause of Protection.

Sufficient has perhaps now been said to shake even the most sentimental Free-Trader in the sufficiency of his faith. Instead therefore of viewing our abandonment of Free Trade with dismay as a national apostasy calculated to under-
mine all political idealism we ought to regard it as a merciful deliverance from fetish worship and the bonds of superstition, for without exaggeration it is nothing less, Free Trade long since ceased to have anything to do with facts.\(^1\) But perhaps it is too soon to say we have done with this superstition; for while we have abandoned a policy of free imports we have not carried the principle of Protection to its logical conclusion and accepted the only logical alternative, a policy of economic nationalism or self-sufficiency, as the ideal at which to aim. On the contrary, like other nations who have adopted Protection we have turned to it, in the first place, to reduce the volume of our imports and to secure the home markets for our manufactures, which is sound, and in the next to enable us to rationalize our industries and hold our own in foreign markets which, though there is no denying that they offer immediate advantages, must in the long run prove to be unsound, not only because it still further widens the gulf between production and consumption, but because it must remain impossible to bring order into our economic arrangements so long as our industries ramify

\(^1\) For a fuller treatment of this subject the reader is referred to my *Protection and the Social Problem* (Methuen & Co), where the necessary facts and sources are to be found.
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into every part of the world. On the contrary, it is only possible to introduce order on the assumption that the economic units can be made to coincide with the political unit, and it is because a policy of self-sufficiency or economic nationalism moves towards this end that it opens a way to a larger control of the economic arrangements of society.

Viewed in this light, Protection appears not as an end in itself, but as a means to an end, and as such its consequences may be good or bad according to the degree of wisdom or foolishness that determines its application. In the hands of foolish men it becomes an instrument of folly; in the hands of corrupt men an instrument of corruption, but in the hands of wise men it can be used as an instrument of social reconstruction. This is because it is positive. A Free Trade system on the contrary is entirely negative and this explains why its widespread acceptance was the big thing that blocked the path of social reconstruction, for even in other countries where its practice had been abandoned Universal Free Trade was accepted as the ideal, and this reacted to promote endless confusion of thought and to paralyse the will for reform. Not therefore until Universal Free Trade as an ideal is repudiated can there be any continuity of policy in social
reconstruction. Until that happens we shall suffer from a divided mind. The League of Nations may take consolation in the fact that nations will have less reason to make war upon each other when they are each occupied with their own internal affairs than when they are brought together in a cockpit to struggle for the markets of the world—which is what Universal Free Trade means. 'A fool's eyes are on the ends of the earth.'

The present situation was bound to have arisen. It was an accidental and temporary and not a permanent circumstance that gave rise to the notion, so popular in the middle of last century, that we were destined to become the workshop of the world. That illusion had its origin in the fact that we were the first to use steam power and machinery. For a long time this circumstance gave us an advantage in the markets of the world. But it is obvious that the virtual monopoly we then enjoyed would come to an end as one by one other nations took to production by machinery; for, other things being equal, it will always be cheaper to produce goods near a market than at a distance from it, while in so far as conditions are unequal the scales are nowadays loaded against us, since we have for the most part exhausted our natural resources
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and increasingly depend upon imported materials, while the low standard of living in the East makes it impossible for us to hold our own in competition with Asiatic nations and so our markets must shrink. An arrangement may be uneconomic, yet custom and inertia will combine to perpetuate it long after the circumstances which brought it into existence have disappeared. The War awakened many of our former customers to this fact. Before the War they were content to produce food and raw materials and relied upon us for their supply of manufactured goods. During the War we could not supply their wants, and they took to manufacturing all kinds of things for themselves. As these manufactures were carried on near to where the raw materials are found, and the countries concerned erected tariffs to protect their infant industries, we have been gradually excluded from these markets, and this explains why since the War the volume of world trade has diminished, and in spite of a temporary revival, our position has gone from bad to worse. Clearly there is but one way of meeting this situation. As those countries upon whom we relied for our supplies of food have taken to manufactures we must take measures to produce as much food as possible for ourselves by the revival of agriculture. By no
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other means can the balance of trade be finally restored, for until recently we balanced our national ledger by means of the income we derive from foreign investments. This year (1931) this income has been reduced by more than half. It is estimated that the interest from foreign investments has fallen from 50 to 60 per cent. It is possible that next year it may entirely disappear, for it is certain trade is not going to revive on the old basis. For this reason unless in the meantime we take measures to revive our agriculture we shall before long be left without the money to pay for the food we require to keep our population alive. The logical end of the cheap food fetish is famine.

The revival of agriculture is the key to the immediate situation, and it is reassuring to know that it is receiving recognition. We import essential foodstuffs to the value of something like £400 millions a year most of which agricultural authorities tell us could be grown in this country. Just think what a difference it would make to our finances if we grew say three-quarters of our food instead of importing it, which we are perfectly capable of doing. It would not merely rectify our trade balance but put us entirely out of danger—and this is not all. If we grew all the food we are capable of doing it is estimated we
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could employ a million additional men on the land, which with their dependants would reduce our expenditure on unemployment by something like £65 millions a year. Then we should have a greatly enlarged home market which would react to promote a revival of industry. Last but not least it would restore our national independence by freeing us from our financial indebtedness to foreign nations.

It is not often in history that it is possible to initiate a policy that would simultaneously provide a remedy for so many problems. It is possible that before what I write sees the light of day this policy may have been adopted, for many people see it, and agricultural organisations have of late been very active in urging the necessity of a revival—the Central Chamber of Agriculture proposes a Five Year Plan. Yet the subject of agriculture is surrounded by so much ignorance and prejudice that we may not take full advantage of our opportunities in this direction, for the ignorance is to be found in high quarters as in low. Speaking over the wireless recently (September 24, 1931) Sir Arthur Steel Maitland said that if we produced all the food we were capable of producing, we yet, because of our huge population, could not produce more than half the food we consume. This is an
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advance upon Sir Norman Angell who in a book published after the War quoted with approval a statement contained in an article in The Manchester Guardian by Dr. J. Brownlee, who gave it as his opinion that with the best modern agriculture we could not produce food to maintain more than 15 to 20 millions of our population, but it is none the less an estimate far below those of the recognized authorities on the subject. I must withdraw that word 'recognized' for authorities on agriculture are almost unknown to the general public.

To controvert such mis-statements of fact, which are unfortunately only too common among politicians on the platform and in the Press, the Rural Reconstruction Association recently issued a memorandum on the subject in which authoritative opinions are collated from which I will now quote:

'In recent years' it says 'the annual output of agricultural produce is at wholesale prices about £200 millions (see The Agricultural Output of England and Wales, 1925, Cmd. 2815). The figure represents a third of all requirements. Starting with this figure as a basis it should be noted that the recent Policy Committee of the Central Chamber of Agriculture considers that

\[1\] If Britain is to Live, by Norman Angell, p. 45.
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we could at least double production, that is, increase it by about £200 millions a year, and if concurrently a system of orderly marketing was introduced, we could reduce retail prices in the shops (see "Report and Declaration of Policy"). The Report of the Agricultural Policy Sub-Committee (Cd. 9079) of which Lord Selborne was chairman, which investigated the problem during the War, suggests a possible increase of food equivalent to, in present money values (1930), about £320 millions. Sir Charles Fielding, the Director-General of Food Supplies during the War, in his book Food, which contains an elaborate investigation of the subject, gives even higher figures; he thinks we could, in case of necessity, feed ourselves. Sir Daniel Hall goes some way to support this opinion in his book Agriculture after the War. The investigations of our Association go to show that the area of cultivatable land is sufficient to produce the greater part and possibly the whole of our essential food supplies.¹

The Memorandum traces popular notions to the contrary to incorrect information given in text-books on history and geography used in Government and other schools. 'The view not

¹ Britain’s Food Supply, Rural Reconstruction Association, Leplay House, Belgrave Road, S.W.
uncommonly expressed in such text-books is that England is essentially a commercial and manufacturing nation, that we can only produce a small proportion of our food and that we have to export manufactured goods for the purpose of purchasing our food deficit. If this export were stopped, states one text-book that is widely used, there would be "ruin and starvation". Figures are not generally given, though in one text-book the specific statement is made that "British farmers can only grow about one-fifth of the nation's corn supplies."'

Such statements are entirely without foundation in fact yet they pass into the common mind, become accepted as exact knowledge and influence our political and economic policies. How serious that influence on occasion may become the present crisis bears witness, for ignorance among our statesmen, politicians and publicists as to the possibilities of food production in this country leads them to look in an entirely wrong direction for the solution of our problems. It leads them to look for salvation to Rationalization, that is, to the hope of survival in a far keener struggle for foreign markets—to a struggle in which they are certain to be defeated by the cheap Eastern labour—and to neglect the remedy at their own door. It is a fine comment
on our educational system that it should imperil the future of the country by creating a popular prejudice on such a fundamental issue.

But it will be asked: If we are capable of producing most if not all of the food we require, why hitherto has it not been done? The answer is because in this country agriculture has for long been the sport of politics. The Corn Laws would not have been repealed had not Cobden succeeded in persuading the farmers that they would derive as much benefit from the adoption of Free Trade as would manufacturers. There had been a great deal of instability of price under the Corn Laws and Free Trade was advocated as the remedy. Contrary to popular opinion stabilization, not cheapness at any price, was in those days the aim of Free Trade. The farmers hesitated because they thought it might throw land out of cultivation. But Cobden assured them such would not be the case. 'There is' he said 'no interest in this country that would receive so much benefit from the repeal of the Corn Laws as the farmer-tenant interest. And I believe that when the future historian comes to write the history of our agriculture, he will have to state: "In such a year there was a stringent Corn Law passed for the protection of agriculture. From that time agriculture slumbered in England,
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and it was not until by the aid of the Anti-Corn Law League the Corn Law was utterly abolished, that agriculture sprang up to the vigour of existence in England, to become what it now is, like her manufactures, unrivalled in the world.” 1 The object of Free Trade he said was ‘not to take foreign corn to prevent the home grown from being sold’ but to increase the supply; ‘we do not’ he said ‘contemplate deriving one quarter less corn from the soil of this country; we do not anticipate having one pound less of butter or cheese, or one head less of cattle and sheep; we expect to have a great increase in production and consumption at home; but all we contend for is this, that when we, the people here, have purchased all that can be raised at home, we shall be allowed to go 3,000 miles—to Poland, Russia or America—for more; and that there shall be no let or hindrance put in the way of our getting this additional quantity.’ 2 The farmers were moreover assured that owing to the cost of transit agriculture enjoyed a constant natural protection which he estimated at half a guinea a quarter.

That Cobden’s prophecies as to the great future that awaited British agriculture if the Corn Laws were repealed were not fulfilled was due to the fact that in the years following the repeal un-

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foreseen circumstance came to falsify his calculations. Between 1860 and 1880 the production of wheat in the United States trebled. Vast stretches of virgin land had been opened for cultivation by railway development where wheat could be grown and sold at a price with which European farmers who had to manure their land and had rates and taxes to pay could not compete. Other European countries realizing the peril erected tariffs to protect their agriculture. But in this country the political situation created a difficulty—so much capital had been made out of the repeal of the Corn Laws that politicians instinctively evaded a problem which they could only have dealt with by admitting their error. In consequence, from that time onwards it became the custom for them to misrepresent the position of agriculture in this country, to suggest that this country was not suitable for agriculture, that its area was too limited, that the farmer was out of date in his methods, that landlordism blocked the path of progress and that in any case there was no reason why the townsman should buy food grown in this country if he could buy it cheaper from abroad. Simultaneously, Free Trade theory underwent a transformation. It was no longer advocated on the grounds of stabilization but that it made food cheap. If it did not promote
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the welfare of agriculture, at any rate it benefited our urban populations, and on the assumption that the greatest good of the greatest number was the end-all of politics Free Trade was justified. What is worse, the Liberal party ended in believing it and from then onwards were lost to truth. They might not have got away with it had it not been that in the 'eighties when this change of attitude took place the Irish Question almost completely absorbed political attention.

Viewed in this light it is seen that the cheap food fetish has nothing to do with Free Trade as it was understood by Cobden and his predecessors. Indeed, so far from its being an integral part of Free Trade theory it was for the very opposite reason that Free Trade was originally advanced. When the Free Trade theory was first formulated by François Quesnay in the eighteenth century it was not to cheapen but to raise the price of grain in order to improve the position of the French peasantry. English agriculture at the time was very prosperous while French agriculture suffered from chronic depression. Quesnay explained the position by attributing the prosperity of the English farmer to the steady price of grain, which he ascribed to the encouragement which the British Government gave to its export, while he connected the
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depressed condition of French agriculture with the fact that it had been the policy of the French Government to put export duties on grain in ordinary times and to prohibit export in times of scarcity in order that a reserve of wheat should be kept in the country as an insurance against famine. Quesnay showed that this policy defeated its own ends because in years of plenty the export duties resulted in the market getting so glutted that prices fell so low as to impoverish the farmers, with the result that being unable to afford to keep their grain they fed their cattle with it, so that the stocks of grain which this policy aimed at keeping in the country were not available when famine came. What is even more interesting is that this policy had been defended by Protectionists on the grounds that it made food cheap in the towns. But Quesnay proved that such was not the case. 'It is' he says 'only wheat that is kept cheap by restrictions on imports and the people have to pay dearly for their slight saving on bread because as this saving is obtained at the cost of the ruin of agriculture, butter, cheese, eggs and vegetables have become very much more expensive than they otherwise would have been; and this in turn has augmented the price of clothing and other manufactured goods, with the result that the citizen has to pay more
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and not less to satisfy his needs.’ It is interesting to observe that cheap bread has had a similar reaction in this country. The prices of bacon, eggs and poultry have more than doubled since wheat production declined owing to the fact that when wheat is imported the offals which the poultry farmer and pig-breeder used as feed and which they got for next to nothing is no longer available, and they have to buy grain for feed which is very expensive. So, finally, the cheapness which is supposed to flow from Free Trade is seen to be lost. By preventing the production of wheat in this country Free Trade has upset the agricultural economy and led to disorganization, for in farming the various branches are mutually dependent and the sacrifice of one branch reacts unfavourably upon the others.

To sacrifice everything to cheapness is very short-sighted for after all cheapness is not absolute but relative. It is relative to earning capacity and may be very expensive when it leads to widespread unemployment as without a doubt the cheap food fetish has done now for many years, while in order to protect our food supplies we have to maintain a much stronger navy than would otherwise be necessary. The cost of these things should be added to the cost of our food and if they were it would be seen that
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the cheap food idea is entirely illusory. It is a penny wise and pound foolish policy which finally benefits nobody and the crisis through which we are passing may prove to have been a blessing in disguise if it should rid us of this fetish once and for ever. The disadvantage from which British agriculture suffers is not due to any natural inferiority, for there is no soil in the world better adapted for agriculture, nor is this due to incompetence or obsolete methods among our farmers, for British farming at its best is the best in the world, while average farming is as good as the average in most countries. On the contrary it is due to a complete disorganization of the markets which exists nowhere else in the world and which has come about as a result of Free Trade. If a scientific system of distribution were introduced experts tell us that not only could the price of food be reduced to the consumer but that the producers also could be properly paid. The waste on distribution is enormous. Apart from the speculators, who should be got rid of, the merchants and middle-men perform a legitimate function, and it may be true, as is often asserted, that individual merchants do not as a rule make excessive profits, yet the fact remains that there are too many of them. Goods and produce pass through
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too many hands on their way from the producer to the consumer and this is wasteful. Sir Charles Fielding estimates the waste in distribution on bread, milk and meat alone as amounting to £175 millions a year.¹ Yet though the waste is prodigious, it appears to be lost in a large number of relatively small details, of which the largest items arise, apparently, from the costs of unnecessary establishments, the duplication of services, personal and other similar expenses.

I said that if we grew all the food we are capable of doing it is estimated we could employ a million additional men on the land. This would go a long way towards finding a solution for our unemployed problem, and it is possible that with our industries protected it might entirely disappear—provided that in the meantime the financial crisis does not develop too rapidly for us to effect the transition. But even if the unemployed should be absorbed this could only be temporary unless the use of machinery is restricted, for if it is to remain uncontrolled as at present the progress of invention must inevitably lead to production getting again ahead of consumption, and unless measures are taken to meet this situation the whole industrial system must eventually come crashing down, bring-

¹ Food, by Sir Charles Fielding, p. 234.
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ing with it national bankruptcy, anarchy and revolution. Those who favour the unrestricted use of machinery and who foresee this situation propose to meet it by measures that are to be likened to artificial respiration. Recognizing that as automatic machinery on a basis of Rationalization displaces labour and thereby undermines purchasing power they propose to distribute purchasing power by means other than by payment for work done, which distribution would take the form of family allowances, increased pensions and unemployed allowances or, if they are Douglasites, of a national dividend.

Though there are grave social objections to the distribution of purchasing power by such means, yet the day is not far distant when the choice will be between the adoption of such extraordinary measures and collapse.¹ But the

¹ As a matter of fact collapse would perhaps already have come but for the development of Instalment buying. But Instalment buying is a desperate remedy, and can only put off the evil day for a short time because it automatically comes to an end when people can afford to contract no more debts, as the Americans found out. It is to be observed that Instalment buying is the logical consequence of Rationalization which has increased production beyond the point at which it satisfies ordinary demand. Rationalization and Instalment buying are both vicious, and only inevitable because of the restricted outlook of industrialists, financiers, publicists and politicians which prevents them looking at all sides of a question.
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proposal has an implication which would doubtless prevent its acceptance as a permanent arrangement—it involves labour conscription, for it is a certainty that if unemployed allowances were raised to the point at which men could live comfortably without working the incentive to labour would be gone. Industry would become completely demoralized. The necessary work of the community would not get done.

The popular notion that such a distribution of purchasing power would necessarily be followed by financial disaster appears to me without foundation. People who recognize quite rightly that the dole to-day constitutes a drain suppose that an increase in the amount of the dole proportionately increases the drain. But this is not necessarily the case. It depends finally on whether the money so distributed is spent upon food and commodities produced in this country or not. The dole to-day constitutes a drain because as most of it is spent upon food, and our food is mostly imported, it means that most of the money so spent goes out of the country. But in proportion as our agriculture is revived and our industries protected this ceases to be the case. Assuming we could succeed in growing all the food we require the drain would then amount to the
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cost of the imported raw material used in the manufacture of commodities purchased by dole receivers, which would be slight. If we produced all our own food and imported no raw material for articles purchased by dole receivers we could increase the amount given in doles to the extent of equating consumption with production, and its incidence would not be felt, for the increase in consumption would react to revive trade which in turn would react to reduce the number of the unemployed, if not to abolish them. So paradoxically it comes to this; granted self-sufficiency, increase in the amount of the dole up to the point at which consumption equates with production would not increase but decrease the burden it places upon the community by the stimulus it would give to the revival of trade.

Yet I imagine the machine would beat us in the end if its use is not to be restricted, for as Rationalization proceeds a point must come when the possibilities of human consumption reach their limit and the system would then break down not because of lack of purchasing power but because of a plethora of unwanted commodities. But assuming there is no limit to the possibilities of human consumption the industrial system must finally break down because of the inroads it makes on the world's supply of irre-
placeable raw material. Before the age of machines such inroads were slight and offered no menace to posterity. The store of mineral wealth in the world remained almost intact. But our industrial methods of production use up such material at an alarming rate. The machine has an insatiable appetite for fuel and minerals of all kinds, the supply of which is limited. The easily accessible sources of raw material are already becoming exhausted and the end is in sight. In view of this fact it is sheer folly not to restrict the use of machinery. If we do not, irreparable disaster must overtake society within a generation or two at the most.¹

Before closing this chapter, it is necessary to say something about an alternative proposal for dealing with the problem of over-production by reducing the hours of labour all round. It is a proposal which has received official recognition, for it was endorsed by the Washington Hours Convention held after the War. But while delegates of all industrialized nations gave an undertaking to reduce the hours of labour not

¹See The Tragedy of Waste, by Stuart Chase. In this book the author details the story of the waste of natural resources in the U.S.A., and predicts that within a generation they will be exhausted. It created quite a sensation in America when it was published (1926). But I am told it is already forgotten.
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one so far has done so. None have ratified it and I believe the reason is to be found in the fact that it bristles with too many practical difficulties. Hours of labour in the past have been reduced under industrialism and it may be asked why should not the process continue? The answer is that such reductions as were undertaken in the past were made in the interests of efficiency, and came about as a result of the discovery that abnormally long hours of labour by tiring the workers increased rather than decreased the costs of production. But a reduction of the hours of labour to absorb the unemployed is a different proposition. It interferes too violently with the structure of industry and its interlockings, to be put into operation. The industrial system has been built upon the assumption that the working day was the longest compatible with efficiency, and in most industries it would appear to be as impossible to alter it at this time of day as it would be to alter the width of the railway gauge upon which our railway system has been built. There are, I am told, railway engineers who believe a broader gauge would have given greater efficiency. But as every bridge, tunnel, viaduct, station and the rolling stock has been made upon the assumption the gauge is the present one, to widen it would involve the alteration of almost everything
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connected with railways. For similar reasons any serious reduction in the hours of labour such as would re-absorb the unemployed would involve so many changes of one kind and another that it is safe to say it will never be attempted. The difficulty of making the millions of adjustments would be so great that it would be given up in despair.
CHAPTER II

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The failure which must inevitably follow all attempts to find a solution of the social problem based upon the assumption that it is possible to stabilize the abnormal, must eventually bring people to see that a solution is only to be found in the direction of a return to the normal, and when that happens a new approach to the whole problem of social reconstruction will become practical politics.

But what do we mean by returning to the normal? The best way of conveying to the reader what we mean is by telling him why modern society is to be regarded as abnormal. It is abnormal because material activities are over-developed, while spiritual ones carry on a precarious existence, because there is a lack of balance between the industrial and agricultural sides of society, because in a hundred directions personal and human ties are being dissolved and replaced by competition or the impersonal activi-
ties of the State. Looked at from this angle, modern society appears as an inverted pyramid in constant danger of toppling over, while reformers, blind to the peril, are engaged in widening the top, and still further restricting the base in the name of progress and evolution. Thus we see the problem of our civilization is a very different thing from that envisaged by the reform movement, inasmuch as the problem confronting us is not primarily a question of the redistribution of wealth, necessary as that may be, but of how to get the social pyramid to rest again four square upon its base instead of upon its apex, as it does at present.

It is to be affirmed that a society can only be in stable and healthy condition when its manufactures rest on a foundation of agriculture and home-produced raw material and its commerce on a foundation of native manufactures; and when its people share a common life in the family, the guild and locality. This is an ideal that can never be entirely attained in practice, except under the most primitive conditions; for no society can be entirely self-supporting according to the standards of civilization. Nevertheless, it is an ideal to be followed as closely as possible, since if this principle is disregarded a nation will tend to become economically and psychologi-
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cally unstable. It will become economically unstable because, in proportion as the commerce and manufactures of a nation come to be dependent upon foreign markets and it comes to live upon imported foodstuffs, it will tend to find itself at the mercy of forces it cannot control; while it will become psychologically unstable because, in so far as the opposite ideal of cosmopolitanism comes to prevail, people become uprooted; and once they are uprooted they begin to find themselves at loose ends, which in turn undermines their moral and intellectual integrity, because on the one hand they find themselves released from social obligations, and on the other because they have no background of real experience by which to test the validity of ideas, and thus tend to become intellectually superficial and indifferent to moral values. In the past, the danger of cosmopolitanism was frankly recognized. Aristotle and Aquinas each desired to restrict foreign trade within the narrowest limits, because of the economic and moral disorders which they recognized followed in its wake, and the modern world supplies ample corroborative testimony of the truth of their contention. It is only when a people live a local life, are rooted in local traditions, that they develop character; and, I may add, it is only amid such local conditions of life
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and society that religion and art flourish, for it is only when the foundations of society are fixed, so to say, and where movement and flux are definitely limited, that the great traditions will take root.

If we accept normality as the ideal at which to aim, we inevitably come into collision with the idea of Progress and theories of social evolution as popularly understood because apart from the elementary needs of food, clothing, shelter and fuel they treat other human needs as non-essentials, subject to change and flux, on the assumption that human nature is capable of infinite adaptation to changing circumstances and without permanent needs. The essence of the idea of Progress is the belief that the new thing is to be preferred to the old. In consequence, it leads men to look with suspicion upon all traditions that have survived from the past, while it encourages an entirely uncritical attitude towards all new developments. The future is featureless; to make it therefore the final court of appeal is to deny experience and to place ourselves at the mercy of every charlatan who comes along. There can be no way of exposing the fallacies involved in a new heresy, except by reference to some standard or experience in the past. The charlatan therefore, by appealing to
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the future while denying the past, discounts beforehand any possible criticism of his position, and cajoles the public into acquiescing in things they know to be wrong. Worst of all, belief in progress has silenced intelligent discussion of social and economic questions with the slogan 'We can't go back,' unmindful of the fact that history abounds in such returns. Nothing can be less intelligent than to object to any proposal on such grounds, for the implications of such a position are that the mistakes and follies of yesterday can serve as a foundation for the triumphs of to-morrow. No one but a fool in his private life acts upon such nonsense. If he makes a mistake he will seek to retrace his steps as quickly as possible. Yet what would be considered foolishness in private life is accepted in public life as the highest wisdom. But it won't appear wisdom much longer, for the choice that is being presented to us is between going back and going to the devil; and now that it has begun to assume this form, we shall doubtless agree to go back as the lesser of two evils. But it is not necessary for me to labour this point for the process has already begun. The abandonment of the Gold Standard and the reversal of our Fiscal Policy demonstrate clearly that when the consequences of Progress become
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sufficiently serious we do not hesitate to 'go back'. But it is a pity that it should take a crisis of such magnitude to break the spell which the magic word Progress has imposed upon us.

Theories of Social Evolution provide a pseudo-scientific sanction to the idea of Progress. There are several such theories and as to some extent they cancel each other it will not be necessary to discuss them in detail separately. It will be sufficient to controvert a certain classification of history which is not only common to them all but has come to be used so far as I know by all economic historians, for to expose the fallacies involved in this classification is to knock the bottom out of the idea of Social Evolution.

According to this classification our industrial history is to be divided into four periods which are termed respectively, the Family System, the Guild System, the Domestic System and the Factory System. These four systems are presented as four successive stages through which industry has passed in its evolution. It sounds plausible, but it is not true, for the four stages are not successive, inasmuch as the Domestic System does not develop out of the Guild System, but directly out of the Family System as did the Guild System; so that it is entirely wrong to speak of the Middle Ages as being characterized

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by the Guild System. On the contrary the Guild System and the Domestic System then existed side by side, one in the towns the other in rural areas, as two rival systems of industry with different moral intentions. The Guild System was a system of regulating industry to uphold a high standard of commercial morality and as such was communal in spirit, the legitimate successor of the Family System. The Domestic System on the contrary was a system of commercial exploitation and as such an illegitimate successor of the Family System which was communal in spirit. In other words, it was incipient capitalism and it happened that just as bad money drives good out of the market so the Domestic System, which was a morally bad system of industrial organization, undermined and eventually replaced the Guild System which was a morally good system. To present therefore the Domestic System as the successor of the Guild System is as unscientific as it would be to present the boa-constrictor as the successor to the guinea-pig because he succeeds in eating him up. Yet economists who accept this classification and whose treatment of facts is entirely empirical claim to be scientific while they seek to dispose of any who see through the fallacies of their reasoning by designating them romantics.
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When we come to the Factory System we find the ground shifts again. I have in my possession a little book called *From Gild to Factory*,¹ in which this theory of economic history is summarized. But we cannot in any scientific sense speak of Guild to Factory, for a Guild is a system of industrial regulation whilst a factory is a system of industrial organization—two very different things. Consequently while we might say 'From Guilds to *laissez-faire*', that is, from regulated to unregulated industry, or 'From Small Workshops to Factories' which is from small to large units of industrial organization, we cannot say 'From Guild to Factory' without confusing the categories of thought.

A further source of confusion arises from the custom of economic historians speaking of the Guild System as local industry and the Domestic System as national industry, thereby leading people to suppose that the Guild System belongs to a lower stage of economic evolution, on the assumption it is a system essentially limited in its possibilities, incapable of being given a national application, and therefore our interest in it can only be an antiquarian one. How baseless is this assumption is apparent when we reflect that if it were true it would mean that a system

¹ *From Gild to Factory*, by Alfred Milnes.
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of industrial regulation, whose object was to uphold a high standard of commercial morality by the suppression of a lower one, could only be applied locally and that industry could only be organized on a national basis on the assumption that all attempts to uphold a high standard of commercial morality were abandoned. If such be the case—and it is the logical deduction from the position assumed by economic historians—then it may be asked on what grounds the supersession of local by national industry may claim to be a higher stage of industrial evolution?

Of course it is easy to understand why this kind of economic history became accepted as the truth. It justified modern civilization. It flattered the modern man who believes he is the last word in creation by suggesting that even the economic system of to-day is superior to anything that has gone before. Whether it will continue to flatter him much longer remains to be seen. Meanwhile this interpretation of economic history has been at the root of endless confusion of thought, and is one of the reasons why now, when we are confronted by a national crisis, we are as a nation almost intellectually bankrupt in the face of it. Further, it is to be said that Socialists only profess a belief in social evolution when it confirms their prejudices, for they are
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ready to throw it overboard when it does not suit their convenience. Thus they tell us that as a consequence of social and economic evolution the gulf between rich and poor has widened. If that is the correct interpretation of what has happened and if the division of society into rich and poor is brought about by evolution, then the only deduction to be made is that further evolution would separate them still more. But this is a conclusion which would not justify their political activities, so nothing is said about it.

To exorcize the bogies of progress and social evolution is a precedent condition of any intelligent discussion of the social problem and especially so in regard to the problem of machinery, for in no direction has belief in progress done more harm. In a sane and rational society, the use to which a force of such unknown potentialities as power-driven machinery should be put would have been a subject for serious deliberation. The discoveries in connexion with it would have been followed by patient and exhaustive inquiry into their probable social and economic effects; and its use would, in the first instance, have been sanctioned in specific instances for experimental purposes only, while its social and economic reactions would have been very carefully watched; for though the un-
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doubted advantages of machinery would have been recognized, society would not have deliberately closed its eyes to the perils which might follow the liberation of such an unknown power. Yet though the advance of machinery appears, in the early days of the Industrial Revolution, to have been viewed with some suspicion and hostility by the workers, because it threatened to displace their labour, no such apprehensions of danger appear to have been felt by government and capitalists or by their henchmen, the economists; all of whom apparently took the unrestricted use of machinery for granted.

How are we to explain the blindness of society in the eighteenth century to the perils of the unrestricted use of machinery?—for at an earlier date it was different. Until the middle of the seventeenth century the efforts of the workers to resist mechanical innovations found support in high quarters. It is well known that the Tudors and the Stuarts were consistently opposed to the introduction of machinery which was injurious to handicraftsmen by creating unemployment, or would lower the standard of quality in the articles produced; and for a long time the opposition was successful in checking the mechanical tendency in industry. It was broken down eventually by the combined influence of two forces—the
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growth of foreign trade and Puritanism. The discovery of America had provided England with an apparently inexhaustible market for its commodities. This fact, by dispelling the fear of unemployment which it was thought would follow the organization of industry on a quantitative basis, deprived the opposition to machinery of its strongest argument—the only one perhaps that would carry any weight with the middle-class Puritans who then were becoming such a power in the land, and who joined with the landlords who had stolen the monastic lands to overthrow Charles at the Civil War. With the defeat of Charles the old order came to an end and nothing henceforth stood in the way of industrial development and the enterprise of capitalists, who, incidentally, were invariably Puritans. The mind of the Puritan was hard and mechanical, devoid alike of any love of beauty or human sympathy. And once power passed into the hands of men of this calibre it is not surprising that any idea of restricting the use of machinery should have become anathema. To men so entirely destitute of any social or æsthetic sense, the idea of restriction was insufferable tyranny, a needless interference with personal liberty, and that was all there was to say about it.

And there was another reason for the blindness
of society respecting machinery. In the eighteenth century the eternal validity of the theory of Natural Law was widely accepted as an indisputable scientific truth. According to this theory in the form it had then assumed, which incidentally was the theory behind Free Trade as originally understood, there is in society a power capable by its own internal volition of producing a social and economic equilibrium which would assert itself in proportion as governments abandoned all attempts to direct the course of social and economic development. Any restrictions to the use of machinery, therefore, were to be deprecated as other restrictions which limited natural activities were to be deprecated. It is probable that it was the influence of this theory that was decisive. For though it has entirely dropped out of political consciousness, its influence at the time was immense. It exercised an influence on European social and political thought from the fourteenth to the nineteenth century that is difficult to exaggerate, for during that period its sanction was sought for every idea of reform, while it was associated with every popular rising, from the Peasants' Revolt to the French Revolution. The fact, therefore, that the unrestricted use of machinery could be justified according to this theory must have
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turned the scales; for in spite of popular belief to the contrary it is theories that rule the world, and none are such humble slaves of them as the self-styled men of facts.

But the influence of the Law of Nature goes deeper, for not only was it decisive in changing the general attitude towards machinery, but it may be claimed that it was primarily responsible in effecting a transition from a social system organized more or less on a co-operative or corporate basis, in which the individual had a well-defined status and security, to one in which he was left to fend for himself, to sink or swim as his own actions or circumstances might determine.

All this is admitted. But the real inwardness of the change and its bearing upon the present impasse are not understood. We have in the first place to take account of the fact that in the Middle Ages the individual enjoyed a definite status, whether under the Church, the Guild or Feudal System; he had security, he was cared for during sickness, provided for in his old age and was rarely troubled with unemployment. The result of this condition of things was that the Mediæval man lived a comparatively care-free life. He was not beset with the anxieties that beset the man of to-day. The Middle Ages had drawbacks, but they were not the drawbacks of
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to-day; the things that were feared were not un-
employment or destitution, but famine and pesti-
ulence which, when they came, visited all. But
between times, economic historians are agreed,
the Mediæval man lived in rude plenty. He had
plenty of the necessaries of life though luxuries
were few. But that mattered little, for what we
never experience we never miss.

A consequence of this condition of security was
that the motives which to-day lead people to save
or accumulate money were almost if not entirely
absent. If the individual set out to make money
it was not because considerations of prudence
suggested his making provision for his old age
or insuring against sickness or misfortune, but
because he loved money, because he was avari-
cious. That explains why men who made the
accumulation of wealth their primary aim in life
were looked at askance in the Middle Ages and
why trade and commerce were held in lower
esteem than agriculture and craftsmanship, as they
are in China to this day. But when the corporate
life of the Middle Ages was destroyed and the
individual was left to fend for himself, the public
attitude towards the individual who saved or
accumulated money changed also; for under the
new conditions, to save money did not bespeak a
spirit of avarice, but was dictated by motives of

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common prudence. It was a social obligation, for not to save was not to make provision for sickness, old age or misfortune; it was to become a public charge. These changed circumstances bred a spirit of tolerance towards those who amassed wealth, leading eventually to the acceptance of the rich as the natural leaders of society. And to what economic prudence suggested Puritanism gave religious sanction. The Old Testament taught that the virtuous man became materially prosperous, and the Puritans loudly proclaimed its truth. They came to believe that the virtuous inevitably became prosperous, and it was not long before the next step was taken—the prosperous were accepted as the virtuous, provided they did not inherit their wealth.

One result of this changed attitude towards money was that the arts of life began to suffer. For when money is saved it is not spent, and it can be most easily saved by reducing expenditure on the arts which henceforth came to be regarded by the Puritans as needless luxuries, as inventions of the Devil. Thus the loss of status, by the stimulus it gave to saving, tended to promote a spirit of utilitarianism, which tendency was encouraged by corresponding changes that took place in the arts themselves. During the Middle Ages the progress of taste had been from extreme
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simplicity to over-embellishment, but with the coming of the Renaissance, reaction set in towards simplicity which, in the long run, also moved towards utilitarianism. Whether this was finally due to the reaction of the spirit of Puritanism on the arts or not must remain doubtful, for it can be explained entirely on aesthetic grounds. Among architects the decline is not connected with Puritanism, but with the pedantic tendencies of the Renaissance which ended in completely destroying the instinctive capacity of design which hitherto had been the common possession of the whole people. Yet Puritanism could not have been without its effect, for it is arguable that pedantry itself is a manifestation of the Puritan spirit because it is antipathetic to the spirit of spontaneity so essential to the arts.

To understand these things is essential to any understanding of industrialism; for it is to understand that it grew up in a spiritual vacuum, when all the great traditions were dead. It was this that gave industrialism its utilitarian, inhuman and anti-aesthetic spirit and explains why, in the long run, it is proving itself self-destructive. The total destruction of the balance between production and consumption which marks its present final stage is but the logical consequence of its exclusive preoccupation with means.
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to the neglect, not to say contempt, for ends, which in turn is the consequence of the spirit of utilitarianism and the passion for investment and wealth-accumulation that Puritanism engendered.

Now that we have succeeded in diagnosing the disease, we are in a position to consider the remedy. As the present deadlock between production and consumption has come about as the result of an exclusive preoccupation with means to the neglect of ends, it follows that the remedy is to be found in restoring the balance by devoting ourselves to the furtherance of ends. This involves nothing less than a complete change in our attitude towards life—a change as complete as that which separates the spirit of Puritanism from that of the Middle Ages. We saw that the spirit behind industrialism was that of Puritanism. That spirit is now broken down. But though the human spirit has been liberated as a consequence of the decline of Puritanism it remains disembodied owing on the one hand to the absence of status and security which obliges people to think of money first, and the persistence of habits of thought and expenditure of Puritan origin which have survived its decay; and on the other because owing to the neglect of the arts it is unable to achieve legitimate ex-
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pression. Such being the case we must aim on the one hand at regaining status and security for the individual, and on the other at the restoration of the arts to life by changing current habits of thought and expenditure. Let us consider these issues. It will be convenient to begin with the arts.

In schemes of reform, to-day, it is customary to stress the importance of encouraging science. Endowment of research has become an article of faith; as necessary to economic salvation. But science in industry is concerned with means rather than ends, and its encouragement can only intensify the competitive struggle. Meanwhile, the significance of art and its ability to restore the balance between means and ends is entirely overlooked. This would be excusable if the arts were still in the degraded condition they were in during the nineteenth century. But such is no longer the case. This century has seen a revival, a new renaissance of the arts—a renaissance in which this country has taken the lead. Architecture, painting, sculpture and the crafts have, one by one, successfully emerged from their former degradation. And this revival, strange to say, has arisen amid the most adverse social and economic conditions; for it has coincided with an enormous contraction of art patron-
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age. In spite of Puritanism and the general degradation of the arts during last century, there yet remained a great deal of art patronage, even if it was not particularly well informed; but this last thirty years it has steadily contracted, owing on the one hand to the impoverishment of the old aristocracy, and on the other to the fact that the new rich prefer to spend their money on motor-cars and antiques; while since the financial collapse in the autumn of 1929 the position has become desperate. That art survives at all is due to the fact that it is propped up by artificial means, to the fact that some artists have private means, and that there are positions for teachers. Surely it is time we woke up to the actual situation, lest the revival should perish of neglect. If the arts should disappear, then, so far as I can see, our civilization must perish with them, for it is finally to art that we must look for correcting the balance between the means and ends of industry. If the arts were to perish, any hope of redeeming industry must also perish, for nothing then could prevent industrialism being carried to its logical conclusion. And the disease is, nowadays, sufficiently advanced for us to be able to imagine what that must mean.

Expenditure upon the crafts and arts is as necessary for our economic as for our spiritual
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salvation, for such expenditure acts like an economic safety-valve to prevent internal complications. Refusal to spend money on them and other things of permanent value is tantamount to sitting on the safety-valve, and it is because we have been sitting on it so long that things have become so explosive. It is, I think, no exaggeration to say that there is no single thing which is responsible for the economic contraction that has taken place so much as the general unwillingness of people of all classes to spend money on the arts. In former times this was not the case. Expenditure upon the arts then was lavish. The great monuments of architecture bear witness to this, and it reacted to keep the economic arrangements of society in a healthy condition. And when I speak of the arts I must be understood to mean everything into which the æsthetic element enters, and this should be into everything that forms our environment, not only the fine arts of architecture (in the monumental sense), painting and sculpture, which most people think of in this connexion. From the point of view of our economic redemption it is important that this restricted attitude towards art should be entirely broken down among the general public, as it has now for some time been in the art world, because until
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it is, it will be impossible to make much advance with the crafts. The patronage of the fine arts will always be confined to the rich and public bodies, whereas opportunities for patronizing the lesser arts and crafts are open to all, or were until industrialism destroyed our sense of values and provided so many ways for people to fritter away their incomes. It is especially important that people should be willing to spend sufficient money upon ordinary building, as to enable it to be done decently and to have done with the cheap-jack methods of building which have ruined our towns and countryside. It is safe to say that our old towns and villages would not command our admiration if those who built them had approached the subject from the point of view of investments as is customary to-day. Building should be looked upon as a means of spending money; not as an investment. What it brings in as a return should be a secondary consideration, as it was in the past. It is interesting, in this connexion, to observe that architectural opportunities to-day are for the most part confined to classes of building upon which returns are not expected, as is the case with churches, public and semi-public buildings. The exceptions are houses for the rich and commercial buildings erected for the purposes of prestige or
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advertisement. The latter motive, however, at times gives strange architectural results.

I said that expenditure upon the arts is like an economic safety-valve. It is important to understand exactly how this works. It is apparent that money that is spent upon goods for final consumption—in which category are to be included all art products—is money spent upon demand, whereas money which is invested in productive enterprises is money invested in supply. It follows from this, that if a balance is to be maintained between demand and supply, part of the national earnings should be spent upon goods for final consumption and part invested in productive enterprises; that is, part must be spent upon means and part upon ends and both in their proper proportion. But when people become keen on making money they begin to spend less on goods for final consumption and to invest more in productive enterprises. A time comes when they lose all sense of proportion and when parrot-wise they recommend increased production as a remedy for all economic troubles. This upsets the balance between demand and supply, and intensifies competition. If they keep on investing their surplus income in new productive enterprises, the discrepancy between demand and supply will increase, until a situation is
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created like that to-day when every penny invested in new productive enterprises tends to increase unemployment; not to diminish it. For a long time the working of this simple law was, for us, obscured, because it was possible to us to dump our surplus products in foreign markets. But this is no longer possible because so many countries have taken to industrial production and supply their own needs. And so the truth is out at last. Production and consumption do not balance because people invest their surplus income in new industrial enterprises, and have lost the habit of spending money on goods for final consumption. People have done this in the expectation of increasing their wealth whereas, if they only knew it, they were really engaged in undermining the source of their incomes by bringing production to a standstill. ‘Governments’ says Gustav le Bon ‘are never overthrown; they commit suicide.’

We have seen that the destruction of the balance between demand and supply, production and consumption, means and ends is due to the perfectly insane custom of reinvesting surplus income in new productive enterprises for the purpose of further increase instead of spending it upon the arts and amenities of life. But I would not be so rash as to assert that the balance can
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nowadays be restored merely by advocating such expenditure, for habits are not to be changed in a day, and I fear the scales have been tipped too far to be capable of such a simple remedy. The average man to-day has his work set in trying to make ends meet. However desirous he might be of acting upon such advice, he does not find himself in a position to do so, while the rich as a class are unfortunately too inaccessible to ideas to be changed in a day; and the change would have to be made immediately and thoroughly if it were to be effective. The utmost, therefore, we may hope for in this connexion is that the intelligent rich may be awakened to their responsibilities and be persuaded to spend their surpluses in such ways as to save the arts from destruction in the hostile economic environment in which they find themselves; to keep alive the flame of tradition until happier times return. For more, we shall have to wait until the majority are given security and status by being organized into Guilds, for not until they are given protection in this way can they have that relief from anxiety for the future which for them is a precedent condition of spending rather than investing any spare money they may possess. In the East, to this day, people with spare money spend it in art products. If
you go into their houses you will find them full of expensive rugs, fabrics, metal and other craftwork. Judging by Western standard you might imagine such people to be very wealthy, but if you inquire you will find it is all they possess. These things represent their entire savings, which they sell in times of need. How much wiser this custom is than investing it in new productive enterprises, we are in these days beginning to find out. For not only do we find that as a result of this policy our cities and countryside are rendered ugly and abominable, but that our system of investments is, in the long run, proving itself to be self-destructive. Grasping at everything, we are ending in getting nothing. There is poetic justice after all.

To a generation like our own, which thinks in the terms of schemes and plans, this advice may appear unsatisfactory. But it is my contention that nothing less than a new dynamic, a new purpose, can lift us out of the trough into which we have fallen. Plans are necessary to enable us to carry on, and we shall require plans in the future if society is to be organized on a corporate basis, but for the present we must be content to plant a seed that will grow, for plans undertaken prematurely always produce results not intended by their authors. Before any plan for organizing
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society on a corporate basis can be successful, the spirit of the age must be changed; and this is just as true of the Labour and Socialist movements as of any other section of society. This century has witnessed a great emotional and moral revival. It is a consequence of the activities of the Socialist movement, to understand which it must be approached primarily as a moral revolt. The movement draws its recruits from among those who are outraged by the corruption and injustice of our economic system, and if we are to see it in its proper perspective this fact must never be lost sight of. Its great achievement is to have given the world a social conscience. If we compare the state of mind a hundred years ago, portrayed so vividly in the books of the Hammonds on the period covered by the Industrial Revolution; the callous, inhuman and hypocritical attitude of the rich towards the sufferings and misfortunes of the poor, and the prevailing hard, mechanical outlook on life and society with that which obtains to-day; the change of outlook and feeling is astonishing, amounting to nothing less than a revolution. And though we must not forget the many writers—Carlyle, Ruskin, Disraeli, Dickens, Charles Reade, Kingsley—who, by their writings, directed public attention to the injustices of
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our social system, I yet think the great change that has taken place is, in the main, due to the activities of Socialists, whose absolute devotion and untiring energy in the cause of the oppressed has made the social problem a living issue in politics, for the change is to be seen among people entirely unaffected by Socialist theories. But though moral and emotional values have changed, spiritual, æsthetic and intellectual ones have not to an equal extent, for the mass of people still accept the quantitative and utilitarian standards of industrialism, unaware that any conflict exists between them and their emotion and moral impulses; though the practical failure of Socialist measures, based upon the assumption that the quantitative standard is above suspicion, should have brought that home to them. In these circumstances, it is evident that before any schemes for organizing society on a corporate basis can meet with success, the people must be given new spiritual, æsthetic and intellectual values. They must, in a word, be born again. They must be awakened to a new conception of the social problem, which sees the economic problem not as a detached issue, but as the more obtrusive symptom of an internal spiritual disease; for though the situation being what it is, it is natural for reformers to be primarily concerned
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with the solution of the economic problem, yet it is to be affirmed that they never will find a solution for it until they come to search for it in the light of spiritual truth instead of the materialist philosophy.

The helplessness of statesmen and reformers in face of the problems of machinery and rationalization should bring home to all the inadequacy of the quantitative and utilitarian point of view. Machinery to-day is displacing labour at an alarming rate. Yet neither statesmen nor reformers demand its regulation. On the contrary, they tell us that 'they do not seek to go back to Ludditeism: that rationalization cannot be stopped, for we must have efficiency and develop our economic resources.' Why is this? It is because any proposal to restrict the use of machinery is sheer obscurantism to men who accept the materialist philosophy. It is sinning against the light. And so though they recognize that machinery is creating unemployment and will increasingly create it, yet because of their limited vision they are unwilling to entertain the idea of restricting its use. And so it must be until they are born again, until they come into possession of spiritual truth; for not until they come into possession of higher values with which the unrestricted use of machinery conflicts will they
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be able to see that to restrict its use is not obscurantism but the highest wisdom. And this is one of the reasons why the revival of the arts is a precedent condition of social salvation. Art is one of the approaches to spiritual truth.

When people do awaken aesthetically, they come to see that the Qualitative Standard of the arts inevitably conflicts with the Quantitative Standard of industrialism. It comes about this way. If you produce in quantities you must, if you are to sell your products, take the world as you find it. You must accept the taste and standards of the average man at any given moment as your standard. From this it follows that you exclude everything that is above the average. You begin by excluding standards of taste that are above the average and you end by excluding men who are above the average. But to exclude everything that is above the average is to exclude the best men and things. And this, in the long run, is fatal to society, for unless average men are in contact with persons and things higher than themselves, they tend, progressively, to degenerate. Society loses its salt by being deprived of true leadership, and because of this the theory of averages in industry, as in politics, leads ever to a lower level.

To attack the Quantitative Standard is to attack the philosophy underlying machine pro-
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duction which has led to its abuse. But though such an attack would bring into existence an atmosphere in which proposals for a limitation of the use of machinery would be listened to, it yet does not of itself provide any principle for its regulation. On the contrary, it is only when we approach the problem in the light of the Qualitative Standard that principles for the control of machinery can be formulated. The following occur to me:

(1) The use of machinery should be restricted where its use conflicts with the claims of personality—that is, it should not be allowed to turn men into robots.

(2) It should not be allowed where its use is injurious to health.

(3) It should not be allowed to create economic disorders like unemployment.

(4) It should not be used where it conflicts with the claims of the crafts and arts.

(5) It should not be allowed to multiply commodities beyond the point at which natural demand is satisfied—that is, beyond the point at which sales need to be artificially stimulated by advertisement.

(6) It should not be allowed to trespass seriously upon the world’s supply of irreplaceable raw material.

The enforcement of these regulations would I
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imagine abolish most of our machinery; and to the remainder there could be no objection, for limited to this extent we might breathe freely again, and forget what a menace machinery had ever been to the world. We should certainly be better off spiritually, and I do not hesitate to say most people would be better off materially though it is not so easily proved. Nevertheless, it is only necessary to have a slight acquaintance with our industrial system to realize that in the main machinery to-day is not used for the production of wealth but for the production of illth. Since the introduction of machinery the labour of the community has been increasingly misapplied with the result that only a very small percentage of our industrial activities are devoted to the production of wealth. The rest is devoted to the production of rubbish or waste of one kind or another. It runs to waste in the production of armaments, on cross distribution, advertisements, needless selling and advertising costs and in other ways. Well has it been said that our high standard of living is not really a high standard of living at all, but a high standard of wasting. It is significant that while the productive capacity of industry has doubled or trebled during this century the cost of living is very much higher to-day than it was in the year 1900. There is
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only one explanation for this. Our greatly increased production capacity has been used not to increase wealth but wasted on competitive selling, cross distribution and armaments.

Where machinery can be used to produce goods in large quantities the saving in the cost of production is enormous. But it is important to recognize that the costs of distribution are at the same time enormously increased, for when goods are produced in great quantities they cannot be disposed of locally, and great selling and advertising organizations are brought into existence to dispose of them. An American economist, Mr. Stuart Chase, has shown how as a result of mass production the selling costs have been increased so enormously that it not infrequently happens that in the end the public have to pay more for commodities made by mass production than if they had been made by hand.¹ It might be supposed, if such be the case, that when the costs of distribution increased the selling costs of machine-made goods beyond a certain point, handicraft would return, as a consequence of the normal operations of supply and demand. But this cannot happen so long as large-scale industry continues to function, because


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under the new economic conditions that have been brought into existence the craftsman finds that he cannot escape high selling costs. For this reason handicraft to-day is infinitely more expensive than it would be under normal economic conditions. But if normal economic conditions could be restored it would be found that the discrepancy in price between hand- and machine-made goods would not be so great, while in many cases hand-made goods would be cheaper.

In any comparison between the relative advantage of machine and hand production the fact should not be lost sight of that machine production entails an enormous number of expenses which hand production under more primitive economic conditions escapes. In an interesting book Economics of Khaddar, Mr. Richard B. Gregg ¹ inquires into the economic prospects of the Gandhi movement in India. He tells us that if the efficiency of the spinning wheel could be increased two and a half times and the hand loom ten times they would stand even with power-driven machinery because of the enormous number of expenses which hand production escapes, and it is not improbable that

¹ Economics of Khaddar, by Richard B. Gregg, pp. 79, 83. S. Ganesan. Triplicane, Madras, S.E.
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invention may be able so to increase the efficiency of hand weaving as to make them level since already it has done a great deal to fill up the gap. Mr. Gregg summarizes the costs which hand-produced cotton goods using locally produced material and selling locally escape under 25 heads as follows:

(a) SAVINGS IN COST

Elimination or great reduction of existing costs due to:

1. Assembly of raw material.
2. Storage of raw material.
3. Railway and steamship transportation.
4. Baling or packaging required by long transportation.
5. Injuring and waste of cotton fibre by high-speed power ginning and carding.
6. Injury of cotton seed by such gins and mixture of seeds of different strain and grades.
7. Certain steps in processing, rendered necessary by condition of material as a result of large-scale assembly, long-time storage in bales, long transportation; e.g. opening of bales, removing impurities, removing adverse effects of compression, etc.
8. Irremediable damage from transportation, storage and large-scale handling.
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9. Fire and theft insurance on materials and products.
10. Storage of completed product.
11. Advertising.
12. Obsolescence of product due to changes of taste and fashion.
13. Money, labour, land, fuel and other facilities and materials being wasted or diverted into luxury production.
15. Fluctuations in price of both raw material and finished product: also speculation therein.
16. Overhead costs arising from:
   (a) large clerical and sales forces;
   (b) expensive machinery, buildings, land and other equipment.
17. Fuel and power charges.
18. Legal expenses.
19. Bankers’ charges for loans, discounts, etc.
20. Income and super taxes.
22. Repair and maintenance of machinery and buildings.
23. Depreciation and obsolescence of machinery, boilers, buildings and equipment.
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24. Workmen’s compensation insurance or legal damages to injured employees.
25. Fire insurance on buildings and machinery.

He further adds:

(b) REDUCTION OR ELIMINATION OF RISKS DUE TO:
1. Famine or crop failures.
2. Fire.
3. Theft.
4. Strikes or lockouts.
5. Transportation delays.

(c) INDIRECT EFFECTS OR CONCOMITANTS

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1. Reduction in cost of living as a result of lightening the burden listed under (a).
2. Greater freedom from foreign financial and commercial interests and control.
3. Improvement of quality of product in respect to durability, adaptability to use and beauty.
4. Reduction of social evils such as slums of cities, physical and moral deterioration due to city life, unemployment and its fears and moral degeneration.
5. Decrease of tendency to urbanization and consequent reduction of national expense for railways, municipal works, etc.
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6. Reduction of power of financiers, large and small, over the lives of the people.

7. As one element of 6, a reduction in the amount of credit and credit instruments needed in trade, and hence a check on the inflation of credit and private and irresponsible control of credit with its consequent rises in prices.


9. More health and bodily and mental energy.

10. Enhancement of creative motives and a reduction of the opportunities and temptation for acquisitiveness, greed and imperialism.

11. The release, for purposes of growing food, of excess land now used for cotton growing.

Some of these items appear to be duplicated, but there are important omissions. We may add:

1. A more diffused prosperity; for machine production by concentrating power in the hands of a few enables the few to exploit the many.

2. Cost of maintenance of the unemployed.

3. Economic instability due to machinery as a disturbing factor.

4. Reduction of the danger of war by eliminating the struggle for markets and raw materials which under industrialism has been such a fruitful cause of wars.

5. National savings on cost of armaments and
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reduction of military establishments in peace times.

Now there is no branch of industry in which the discrepancy between hand and machine production is greater than in that of textiles. If therefore when everything is taken into account the saving effected by machinery is so small, how much less will it be in other crafts which do not lend themselves so readily to machine production? For these reasons, I am of the opinion that if the use of machinery was restricted to its legitimate province and used only on a limited scale we should be better off, because as in that case it could be reconciled with local markets, we should benefit by its advantages whilst escaping the heavy liabilities which are the inevitable accompaniment of large-scale production and de-localized markets.

But, I shall be told, all this sounds very nice but it has no relevance to practical politics; it is too remote. Yet it is not as remote as might at first sight appear. It may be true that politics are concerned more with appearances than with realities, yet in times of crisis appearances and realities coincide and the trend of events is to bring them together. May we not then assume that the day is not far distant when politics will have no option but to deal with realities, and
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when that day comes ideas will be considered which in the meantime would not be listened to? Our industrial system is slowing down and unless a break is made with the ideas that govern politics and industry it will certainly come to a standstill. Therefore it is not unreasonable to suppose that the idea of restricting the use of machinery may enter practical politics, for when people see what social and economic disaster follows its unrestricted use they may become reconciled to the idea of restricting it.
CHAPTER III

IMPLICATIONS

The policy I have described has certain implications which it is necessary now to consider.

If there is in the future to be increased expenditure on the arts on a scale sufficient to correct the discrepancy between means and ends, handicraft will have to be revived because a revival of handicraft is an essential condition of any widespread revival of the arts. This is not because machinery may not at times be used to produce work which has artistic merit, but because it is always on a lower plane than handicraft and because as the control of machinery tends to fall into the hands of men of a mechanical rather than an artistic turn of mind the hold which art at any time has upon the machine is uncertain and precarious. When artistic work is done by machinery it will invariably be found to be due to pressure or influence exercised by some person or body from outside; never, so far as I know, has
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the initiative come from those who control the machine. There is never at any time a true union between art and machinery. The marriage is always a mixed marriage; and it generally ends in divorce. It is so easy to enjoy the illusion that there is no incompatibility between art and mechanism for those who have never made any practical attempt to effect a reconciliation; but so impossible for those who have. The aesthetic and mechanical standards are as different as those of poetry and logic, and we have no more reason to expect that beauty will emerge at the end of the mechanical process than that poetry will emerge at the end of a syllogism. Machinery is not creative but imitative; but it cannot imitate everything, but only such things as lend themselves to mechanical reproduction. Consequently it imposes limitations upon artistic expression which are often disastrous.

But if art is not the same thing as mechanism neither is it to be confused with handicraft; for to affirm their identity leads us into the ridiculous position of claiming for anything done by a craftsman who executes his own designs—however inferior they may be—a superiority over anything produced by a designer who does not execute his own work—however excellent the design may be. Yet if one does not identify the pursuit of art
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with the practice of handicraft, what then, it will be asked, do I mean by saying that the revival of handicraft is an essential condition of any widespread revival of the arts? I mean that handicraft is a soil in which artistic ideas easily take root. It is the good ground where the seed brings forth fruit thirty, sixty, and a hundred-fold; whereas machine industry is the stony ground where the seed springs up forthwith, but withers away because as there is no deepness of earth it cannot take root properly. It is not handicraft but taste that is the fundamental thing. Granted the taste, there will be a much greater volume of good work in a society where production is carried on by handicraft than in one given over to industrialism, not because as I have already said that machinery may not at times be used to produce work of artistic merit, but because the machine imposes serious limitations qualitatively and quantitatively.

And there is another reason why art flourishes under a system of handicraft. It makes designing easier. The designer finds himself in a closer relation to the actual makers of things and where he is not the maker himself, he can watch things as they go along, making corrections and adjustments as the work proceeds. But all such adjustments and corrections are impossible
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with machine production. Consequently, to design successfully for machinery demands of the designer a much higher capacity of visualization than is required for handicraft—a capacity which is very rare. While again, one of the curious differences is that anything made by machinery must be perfect in proportion or it looks wrong, whereas this is not the case with things executed by hand. Old work is full of defects of proportion. Yet such work is more pleasing than perfectly designed work executed by machinery. The explanation of this is I think that handicraft has an emotional content which machine work lacks, and as our æsthetic instincts are primarily emotional, we demand that they should in the first place be satisfied.

But the revival of handicraft is important for other reasons. It is necessary to a solution of the problem of unemployment and would get things in motion again by distributing purchasing power. Then it would restore personal independence; for with the revival of handicraft would come the revival of small workshops which, by enabling men to set up in business on their own account, would promote personal independence. How great and desirable a change this would be will be appreciated by any who have ever been employed by a large industrial organization, and
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have endured the atmosphere of servility, suspicion and distrust which pervades them, for in large industrial organizations a man can scarcely call his soul his own. It comes about this way. There are two motives which keep men active: one is interest in work; the other is to improve their position. They are not necessarily opposed. A system of small workshops satisfies both of these instincts. It enables men to be interested in their work, while it offers to every man who desires it, the prospect of becoming his own master. And for these reasons it is in accord with the permanent needs of human nature. But large-scale industrial organizations deny for most of those employed both of these instincts. They deny men interest in their work by subdividing a craft into so many parts that a man may be required to spend his whole working life in repeating some simple mechanical operation, such as turning a screw or clipping a wire, while by demanding the subordination of the many to the few the majority are left without anything to look forward to; for under such a system there is no prospect for most of them setting up in business on their own account or improving their position in any way. The consequence is that men working in them tend to become demoralized and the natural tendency is
for slackness, indifference and apathy to overtake all such organizations which if allowed to go on could only end in bankruptcy. To avert this, resort is made to artificial means of speeding up the workers. They are placed under foremen who are not appointed for any real superiority but because they can be relied upon to bully those who are beneath them. This is what is meant by efficiency and discipline. Bullying has always been an important function in large organizations. But it has increased enormously since the War because, owing to the prevalence of unemployment, the fear which men have of losing their jobs places an added weapon in the hands of those who love to tyrannize. Large organizations also encourage the toady and the sneak by reason of the fact that when a man’s future becomes entirely dependent upon the goodwill of the man immediately above him a capacity for boot-licking, and ingratiating himself with those above him, is the first requisite for success. A manager may despise such men, yet he will encourage them, because to manage a large organization it is necessary to know what is going on down below and the sneak supplies the necessary information. Thus large-scale industrial organizations tend to put the control of industry into the hands of cads and it is for this reason that
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industrialism tends to create a spirit of class warfare, for men who are badgered and bullied every day of their lives come to live only for revenge. Nobody knew this better than Marx. It was, he explains, because large-scale production gave rise to feelings of class hatred that he gave it his support, for he had managed to persuade himself that class warfare was the dynamic law of history.

There is so far as I can see no remedy for this kind of thing so long as industry is organized on a large scale. It is organic with its very nature. It would certainly not be changed by the nationalization of industry even were it a practicable proposition. The issue here has never been better stated than in the recently published Papal Encyclical on The Social Order (Quadragesimo Anno).

‘Goods’ it says ‘are produced more efficiently by a suitable distribution of labour than by scattered efforts of individuals. Hence the Socialists argue that economic production, of which they see only the material side, must necessarily be carried on collectively, and that because of this necessity men must surrender and submit themselves wholly to society with a view to the production of wealth. Indeed the possession of the greatest amount of temporal goods is

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esteemed so highly, that man’s higher goods, not excepting liberty, must, they claim, be subordinated and even sacrificed to the exigencies of efficient production. They affirm that the loss of human dignity, which results from these socialized methods of production, will be easily compensated for by the abundance of goods produced in common and accruing to the individual, who can then turn them at his will to the comforts and culture of life. Society, therefore, as the Socialist conceives it, is on the one hand impossible and unthinkable without the use of compulsion of the most excessive kind; on the other it fosters a false liberty, since in such a scheme no place is found for true social authority, which is not based on temporal or material advantages, but descends from God alone, the Creator and last end of all things.’

The Socialist idea that it is possible for men who are condemned to be robots in their working life to spend their leisure in the pursuit of culture is a pure illusion. It could never happen, because mechanical labour injures a man psychically and stunts his personality. Men who labour under such conditions cease to be normal; and ceasing to be normal they seek not culture in their leisure but external distractions, for the pursuit of culture demands a measure of mental concentra-
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tion and self-control of which they are incapable. Complete idleness, forgetfulness and diversion from their usual activities are for them physical necessities. They do not want to think, but to be amused, and the kind of entertainment they support will be that which makes the least demand upon their intelligence. And this is natural because culture cannot exist finally apart from work. The great cultures of the past were organically part of a man's everyday life. They came to a man at his work. This was possible in the days of handicraft because the pursuit of handicraft involves thought and thus a foundation was laid and a temper formed that responded to the higher forms of culture. Such cultures were human things inasmuch as they were capable of binding king and peasant, priest and craftsman together in a common bond of sympathy and understanding. But such understanding between different classes of society is impossible to-day when industry is conducted on a basis of mass production, because mass production not only degrades men in their work, exhausting them physically and psychically, but erects impassable barriers between the many and the few which preclude mutual understanding. Thus the links which bound culture to life are broken and they cannot be repaired so long as
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men are slaves of the machine, for it is obviously impossible to build up by means of education what the day's work is for ever breaking down. To men so engaged what we understand by culture is something unreal. It has no bearing on the life they lead and its problem, and the only culture therefore in which such men may be induced to take an interest is that of class warfare; for it is the only culture that is related to the lives they lead.

It is for such reasons that the revival of handicraft is indispensable to any solution of the social problem. It is alike a psychological and economic necessity. But if there is to be a widespread revival of handicraft there will have to be a revival of small workshops and local markets, for only under such local conditions can handicraft thrive. But a revival of local markets presupposes a revival of agriculture which provides the indispensable foundation in connexion with which I should like to dwell on the matter of fixed prices with which the revival of agriculture has become associated, because while it is an idea that has a general validity as well as a particular one its significance is not understood.

The first point to be observed in this connexion is that a Fixed Price System is the true antithesis
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of the Free Trade *laissez-faire* vacillating price system. It is the scientific alternative. In politics, however, when as a result of experience Free Trade, in the sense of a system of free imports, is abandoned, as everywhere it is in the end, it is customary to resort to tariffs, because as I have already said no nation which has adopted Free Trade will consent to abandon it until its position becomes desperate, the emergency can only be met by means of tariffs. A Fixed Price System, on the contrary, takes time to build. It cannot be improvised like a tariff. It might be introduced by insisting that every industry that was protected by a tariff should consent to its prices being regulated. But that could only have come about if Protection had been part of the Labour programme. The stupidity of the Labour party in adhering to Free Trade led them to miss the golden opportunity with which the demand for tariffs presented them.

The next point to be observed is that a Fixed Price System is the only scientific alternative to the Gold Standard, for once sterling goes off gold the fixation of prices is the only way to ensure a stable currency.

The fixation of prices is being advocated as the only alternative to the competitive *laissez-faire* demand and supply, vacillating price system not
only in this country but all over the world, for similar movements demanding a Fixed Price System for agriculture are to be found not only in France and other parts of the Continent, but in Canada, the United States and New Zealand, and this is a fact of the greatest significance; for the fixation of prices is a Mediæval idea. Fixed prices were maintained by the Guilds for over four hundred years. The fact therefore that fixed prices have spontaneously arisen in so many countries doubtless foreshadows a return to the Regulative Guilds of the Middle Ages; for as all the regulations of the Guilds relating to production came into existence to enable fixed prices to be maintained, it follows that the revival of fixed prices will in due course be followed by the creation of organizations of a similar nature. It will only be necessary for such organizations to undertake the functions nowadays associated with friendly societies in addition to the maintenance of fixed prices to become the equivalents of the Mediæval Guilds.

The fact that the fixation of prices has found its way into politics without its significance being understood suggests its eternal validity, for it has been the practical necessity of finding a solution for the problem of vacillating prices that has brought it to the front in spite of the prejudice
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against it among reformers because of its Mediæval origin. Further, it can be maintained that as civilization owes its existence to the introduction of currency which made differentiation of crafts and occupations possible, and that as the fixation of prices is the only way of ensuring that money shall be used as a common measure of value, the establishment of fixed prices should be the central aim of statesmanship in the sphere of economics. Fixed Prices were advocated by Plato (Laws 917) as the solution for the economic disorders which had followed the introduction of currency in Greece and other Mediterranean societies. But nothing came of the suggestion. Perhaps the reason for the neglect is to be found in the fact that Plato wrote in the period following the Peloponnesian War when profiteering was rampant and Greek society was divided into rich and poor who were hostile to each other, and there was as little disposition to establish economic, as there was to establish social equity, for there are times and seasons for all things. Anyway, it was not until the eleventh century that fixed prices became practical politics when they were introduced under the auspices of the Guilds. But their significance at the time was not understood by educated men. They were entirely ignored by Mediæval schoolmen who, if ortho-
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doxx, confined their social and political speculation to the range of issues covered by the Canon and Civil laws, and if revolutionary, to the issues raised by the theory of Natural Law, in neither of which categories the Guilds, because they were the spontaneous and instinctive creations of the people, found a place. The consequence was that while the Guilds were established in the towns they were never organized in rural areas to replace the Feudal System when it fell into decay, with the result that capitalist industry got a foothold in rural areas and by underpaying the workers gradually undermined the position of the Guilds in the towns. This was the economic tragedy of the Middle Ages; for if the Guilds had been established in rural areas, capitalism would never have got a foothold, and the whole subsequent economic and political history of Europe would have been different. The social and economic organization of society would have remained Mediæval to this day as it still for the most part remains in the East.

Viewed in this light, the movement for fixed prices which is as spontaneous and instinctive a demand of the people as were the Guilds in the Middle Ages is intelligible. ‘It is a return to the past by men ignorant of the past, like the subconscious action of a man who has lost his
memory." Once the revival of handicraft has been accomplished (and I feel it is bound to come) it looks as if Guilds on the Mediæval model will be organized as a matter of course, because as handicraft in the future will present the same problems as it did in the Middle Ages they will demand the same solution. In agriculture the form would be different because as the problems of agriculture are essentially different from those of handicraft they will demand a different solution, and the same is to be said of industries in which machinery is used. But as the central aim of these organizations would be to maintain fixed and just prices they would inevitably be Mediæval in spirit. To this extent only we anticipate a return to the social and economic system of the Middle Ages. There can obviously be no return to the Feudal System or the Holy Roman Empire; for as these institutions arose in connexion with circumstances and problems which have no equivalent in the world to-day they can have no relevance; though if it should happen that the break-up of industrialism is followed by a collapse of central government and a relapse into anarchy and barbarism, it is not improbable the Feudal System would return; for the need of security would incline men in the future as in the past to seek the protection of the powerful. Thus
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it will be seen, our advocacy of the Guilds and fixed prices is based upon a recognition of the fact that the same problems demand the same solutions and that the problems of society are at all times fundamentally the same. The difficulty of securing recognition for this principle is due to the fact that in periods of expansion like the one that is coming to a close the fundamental problems of society are obscured and overlaid by a host of secondary ones so that most people cannot see the wood for the trees.

But there is another way of regarding such a return. We speak of Mediæval economics; yet it is only in a secondary sense that we can speak of economics in connexion with Mediæval society, for the Mediæval system was not primarily a system of economics but a system of personal loyalties with its keystone in loyalty to Jesus Christ. It was not like our economic system primarily concerned with the production and increase of wealth or with the relation of men to their environment but with their relation to each other and to God. It was this that gave to Mediæval society a cement that is almost entirely absent in the modern world, which is much more a system of personal disloyalties than a system of loyalties, and would be entirely so were it not that men are on the whole very much better than
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the economic theories to which they subscribe; for the competitive system under which we live encourages men to take advantage of each other, and in so far as they abandon themselves to it they become involved in betrayals and disloyalties. Naturally such a system leads to class warfare, for the feelings of distrust and suspicion that are engendered by such betrayals and disloyalties can have no other issue.

Class warfare then is the logical consequence of the competitive system, and if it does not eventually overtake us it will be because in the meantime we are sufficiently wise to remove the cause of disaffection. But that can only be upon the assumption that we recognize that modern civilization is a thing entirely abnormal, and that in consequence a solution is not to be found in attempts to stabilize the abnormal, which is impossible, but in a return to the normal, which means that we cease to subscribe to the myth of progress and retrace our steps in a Mediævalist direction. Only upon such terms can the present system be changed. Changing the system either means that or it means nothing. The popular idea is that the Modernist is a scientific person and the Mediævalist a romantic. But as a matter of fact the very opposite is the case. It is the Modernist who is illogical and romantic, and the
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best proof I can bring of this is that Marx himself, the greatest realist among economists, only escapes the Mediævalist position by the grossest inconsistency; for while he advances the theory that the subdivision of labour, because it 'destroys every remnant of charm in work and turns it into hated toil,' will disrupt capitalism because of the spirit of class warfare it engenders, he nevertheless ignores the fact that as he does not propose to abolish it, it must exercise the same disruptive influence in the communist state which he proposes to superimpose over capitalist society. It is over this issue that Ruskin and Marx part company. Marx was every bit as alive as Ruskin to the degrading nature of the subdivision of labour, yet instead of demanding its abolition as a clear moral issue between right and wrong as Ruskin did, and accepting the implications of such a demand, which would have carried him direct to a Mediævalist position, he escapes this inconvenient conclusion by taking refuge in a theory of social and economic evolution, according to which a system of production which he admits exercises a degrading influence in capitalist society can by some obscure psychological process exercise the very opposite influence in a communist one. All Socialists are not Marxists, yet they all have recourse to the same incon-

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sistency to escape the Mediaevalist position. In consequence as they take their stand on a position which is manifestly contradictory paralysis overtakes them when they take part in practical activity. They cannot abolish capitalism because as they accept it as a stage of evolution they become involved in its contradictions; and they cannot abolish these contradictions except by assuming a Mediaevalist position, which they are not prepared to do because it conflicts with their a priori notions of progress and evolution, and so moving in a vicious circle, the slaves of phrases, they become impotent. The rank and file, failing entirely to realize that confronted by reality their leaders know not which way to move, assume that lack of courage alone stands in the way of the realization of their goal; and firmly convinced that this is the root of the trouble they seek a remedy in class warfare and revolutionary activities. Viewed in this light, the degeneration of the movement from a constructive to a destructive force is seen to have its roots in intellectual dishonesty which in turn is born of prejudice. And because of this degeneration the Socialist movement from being a hope has become a menace.

If then we cannot look to Socialists and other progressists to find a way out of the present
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dilemma, to whom can we look? The answer is to the conservative forces in society. By that I mean to all those people who have not surrendered their intellectual integrity to the demands of modernism and retain some respect for tradition. There are a great many such people in the world to-day though unfortunately they are not organized. They have invariably been influenced by the Socialist movement in so far as it represents a moral revolt, but have realized the impracticable nature of most Socialist proposals and have rejected the modernism to which the movement subscribes. Such people are generally detached from reformist activities, though some interest themselves in the Church, in the arts, in the revival of agriculture and other activities which have a basis in tradition. But in the changed political atmosphere which has come about since we bumped against reality last August people of that type should find a place in practical activities. The bankruptcy of modernism in every department of activity should result in the initiative passing into the hands of the traditionalists, for they will be the only people who have any idea what to do. For some years men of this type have been finding their way into the Conservative party and as a consequence I think we can confidently look forward to the
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emergence of a more positive and socially desirable type of conservatism than that with which we have been familiar. For a long time Conservatism has been on the defensive and the plutocrats have been influential in the councils of the party. But the situation is changing. The party is undergoing a transformation as a consequence of the pressure of the influence exerted by the young Conservatives, followers of Disraeli, who might be described as Tory Socialists, and it is reasonable to suppose that the pressing need of reconstruction will bring them to the front.

If such a prediction should prove to be true it will be a case of history repeating itself, since for centuries the new movements, the parties of progress and emancipation, have reacted to strengthen and renew the forces of tradition. The Reformation reacted to bring about the Counter Reformation which renewed the life of the Church. The French Revolution led to the rise of Napoleon and in our day we have seen Socialist revolutions react to establish dictatorships in Italy and Germany. The one exception is Russia. It may be the exception which proves the rule. But modernism is a new thing in Russia and it may be that the present tendency will eventually be followed by a reaction towards
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tradition. If report is to be trusted the process has already begun.

In conclusion let me recapitulate. The world problem, the problem which has precipitated the financial crisis is the problem of over-production, the immediate cause of which is Rationalization though its ultimate cause is to be found in an excessive concentration on the means of production to the neglect of its ends. But the world problem from which we suffer with other nations is in our case complicated by the fact that we have allowed our economic position to be to a considerable extent undermined by our superstitious adherence to Free Trade and our neglect of agriculture. The Gold Standard was another complication, but as we are no longer on it no more need be said.

In so far as our national economic problem is to be distinguished from the world problem we are now in a fair way towards its solution, for the return of the National Party at the polls with a mandate to reverse our Fiscal Policy and to revive our agriculture will remove the complication—bringing our economic policy into line with that of other nations. But though it will improve conditions in this country the improvement will yet only be temporary, for the problem of over-production which we share with the rest
of the world will remain. And though it is not improbable that the attempt will be made to equate consumption with production by the distribution of purchasing power by means other than payment for work done, yet in the end such attempts to stabilize the abnormal must fail and unless policy is directed towards a return to the normal catastrophe is inevitable, for on no other terms can a solution be found. Such a policy demands on the one hand that the use of machinery be restricted and that surplus wealth be spent upon the arts and other final products of industry instead of being re-invested for the purpose of further increase as is customary today—a change which would lead to a revival of handicraft. On the other hand, the people should be given status and security by being organized under Regulative Guilds. As such Guilds would maintain fixed prices, money would be brought into a close and definite relationship to the real values it is supposed to represent, and would be restored to its original purpose as a common measure of value. Under such conditions the problem of compound interest would disappear and with such

1 For a fuller treatment of this issue the reader is referred to my Protection and the Social Problem where it is discussed in the Appendix entitled ‘Usury and Prices’. Looking at that
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measures means would again be related to ends.

appendix to-day I feel it is inadequate to the extent that no mention is made of the question of rent which is so closely allied to the question of interest and about which it is important to come to a definite conclusion. I propose therefore to add a note on this issue.

The Mediaeval Church condemned usury or the taking of interest, but it did not condemn the taking of rent. Until recently it appeared to me that the position of the Church in this connexion was inconsistent, for to distinguish between rent and interest appeared to be a distinction without a difference, and I interpreted it as a concession to custom. Nowadays, however, I can see that there is a very fundamental difference which from a practical point of view is important. Rent is a form of taxation that is to be justified on the grounds that it favours local life and autonomy by providing the means whereby activities can be carried on independently of the State, thus placing an obstruction to the centralizing tendency which experience proves is so paralysing to society. As rent in a stable society is for practical purposes a fixed charge and might be made definitely so, the burden it places upon the shoulders of the community remains the same from year to year and does not therefore imperil the existence of society, which is the final test of the rightness or wrongness of any measure. But with the taking of interest it is different because as interest charges tend progressively to increase a time comes when the burden it places upon the community becomes so heavy as to be unsupportable and thus finally leads to catastrophe. For this reason it is urgent that interest charges should be scaled down and to distinguish between rent and interest.