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HOPE IN AMERICA

by **JOHN STRACHEY**

THE STRUGGLE FOR POWER IN THE UNITED STATES



A NEW MODERN AGE BOOK

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2006

The Book and the Author

For a European to write a book about America is not unprecedented. As a rule, such a book contains the "delightful" impressions of some more or less distinguished visitor to the barbarian wilds of Manhattan and Main Street.

Much rarer is it for one of Europe's outstanding thinkers—a political scientist and economist of international reputation—to evaluate America for Americans. *Hope in America* is John Strachey's clear and full analysis of the United States of the New Deal and after.

Thousands of Americans from coast to coast have heard Mr. Strachey lecture. They have left the lecture hall with many doubts and many questions. Thousands more have read his books. Still they have wondered how, exactly, America fits into the picture. Is it different? What does Mr. Strachey think of the Roosevelt spending program? What should our foreign policy be?

These and the many other questions which Mr. Strachey has a genius for anticipating are answered in this volume. As always, they are answered in the simplest and clearest language. Not one technical table or sentence is in these pages, addressed to that four-fifths of the American people who work for wages or salaries.

John Strachey has become the leading Marxist spokesman to the middle classes of Britain and America—"the revolutionary ambassador that Marxism has sent to argue the proletarian cause," as someone has put it. Certain it is that to him is due, in great part, the credit for giving to "the man in the street" a clear conception of the case for socialism and of its program and organizations.

Now, in *Hope in America*, he shows how the struggle for power affects the United States and more specifically the individual American worker and salary earner. His program of political action will come as a severe shock to those who would expect a plea for an armed uprising.

Mr. Strachey is thirty-six years old. He has been in the United States five times. His books, particularly *The Coming Struggle for Power*, have had enormous sales, both here and abroad.

Books by John Strachey

THE COMING STRUGGLE FOR POWER

THE MENACE OF FASCISM

LITERATURE AND DIALECTICAL MATERIALISM

THE NATURE OF CAPITALIST CRISIS

THE THEORY AND PRACTICE OF SOCIALISM

WHAT ARE WE TO DO?

Hope in America

John Strachey



MODERN AGE BOOKS
NEW YORK

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Printed in the United States of America

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Introduction

I AM thirty-six years old. So I was brought up to believe that the world was getting better. But it is getting worse.

Over in Europe most people realize that the world is becoming a worse place to live in. You in America often use the phrase "Europe is done for." If you mean by that that the European continent has ceased to matter, and can be left out of account, you are, I am afraid, quite wrong. But if you mean that Europe is, at best, faced with terrible trials and struggles before she can again be a force for good in the world, then I think that you are right.

This book is written in the belief that America still has the chance of finding her way forward without going through all that seems to be in store for Europe. A chance. . . .



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Chapter I

America, Peace and the World

*Is it Coming
Back?*

When people think about the world today, they feel that war is coming back.

Goodness knows, that is nothing new. But today two things are making people feel differently about the prospect of another war from what people have ever felt before. In the first place, modern war is, or at any rate seems, worse than war has ever been before. The instruments of destruction are swifter, more awful, more annihilating.

Secondly, we know much more about what is happening in the world than people have ever done before. In former centuries the most frightful wars might be raging in China, or in Eastern Europe, and people in America might hardly be aware of their existence. Today war, and to a large extent even an acute threat of war, anywhere in the world alarms and disturbs people all over the world. And inevitably so. For, not only has our knowledge of what is happening in the rest of the world become a thousand times greater than it has ever been before, but so also has our connection with the rest of the world. So wars are far more likely to spread and to turn into world wars than at any previous period.

*The People
Have Dreamt
of Peace.*

Finally, a new idea has been born, or perhaps I ought only to claim has been half-born, in the mind of the people. The birth of this new idea is potentially the greatest and best event in the history of humanity. The idea has been born in the mind of the people that it might be possible to prevent war (both international war and civil war) altogether; that it might be possible for the human race to live in permanent peace. We do not always realize how new is even the dimmest suspicion in the mind of man that such a thing might be possible. To all previous generations of men the recurrence of war has seemed a wholly natural and inevitable thing. It is an immense gain that the very idea of the possibility of peace should exist in the world.

And yet, for the moment, the very fact that the idea of the possibility of peace exists makes people more terrified of the coming of a new war than ever before. For if you regard something as quite inevitable and natural, why then, however awful it is, you somehow learn to put up with it. But, if you think that maybe the horror can be prevented, then your panic is apt, if you do not take tight control of yourself and think clearly and act decisively, to be all the greater.

Thus the fact that the people have dreamt of peace will only bring peace in actual fact if men conquer their fears sufficiently to think calmly on the causes of war; and above all if, when they have ascertained beyond doubt what these causes are, they act decisively to remove them.

The main part of this book is devoted to an attempt to show what are the causes of war. But I must explain at once that,

when I speak of war, I mean not only war between two nations, but all forms of armed, violent struggle between organized bodies of human beings. I mean, in a word, civil war, such as the Spanish Civil War, just as much as international war.

Indeed, so soon as we attempt any examination of the present world situation, almost the first thing that we see is that the distinction between the two kinds of armed violence, between international and civil war, is breaking down. The Spanish war is both a civil war between the classes of the Spanish people, the landlords and capitalists on one side, and the workers and peasants, and much of the middle class, on the other, and at the same time it is an international war caused by the invasion of Spain by German and Italian armed forces.

What Is the Cause of Strife?

Again, the war in the Far East is obviously not just an ordinary or, as I might call it, old-fashioned war between two nations. No war between the Chinese and Japanese governments, for instance, has ever been declared. Japanese armies have simply landed in China and fought their way into the interior. But in doing so they have produced a unity of the Chinese people which had hitherto been fighting in a civil war of one class against another. In general, therefore, the two forms of human struggle are closely interwoven today.

This is even more true in the case of the war which threatens to engulf Europe than in the case of the actual war in the Far East. As everybody knows, what are called the aggressor powers in Europe are the Fascist powers. Now the Fascist

powers are those in which the organizations of the wage earners, namely their trade-unions, their co-operative societies and their labor parties, have been crushed out of existence, and in which the rule of the capitalist class is quite unchecked by popular opinion. And it is precisely because the ruling classes of these Fascist states have, for the time being, won the struggle with their own working classes that they are able to launch their nations upon the path of world aggression. So in this case also it is by no means simply a case of the danger of one nation attacking another. Every kind of struggle is mixed up with every other kind.

The result is that Europe is a seething cauldron of the most violent, terrible and ruthless forms of struggle. In parts of Europe human life has become so intolerable that a number of the best, most humane and most civilized men simply commit suicide (as have many well-known Austrians, of all sorts of political opinions, races and creeds, when their country was annexed by Nazi Germany). Is there any room for doubt that some basic cause must be at work which is making it impossible for men to live ordinary peaceful, reasonable lives; which is driving them into these deadly struggles; which is, quite simply, driving them mad?

*How Can
We Keep
Out of It?*

In America, I am told, most people's reaction to the spectacle presented by the rest of the world is simply: "How can we keep out of it?" It is a most natural and sensible reaction.

But I am afraid that it may be based on a misconception. For I am afraid that the future will show that however much

America strives to keep out of the world, the world will not keep out of America.

What I mean is this. The same fundamental causes which are creating every kind of strife in the rest of the world are at work in America also. Those causes, as most of the chapters of this book will be devoted to showing, all flow from the broad fact that the economic system under which we live is working intolerably badly. Is there really any doubt but that this is what is at the bottom of the world's troubles? Surely we have no need to prove any elaborate and special 'interpretation of History' in order to be able to agree that, if, for any reason, masses of people find it impossible to make their livings, the world is bound to fall into disorder and violence? Is there the slightest doubt that what has checked, stopped and now reversed the undoubted progress which the world was making up till recent times is that our economic system is going to bits?

As a matter of fact, everyday speech reveals "Good Times" that people really know this to be true. When and "Bad Times." people want to refer to periods when the economic system is working comparatively well they speak of 'good times.' When they want to describe periods when the system is working especially badly they speak of 'bad times,' or 'hard times.' These phrases reveal that people really know that it is only when the economic basis of society is reasonably sound that anything else can

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go well; that a breakdown in economic life must mean, sooner rather than later, a breakdown or deterioration in everything else. Surely then there is really not the slightest doubt but that the horror and chaos which has come to us in Europe is a result of a breakdown in our existing way of making our livings, and of our failure to put any other way in its place. For how can people whose very possibility of peaceful existence has been destroyed avoid attacking each other and their neighbors in a desperate struggle for survival?

But the same factors which have made the economic life of Europe, and much of the rest of the world, go wrong, are operating in the United States of America. I do not see how anyone can any longer doubt this very grave fact. The appearance of the present (1937-38) economic slump is surely the final proof of it. After all, this is the second time within ten years that the whole economic life of the North American continent has become violently disordered. This is the second time within ten years that millions of honest, industrious American citizens have suddenly found themselves in the horrible position of being unable to make a living. It would be almost incredible if it had not happened, would it not? When you think of the vast natural resources of America, of the splendid technical skill of the American people, of the unique spirit of enterprise and independence which there is in America, it seems unbelievable that these 122 million gifted and well-placed citizens should somehow have got themselves so tied up that they cannot make their livings.

Is It Politics? Some people, of course, say that it is all a matter of politics—that the trouble is due to the policies of some particular administration, which they object to. But it does not seem possible that this can be true. For, after all, the last great slump, which began in 1929, took place under the extremely conservative Republican administration of Mr. Hoover. And this slump is developing under the progressive Democratic administration of Mr. Roosevelt. I believe that the fact that the American people have a progressive administration in office in this second emergency will be of great service to them. They will get adequate relief, etc., years earlier than they did last time. But, evidently, the onset of slump itself is due to causes which go far deeper than the kind of administration which may be in office at the given time. And these are the same causes which have in the end produced the disorders and disasters of the Europe of today. The following chapters say plainly what these causes are and how they can be removed.

Make the Most of Your Advantages. It is true that America has many great advantages, not enjoyed by the rest of the world, which should enable her to deal with her problems much more successfully than Europe is doing. Her geographical position, her great strength, her self-sufficiency, above all the fact that she is one united nation covering almost the whole North American continent—all these things are colossal advantages. Every European must say to Americans, "Make the very most of these advantages. But all they can do for you is to give you the oppor-

tunity to solve your problems. No nation, however strong, can finally solve those problems alone. No one in this world is so strong that he can afford to be alone. No people which is engaged in the arduous, complex struggle to solve its own social and economic problems can afford to neglect the assistance of other peoples engaged in that same task."

*Is Europe
Done for?*

And this brings me to the matter which I alluded to in the introduction to this book. Many Americans are said to feel that because Europe today presents so horrible a spectacle, Europe is "done for," in the sense that it has ceased to count in the world. If they think this, then I am afraid that they are in for a very painful awakening. What is happening in Europe is a process by which what we call the Fascist states are, with extreme violence and destruction, absorbing the rest. The logical end to that program, if it does not meet with effective, combined opposition from the still free peoples, is a Fascist Europe. And a Fascist Europe would be very far from "done for" in the sense that it would not count in the world. It would be a Europe in which the people had no rights, no voice, no choice, and very little to eat; a Europe half barrack and half prison; a Europe without art, literature or humanity; a Europe without liberty, without mercy and without hope. It would be a Europe which would count wholly for ill. But it would be a Europe which would count a great deal; a Europe, not only extremely aggressive, but also extremely formidable.

Europe, after all, is a fairly large continent. Moreover, it is inhabited by nearly four times the number of persons who

inhabit the United States of America. These four hundred million odd people, united for aggression under Fascist control, would be a menace to every nation in the world, including America. Therefore the struggle to avoid the appearance of such a wholly evil world as that concerns the American people, no more, but no less, than any other people.

Let America Show the Way. It is true, however, that the American people's greatest contribution of all to the defeat of the forces which today darken the world with war, and the threat of war, will be for them to solve their own economic and social problems. If the American people can find the answer to their own problems, then the force of their constructive example can be of decisive importance for the whole world. It can show the world how a people can learn to live in peace.

The American people have to find the answer to what should be, surely, the simple question of how 122 million highly skilled, superbly equipped, energetic, enterprising people can make their livings on the richest continent in the world. For, after all, the answer to that question has not yet been found. The first step to finding it is, surely, to determine what it is which is preventing the American people from making their livings today.

Chapter II

The Secret in the Pay Envelope

*Why We Can't
Make Our
Livings.*

The real questions are then: Why can't we make our livings? Why is our economic system functioning worse and worse?

The point of this chapter, and for that matter of most of those that follow it, is that the answer can be found inside the pay envelope which every one who works for wages gets at the end of the week. When we have found what wages are, why most people nowadays live on wages, and what fixes the amount of their wages, we shall be in a position to understand the whole contemporary economic and social setup.

Put in a nutshell, what we shall find is that our present way of arranging our economic life distributes the products of our joint work so irrationally, and above all so unevenly, that sooner or later the whole system must jam. *And that sooner or later is now.* We shall find that the capitalist system, as it is commonly called, has got so lopsided that it won't work any more. That is why we can't make our livings.

The mass of the American people have only their wages to depend on. Their wages are not, and under capitalism cannot

be made, sufficient to buy enough goods and services to keep industry and agriculture going and so keep them themselves in jobs. That's all.

Four out of Five Live on Wages. Let me now justify these statements. Is it true to say that the mass of the American people live on wages? It is. The census of 1930 revealed that four out of five of those gainfully employed in America were wage or salary earners. And, of course, a salary is a wage paid monthly or quarterly—and called a salary to make it sound grander.*

Is it true to say that the wages that these four-fifths of the American people got were not high enough to enable them to buy the final output of the productive system? It is. For if their wages had been high enough they would have bought the entire output of the productive system and there would not have been any unemployment or slump.

A Story of Three Professors. That seems to me to be something which we can all see for ourselves. But in case you would like an authority to support it, I will quote the words of the exceedingly authoritative, and exceedingly conservative, professors of the Brookings Institution. These gentlemen, to wit Professors Leven, Moulton and Warburton, in their exceedingly authoritative, and exceedingly conservative, book *America's Capacity to Consume*, write this sentence as the essence of the third of their four "fundamental conclusions":

*For the full table see *America's Capacity to Consume*, p. 31.

“The trouble is clearly not lack of desire but lack of purchasing power.”

In a word, Professors Leven, Moulton and Warburton arrived, no doubt after many years of patient research, at the “fundamental conclusion” that the reason why the mass of the American people did not buy more goods and services was because they didn’t have the money.

An (Almost) Silent Tribute. For my part I can only lift my hat in silent tribute to Professors Leven, Moulton and Warburton.

For think of all the reasons to which they might have attributed the fact that the mass of the American people did not buy enough goods to keep industry going and themselves in employment! They might have supposed that it was because too many of them lived in towns (as Mr. Ford thinks); or that it was because too many of them lived in the country; or that it was because the weather had been too hot; or too cold; or that it was because people suffered from B.O. (as the advertisements say) and didn’t like to go into the stores; or that it was because there were spots on the sun (an English professor did once suggest this); or that it was because the American people just didn’t want anything more than they already had. It might have been supposed that the American people didn’t buy more stuff for any or all of these reasons.

But with unerring eyes, and no doubt after monumental labors, the three professors have told us the real reason. *The American people didn’t buy the stuff because they didn’t have the money.* And our three professors, to wit Professor

Leven, Professor Moulton and Professor Warburton, embodied this "fundamental conclusion" in their authoritative work *America's Capacity to Consume*. So now we know. What would we do without our professors?

What Are Wages? But, of course, we can't ask everything from our professors. For instance, we can't ask the question, what are wages? What is this sum of money which we find when we look into the pay envelope at the end of the week? This, to be sure, is the money we use to buy food and clothes and fuel and to pay the rent—to live on. But where does it come from? What makes it sometimes get bigger and sometimes get smaller? And why is it never big enough for us to buy all the things which could be produced?

When we have found the answers to these questions, we shall be in a position to understand the puzzles of our times. That pay envelope contains, I repeat, not only our livelihoods, but the secret of the whole economic system.

Why Live on Wages? Today four out of five Americans live on wages. But that wasn't always so. In fact, never before in the history of America has such a high proportion of the population lived on wages. Indeed, it is computed that one hundred years ago only one out of five Americans lived on wages. How did America get this way? Why have wages become the essential means of life for four-fifths of the people? How did many of their great-grandparents, and how do a few of their friends today, live, if not by earning wages?

THE SECRET IN THE PAY ENVELOPE

Those four out of five Americans who one hundred years ago did not depend on wages lived by working for themselves. They had land and cultivated it. Or they had a hand-loom and wove cloth on it. Or they had a forge and shod horses at it. But only one substantial section of the American people can still live like that. They are the farmers, of whom there are six million, out of the forty-seven million Americans gainfully employed (And a great many of the farmers have the greatest difficulty in living like that.)

*Why Can't We
Set up for
Ourselves?* Nowadays most people take it for granted that the only way to get a job is to get someone to employ them. And so it is. But why? Why can't everyone who is out of a job just "set up for himself" in business of some sort? Why can't he start weaving cloth or shoeing horses, or farming land for himself, as his ancestors did?

Well, you know the answer. People can't get any land to farm; they can't get a forge (and there are precious few horses left to shoe!) They might find an old hand-loom in some attic, but, if they did, they could only weave cloth at about ten times the cost that the great power-looms of New England or the South can produce it. Every now and then some worker can get hold of a little shop and set up for himself that way. But that isn't easy, and it is getting more and more difficult. Woolworth's and the other chain stores are just round the corner.

No Capital? And so it's work for wages for four Americans out of five. It is work for wages because *the means of work*, the tools of the trade, the raw materials, the land, have somehow got out of reach. The wage earners haven't *the capital* to buy these things, without which they cannot set up in business for themselves.

If these things—the land, mines and factories—the capital of the country—have got out of reach, where have they got to? They have got into the hands of a smallish class of people, commonly called capitalists.

Are We All Capitalists? Now some people suggest that this class of capitalists does not really exist as a separate group of people who employ the thirty-eight million American wage and salary earners. They suggest that capital has become “widely diffused throughout the community,” so that “really” we all, as capitalists, employ ourselves, as workers.

On this point I must refer you again to my three invaluable professors. They write, “With the masses of the population the income derived from investments is negligible.”*

Incidentally they really are invaluable professors and their work, like the work of the Brookings Institution generally, in its two other volumes *America's Capacity to Produce* and *The Formation of Capital*, has been of great interest and importance. So it was very wrong of me to try to make fun of them just now, and I hereby apologize. It is all because they will announce with so solemn an air conclusions which are, shall

* *America's Capacity to Consume*, p. 26.

THE SECRET IN THE PAY ENVELOPE

I say, not exactly unexpected—such as that poor people don't buy more goods because they haven't enough money.

So the people who own the capital of the country really are a separate and distinct class of person from those who do the work of the country.

The Three Classes.

It is exceedingly hard to give an exact figure for the number of people who compose the capitalist class. But you can get an idea of the size of that class if you consider these figures. There were, according to the census of 1930, forty-nine million individuals who received incomes. As the population was 122 million, each individual who received an income had to support, on the average, between one and one and a half dependents.

Now, as we have seen, there were thirty-eight million wage and salary earners. So, we can say that about ninety million out of the 122 million Americans were dependent on wages and salaries. Then there were about ten million independent workers (six million of them farmers) who did not have to depend upon wages or salaries, but who worked for themselves, with their own means of production, their own land, or their own tools. Some of them employed hired help but still they did work themselves. Put this class with its dependents at about twenty-two million.

Finally (in 1929) there were two million income recipients who were not reported as being gainfully employed. "Most of them were presumably living on income from investments."* So we can put this class at, say, five million

* *America's Capacity to Consume*, p. 26.

including people too old or otherwise unemployed

Here then are the three main classes of people which exist in America today, and which must exist in any country which organizes its economic life in the same way. First there are the ninety million wage and salary earners who work for other people. And then there are the twenty odd million "independent" people who work for themselves. And lastly there are the, say, five million people who neither work for other people, nor work for themselves, *but for whom other people work*. These are the three fundamental classes of any country which organizes its life in the way you do in America or we do in Britain.

*Two Points
to Note.*

It is very important to notice, however, two things about this way of dividing up the population into these three classes according to their way of life. In the first place these three classes do not exactly correspond to the poor, the moderately well off, and the rich.

In the second place, the obvious fact that the bulk of the capital of the country has got into the hands of the smallest of these three classes (a class of, say, five million men, women and children, who do not need to work at all because other people work for them) is the fundamental reason why, by and large, the rest of the population has stayed too poor to buy the final output of industry, and so keep the whole system going.

Let us take the qualification first. It is perfectly true, for example, that some of the big group of ninety million wage and salary earners are better off than some of the twenty-three million independent workers, and even than some of the

five million owners. There are a few people, for instance, who are in all essentials part of the class of owners but who live on vast salaries. They merely prefer, for various reasons, to take their money in the form of a salary paid to themselves by a corporation which they control instead of by way of dividends. But even apart from these exceptional cases there are some skilled wage earners, both manual and intellectual, who are considerably better off than are a majority, actually, of the farmers, who form the backbone of the group of those who own enough capital to be able to work for themselves. And there are even, no doubt, individuals among the group of those who live on investments who draw a smaller income than some of those who live on wages.

The Essential Picture. Then again it is perfectly true that some wage earners and a good many salary earners own some capital, though not enough to provide them with an unearned income which they can live on—with an income derived from the work of others, that is to say. However, as our professors concluded, “with the masses of the population the income derived from investments is negligible.” So, take it all in all, these qualifications, though they should be taken into account, do not substantially alter the fact that the American people are divided into three great classes according to whether they own no considerable amount of capital, and therefore have to work for wages for those who do; or whether they own just enough capital to be able to work for themselves; or whether they own so much capital that they can live by getting other people to work for them.

Nor do these qualifications alter the essential fact that in the overwhelming majority of cases those who own the capital draw the large incomes, and that those who do not own the capital draw the small incomes.

Who Gets the Money? Our invaluable professors will tell just how small are the incomes of those who do not have capital, and just how large are the incomes of those who do. In 1929 out of the twenty-seven million American families—

- 6 million families (21%) had incomes less than \$1,000 a year
- 12 million families (42%) had incomes less than \$1,500 a year
- 20 million families (71%) had incomes less than \$2,500 a year

And this was in 1929, mark you. What would have been the result if our professors had started figuring for the year 1932?

But in 1929—

- 2 million families (8%) had incomes of over \$5,000 a year
- 600,000 families (2.3%) had incomes of over \$10,000 a year

The twelve million families (42% of all American families) in the two bottom lots got about ten billion dollars. But the 36,000 richest American families, which each had incomes of over \$75,000 a year, also got almost exactly ten billion dollars.

“Thus it appears,” write the professors, “that 0.1% of the families at the top received practically as much as the 42% of families at the bottom of the scale.”*

**America's Capacity to Consume*, p. 56.

*That's the
Trouble.*

Well, that's why the present economic system won't work. That degree of inequality in the distribution of income prevents the mass of the population getting enough money to buy the final product of industry and agriculture and so keep themselves in jobs.

Moreover, and this is just as important, the above degree of inequality is the direct and inevitable result of depriving four out of five American citizens—the ninety million wage and salary earners—of substantial ownership of capital. It is because they have to live on wages that these Americans can't buy the goods. As long as the capital of the country is in the hands of a small class for whom most of the rest of the people have to work, the goods can't be bought. For the people's wages can't be high enough to keep the system going.

The next few chapters are devoted to showing why this is so. They will endeavour to explain in detail just why the money in the pay envelopes of the people is never enough.

Chapter III

How the Present System Works

*Are You a
Commodity?*

In the year 1914 the Congress of the United States passed the Clayton Act. This Act contains the following declaration:

“The labor of a human being is not a commodity or article of commerce.”

To this declaration the short answer is the rude, crude, but expressive American phrase, “Oh yeah?” For under our present economic system a commodity is just precisely what human labor is. A commodity is, briefly, something which is bought and sold. And your labor, and my labor, as we both know extremely well, are bought and sold every week on the markets of the world; unless, indeed, we cannot find a buyer, in which case it is very much the worse for us.

Now there is a very real sense in which our work, or more exactly our capacity to work, is our very selves. Human beings can live only by working.* In a sense, then, when people buy and sell, not merely the products of their work, but their actual, innate capacity to work, they buy and sell themselves.

Consideration of this fact of the buying and selling of

*Or, of course, by getting other human beings to work for them.

human labor will lead us to an understanding of what wages are. This is the key to the secret in the pay envelope. This will tell us why there is never enough money in that envelope to keep the wheels of industry turning.

Money for Nothing? Your wages are, I hope, coming in each week. That means that somebody gives you, say, ten, twenty, thirty, forty dollars, or whatever it is, each week. But is this money a free gift? No, by Jove, you will say, it is anything but that. But if it is not a gift, it must be an exchange for something. It must be given you in return for something you have given to your employer. Of course, that is just what wages are. They are a payment in return for something we have given our employers. And that something is, precisely, our capacity, or power, to work for so many hours during the week. Our wages are paid us in return for the work we have put in during that week. It does not matter what kind of work it may have been, whether we have used our hands or our brains, whether we have driven quill or truck, whether we have hit a typewriter or an anvil, whether we have worked in factory, in office, in mine or in field. Whatever the kind of work may have been, it—so many hours of it—is what we have given to our employers in return for the money in the pay envelope.

How Much? At last we come to the key question of what settles the amount of our wages. How much are we to get in return for so many hours of our work? What, in other words, determines the rate of wages? This is the key question because, as we saw in the last chapter, wages are in

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fact fixed so low that the mass of the population cannot buy enough to keep the wheels of industry turning.

At this point in the argument, there rises one unanimous cry from the employers: "We give you the full value of your work; we pay you what your work is worth, no more and no less."

Well, we all know better than to answer an employer back. Therefore, for the moment at any rate, let us accept their account of the matter. Let us agree that our employers pay us the full value, no more and no less, of the work which we have done for them.

But what is the value of our work? What determines the appropriate payment for, say, forty-eight hours a week of weaving, of coal mining, of typewriting or clerking, of common laboring, of filling shells, or of what you will? Why, the value of forty-eight hours of labor will be settled in just the same way as the value of anything else. It will depend on what it costs to produce forty-eight hours of labor.

*Why Pay
More?*

That is a curious expression, you will say. What on earth do you mean by talking about what it costs to produce forty-eight hours of labor? Why, I mean what it costs to keep a man or a woman in a fit state to do forty-eight hours of labor. In other words, if an employer wants forty-eight hours of labor done for him in his office or his mine or his factory, he has got to pay enough to produce that forty-eight hours of labor, or, more exactly, to produce a man or woman capable of performing it.

To be plain, he has got to pay enough for a man or woman

who is capable of doing the job to live on, and to produce another man or woman capable of doing the job in the next generation. That is the value of labor. To prove it, look at it from the employer's point of view, and ask this simple question: *Why pay more?* Why pay more than enough to secure a supply of the article required? The article required is forty-eight hours of work. Such and such a number of dollars per week will enable a man or woman to furnish that number of hours of work. Why pay more?

A Shortage of Labor? But, you object, am I not looking at the thing in a very one-sided sort of way? What happens if there is a shortage of labor? What happens if there are so many employers, with so much work to offer, in proportion to the number of workers available, that there is a labor shortage? Then, of course, the fact that a given sum, say twenty dollars a week, is enough to keep a worker and his family on, will not prevent the actual amount which the employer has got to pay from rising much higher. For the employers will begin competing with each other for the limited amount of labor available. The value of labor will still be twenty dollars a week. But that will now be unimportant. For the price of labor will be driven far above its value as a result of the employers' competition.

Moreover, you will say, is not this very likely to happen? The amount of capital in the country is always growing. Capital consists of the factories, mines, offices, shops, railways, power plants and all the other means of production. Will there not soon get to be so many of these means of pro-

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duction that there will not be enough workers to keep them all going? Not enough miners to man the mines, not enough office workers to sit at the desks, not enough factory workers to keep the machines running? Then will not the happy time have come when we can raise our wages indefinitely by making the employers compete for our services?

*The Catch
in It.*

It is obvious that there must be a catch in it somewhere. Or else this happy state of things would have come about long ago. Capital has been piling up for a long time now, and yet, far from there being a labor shortage, unemployment is worse nowadays than it has ever been before! Even at the height of the period of recovery after the 1929-32 slump, unemployment by no means disappeared. And in every slump now the figure goes up to between ten and twenty millions. Not much sign here of a labor shortage forcing the employers to bid up wages!

Well, we all know why it does not happen. It does not happen because of mechanization. Just as fast as capital piles up; just as fast as new factories, mines and docks come into existence, new machines are invented which dispense with labor. There are hundreds of times more means of production in existence than there were; but these new means of production each employ a hundred times less workers. Therefore the demand for labor does not go up in anything like the proportion that capital accumulates.

This is the simple secret of why that longed-for time when the demand for workers shall be so strong that wages will

rise of themselves, seldom or never comes about. On the contrary, what does happen, as we all know only too well, is that there is almost always a pool of millions of unemployed desperately striving for jobs. This means that far from the competition of the employers forcing wages up, the competition of the workers for the available jobs forces them down toward the minimum. And that minimum is just what I have defined above—namely, what will keep a worker and his family in such a condition that he can do his job.

*Skilled and
Unskilled.*

Observe the way I have put the matter in that last sentence. The employer has got to pay the worker, no matter how much competition for jobs there may be, not merely enough to keep him alive, but enough to enable him to do the particular job which the employer wants to get done. This is, basically, what accounts for the different level of wages for different jobs. A skilled worker gets considerably higher pay than an unskilled. At bottom, this is because it takes more to produce a skilled worker than an unskilled. For one thing, you have got to educate a skilled worker; he has got to be able, not only to read and write, but, in engineering, for instance, to read and understand a complicated blueprint. For most skilled jobs nowadays the worker has got to have his mind as well as his hands developed to a relatively higher degree. This means that your skilled worker is a more costly product than your unskilled. Naturally, therefore, the employer has to pay more for him.

What Is Subsistence? There is another point. In particular countries and at particular times a definite idea grows up among us as to what is the minimum standard on which a family can live. Now human beings can live, in the literal sense of keeping alive, by feeding on a handful of rice a day, and sleeping in a one-room hovel, as they are forced to do in the East. In such conditions, it is true, they do not live very long, and they cannot do very heavy work; but they can keep alive long enough to breed children to succeed them.

Now even apart from the need of the American employers to get heavier and more skilled work done, American workers cannot in practice be driven down to such coolie standards as these. A fixed idea has grown up as to what is the least Americans will work for. And American workers literally will starve, as they have done in many great strikes and lockouts, for many weeks at a time, rather than take less than this minimum amount. Therefore wages in America cannot be driven down below a certain partly conventional level. Or rather, it could only be done over a long period and by changing the whole national conception of life.*

So you must not think that when I talk of the subsistence wage, I necessarily mean what will buy just enough bread or rice to keep body and soul together. I mean rather the mini-

* But this, I understand, is not true about every part of America. I have just been reading a book called *Preface to Peasantry*, which describes the conditions of the, mostly Negro, agricultural workers of the Southern States. And there American workers, it seems, get no more than subsistence in the most literal sense of the word.

minimum standard which people will tolerate in America at the present day. The figures I gave in the first chapter show clearly enough how low that standard is. But there is no denying that it could be lower still without actually killing people off before they had produced children to succeed them.

The Worker's Reaction. This idea that the minimum or subsistence level of wages differs according to the historical circumstances—the whole traditional way of life—of a country, is bound up with the power of workers to prevent wages being driven down to the sheer physical minimum which will keep body and soul together. In America, in the past, the ability of the workers to prevent their wages dropping to this minimum depended, in the main, on the existence of ways by which a man could get his living, other than working for an employer. Indeed a hundred years ago, as we have seen, working for wages for an employer was the exception rather than the rule in America. By far the largest single group, or class, consisted, not of wage earners at all, but of people working for themselves. At that time this class, which we put at only twenty-odd millions today, was much the largest single class in the country. So long as that situation existed, those Americans who did work for wages were in a relatively strong position. If they thought that their wages were too low they could “set up for themselves” as independent workers on their own account. The thing which at bottom made this possible was the existence of free, unoccupied land which wage workers could take up and use for themselves. Moreover, until about

the middle of the last century at any rate, much of industry as well as agriculture was still carried on in America on a small-scale, handicraft basis, so that an individual worker had a real chance of setting up for himself.

*“The
American
Standard.”*

It was the existence of these alternatives to working for an employer which enabled the American worker to establish a level of wages which, for many workers at any rate, was well above subsistence—to establish the idea, and a very valuable idea it is, that there is “an American standard of life” which must be maintained.

The existence of this possibility made it unnecessary for the American workers as a whole to combine in large-scale, permanent trade-unions for the purpose of bargaining with their employers; for they had the fundamental bargaining power of free land behind them. But as everybody knows, the last free land was allotted before the end of the last century. This did not mean the immediate disappearance of opportunities for independence for the American people. But, in the end, and taken together with the dying out of handicraft production in industry, it has meant, as we have seen, that four-fifths of the American people have become employees. That is why today by far the largest single group of American citizens make their livings by working for wages, and, what is more, cannot hope to make their livings in any other way. Once that has happened to a people, its only hope of keeping wages above the subsistence level is for it to organize large, permanent and strong trade-unions. And this the Amer-

ican wage earners are now engaged in doing. For only so can they have any chance of preserving "the American standard of life."

What the British Workers Did. American workers need only look at the position of the workers of my country, Britain, to assure themselves that this is so. For a very long time now British workers have not had much chance of escaping from making their livings by working for an employer in return for wages. But they have managed to establish the idea of a British standard of life, which, while lower than the American standard, is yet also appreciably above bare subsistence. But they have only established this idea that there is a point below which the wages of British workers simply must not go, by over a century of almost incredibly dogged, persistent and courageous trade-union and political activity. It is in order to lift wages above that bare minimum, at which the workings of the present system would otherwise keep them, that trade-union and political activity on the part of workers in any capitalist society is so constant, so intense, and so necessary.

What Happens Unless . . . Accordingly, the above explanation of the "economic laws," as they are called, which determine the rate of wages, must on no account be understood as suggesting that wages *must* go down to the subsistence level whatever the workers do, and that, therefore, trade-union and political activity is useless. Just the opposite. The point is that this explanation shows what will happen to wages *unless* the workers take up trade-union

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and political action. It shows that there is a perpetual and very strong tendency, inherent in the very nature of the present economic system, driving wages down toward the subsistence level. It is precisely the existence of this tendency which creates the necessity for vigorous action on the part of workers to combat it.

Nothing to Do with What You Produce. Wages, then, unless we interfere vigorously with the way the system works, will always be kept down to the minimum possible level. Rising production of wealth will have no tendency, even, to raise them. Let us above all get this fact clear, for unless we do, we can understand nothing more.

*The amount of money in that pay envelope does not depend on how much the worker produces.** It depends, as we have seen, on what is the subsistence level as defined above, or on the capacity or incapacity of the workers, by trade-union and political activity, to force wages a bit above this level. Neither of these factors has anything to do with how much the worker produces.

Let us say, for example, that the worker during his forty-eight hours of work, which he has sold to his employer in return for his wages, is able, as he easily may be when working with modern methods of production, to add fifty dollars to the value of the goods. This will not increase in the slightest the cost of producing his forty-eight hours of labor. It will still be just as cheap as before to keep a working-class family. And there will still be just as many workers wanting jobs.

* The question of piece rates is discussed below, see p. 40.

Therefore the worker will still be paid his subsistence wage of fifteen or twenty dollars a week, or as much above as his bargaining power can get. The essential point is that the fact that he produces fifty dollars worth of stuff in his week's labor has nothing to do with how much he is paid. If fifteen dollars a week will keep him in a condition to do his job and to rear his family, why should the employer pay more?

Piece Rates. Stop a moment. We have just seen that the level of wages depends on several factors, but not in the least on how much the worker produces. If he doubles his production, that is no reason why his wages should increase by a single penny.

Now that must sound peculiar to many workers. For an individual worker's wages often appear to depend on how much he produces. This is so, of course, for every worker who is paid by piece rates. But we are not talking of the individual worker's wage, but of the general level of wages. And it is just as true for those who are paid on piece rates as for those who are paid by time, that their wages do not, in the last resort, depend on how much they produce. For though the amount of money any given worker on piece rates takes home will depend on the amount he produces, *the very piece rates themselves* will have been set by bargaining between the employers and the workers. And it is on these piece rates that the level of wages of all the pieceworkers will depend. Thus the general level of wages paid on a piecework basis is found, on examination, to depend on the same factors as wages paid

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by time, namely, on the subsistence rate for that time and place, and on the workers' bargaining power.

The Surplus. Well, then, look where we have got to. The worker is paid, say, twenty dollars a week (I am taking these figures just for the sake of argument) and adds fifty dollars to the value of the stuff on which he is working. What happens to the thirty-dollar difference between what the worker is paid in wages and the amount of value he has added to the raw material? That thirty dollars goes to his employers.

It is quite true that these employers cannot keep all of it. All sorts of other people get a whack. Very often, for example, the employers have to pay rent to some landlord who owns, say, the land on which the factory is built, or the land under which the mine is worked. Then again, all sorts of merchants and their dependents, who buy and sell the goods, and thus, after a fashion, distribute them throughout the country, are able to get a slice of the thirty dollars. But in whatever way the thirty-dollar difference, or margin, or surplus, between what the worker produces and what he gets, is split up between employers and landlords and merchants, and all the rest of them, this is what the non-workers live on.

This is what we often call profit, but it is really rent, interest and profit. It is everything the worker does not get. It is the surplus, over and above what the ninety million Americans who are dependent on wages and salaries must have in order to live.

Chapter IV

Who Is to Buy the Goods?

*The
Difference.*

We saw that there is a vast difference between what the workers produce and what will keep them. And the whole of this difference goes to the employers and their associates. Moreover it is, if you think of it, a rapidly growing difference. The amount necessary to keep the workers in a state fit to do their jobs, and to rear up families after them, does not alter very much.* But the amount of wealth which the workers can produce is continually increasing. New and still newer methods of production are perpetually being introduced, all of which increase our powers to produce wealth.

To put it in technical language, the productivity of labor is constantly rising. One hundred workers do not cost any more to keep than they did ten years ago; but a hundred workers can today produce considerably more than they could ten years ago. And this process has been going on steadily, and ever more rapidly, not for ten years, but for over a hundred

* As shown above, workers may, if they are well-organized or fortunately situated, get appreciably more than what will keep them. Some workers today have succeeded in doing so. But the tendency of the system is to give them no more than is necessary to keep them in the above sense.

years. (The exact rate of increase has varied very much from time to time and from place to place. But here are some examples. The productivity of industrial labor in the U. S. A. increased between 1922 and 1927 by 3.5 per cent a year; between 1925 and 1929 in Germany it increased by a total of 27.5 per cent or 5 per cent a year; between 1924 and 1930 in Britain it increased by 21 per cent, or 3.2 per cent a year.*)

It Goes to Investment. Now, and this is a key point, a very great part of this vast and rapidly growing difference, or surplus, is reinvested. The employers and their friends may share it out among themselves—by dividing it up into rent for the landlords, interest for the investors, fees for the professional men (lawyers, surgeons, accountants, etc., etc.) and profits for the direct employers—and then reinvest it in new businesses. Or, and this is what happens for the most part nowadays, the actual firms which have made the profits may plough them back into extensions of their own businesses. In either case this part of the ever-growing surplus is reinvested. But what does investment mean? It means making new means of production, building new factories, constructing new machines, sinking new mines, building new docks, new blocks of offices, new gigantic department stores, and all the rest of it. That is where the main part of the surplus ultimately goes.

What is the effect of creating all these new means of pro-

* League of Nations, "Course and Phases of the World Economic Depression," and *Statist*, June 21st, 1930. These increases refer to industrial labor. The productivity of farm labor was increasing also, but less rapidly.

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duction? Now the only use to which means of production, be they factories, mines, or what you will, can be put is to produce. To produce what? In the last resort to produce "consumers' goods," as the economists call them. To produce, in plain words, clothes, food, motorcars, houses, furniture—all the kinds of goods we actually use and consume.

So we have come to the conclusion that the system works in such a way that an ever-mounting mass of new means of production, each and all capable of turning out a vastly increased flood of consumers' goods, will be created. And no sooner have these vast new means of production come into existence than they must, if their owners are not to go bankrupt, begin pouring out their flood of new consumers' goods.

Who Is to Buy the Goods? We now come to a question that cannot be answered. *Who is to buy the goods?* Who is to buy this ever-increasing flood of consumers' goods? Not the ninety million Americans who live off wages and salaries. For as we have seen, by and large, and unless they put some very effective pressure on their employers by means of trade-union or political action, they will get no more, on the average, than it is necessary for them to have in order to enable them to do their jobs properly, and bring up their families. (For if some of them manage to get more than this, some get definitely less and are not able to do their jobs or rear their families properly.) Who then is to buy the ever-growing flood of consumers' goods coming on to the market?

Who is to buy them? The five million odd Americans who form the class which owns the means of production will do their best. They will spend lavishly; but after all, there are

limits to the powers of human consumption. When all is said and done, no man, no matter how rich he is, has more than one little stomach, or can sleep in more than one bed. There are far too few of the rich to carry off the wide stream of consumers' goods which modern methods of production can, and do, turn out. *Who is to buy them?*

There Is no Answer.

In the last analysis, there is no answer to this question. It is precisely because our present economic system cannot answer this question that it is going bankrupt before our eyes. This is the ultimate cause of our troubles. This is the cause of those slumps which fling millions of workers out of their jobs, which ruin millions of lives. This is the ultimate factor which prevents our economic system from functioning properly. This is the barrier against which it continually breaks its head.

After each slump, it is true, there comes a boom. For a time everything seems to go well. Most of us get our jobs again. Production and profits leap up. But no sooner have good times been fairly established than once more the slump comes back. *And it comes back fundamentally because there is no one to buy the flood of commodities which the increased production of good times has thrown on the market.*

The False Answer.

Within our present economic system there is no final answer to this question. It is only as and when we begin to break out of the confines of our present system that an answer can be found. All sorts of pseudo-answers to this question have been put for-

ward. Some of them are sound enough as far as they go, but can be applied with permanent benefit only if we are prepared to begin modifying our system.

There is one answer within the present economic system which does actually provide a temporary remedy for the difficulty. But the trouble is that it does so only at the cost of producing even worse disasters of another kind; to be precise, it postpones slump, but only by generating war. We shall consider this disastrous answer in Chapter VIII. Let us first examine those answers which can be applied only at the expense of the system.

High Wages. The most plausible, and the least workable, solution is often called the "philosophy of high wages." As you can see, nothing is more natural than to suggest that all that needs to be done in order to make our system work properly is that the employers should pay us all higher wages. For then the wage earners will have enough to buy everything which they can produce. Especially in America this idea has had a great appeal. It appeared first in the great boom period of the nineteen twenties. At that time it took the form of the suggestion that the employers themselves should voluntarily pay high wages. It was suggested that it was really in their own interests to do so since the money they paid out in wages would come back to them in increased demand for their products. Mr. Henry Ford was so closely associated with this idea that it came to be known as "Fordism."

The first great slump put an end to this dream. It was

found that except very temporarily and in exceptional cases, it was not in the interests of the employers to pay high wages and that they certainly did not intend to do so. But now the idea came up in a new form. Why, it was suggested, should we not elect a government which will force the employers to pay us high wages? (And to a certain extent this is just what Mr. Roosevelt's first administration attempted to do with the N.R.A.) Many people thought that this would put everything right without our having to go through the admittedly big and difficult business of changing the very nature of the economic system. It was very natural that they should think so. To anyone who has seen that, at bottom, the system will not work because the people have not enough money to buy the goods they produce, the obvious solution seems to be that they should be given some more money by way of increased wages.

Unfortunately, however, if anything has been proved by the experience of the post-war history of America in particular, it is that this simple theory does not work. If you force employers to raise wages, or even if wages rise because of temporary, accidental forces sufficiently above subsistence level to enable the people to buy all the goods they are producing, the system jams; the wheels stop going round; and a slump comes in this way instead of because of insufficient money in the hands of the people.

Wages and Profits.

The explanation is not far to seek. The trouble about "the philosophy of high wages" is that high wages cut into profits. But, you will object, you have just said that profits, or rather rent, interest and profit taken together, are gigantic. Surely the

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employers and their associates can afford to give us a little of their huge surplus; surely it will actually be in their own interest to do so, if this is the only way that they can keep the system running?

Yes, profits are gigantic, but then they have to be. For capital is gigantic, too. The total amount of capital in the hands of the employing class now runs into tens of thousands of millions. Don't you see that a gigantic amount of profit is absolutely necessary in order to pay even quite a low rate of profit on this gigantic accumulation of capital?

Moreover, as we have seen, the system will work only if the capitalists are continually reinvesting their profits in new enterprises of every kind. But they will not do that unless the general rate of profit being earned is high enough to promise them an attractive return. Thus it is not open to the system to get rid of its gigantic surplus by giving it away to the workers by means of high wages. The very nature of capitalism is such that it will work only if it disposes of its surplus, not by giving it away, but in some *profitable* way. For only if there is a *profitable* end to it will the whole process of accumulation and reinvestment be carried on.

This is the objection to "the philosophy of high wages." Wages sufficiently high to solve the problem of who is to buy the goods, inevitably cut into the rate of profit and stall the system that way. Therefore the system cannot get out of its trouble in this simple attractive way.

Chapter V

Mr. Roosevelt's Answer

He Sees the Problem.

And here we may conveniently take up the whole question of the present attempt of the American people, through their government, to solve this question of who is to buy the goods. For the economic policy of the two Roosevelt administrations has amounted to nothing else than an attempt to find a practical answer to this question.

Almost all of Mr. Roosevelt's speeches on economic subjects show that he is acutely aware that this is the great contemporary question which has to be answered somehow or other. He is always dwelling on the necessity of an adequate distribution of purchasing power, if the wheels of American industry are to be kept turning and the American people are to get jobs.

But if Mr. Roosevelt has always been acutely aware of the problem, I do not think that it can be claimed, or indeed that he would himself claim, that he has always been so fully aware of what the solution was. And small blame to him for that. For it is a problem which none of the Western European governments has even attempted to solve. It is an immense

advance that the government of a great community has even set out upon the attempt to solve this basic problem.

He Had Me Guessing. I must admit, however, that at the beginning of the first Roosevelt administration, back in 1933, the economic policy which the President and his associates produced appeared to me confused. I must admit that, as an outside observer, I was astonished by the welter of economic devices which Mr. Roosevelt applied. And I do not think that the first stage of his policy confused me alone; it seems to have confused most Americans also; indeed I am not at all sure that it did not confuse its author himself!

I could not even make out whether Mr. Roosevelt's policy pointed in a progressive direction or not. Some of Mr. Roosevelt's measures seemed to point in one direction, some in the other; and some in both directions at once!

For example, the N.R.A. Codes no doubt tended to raise wages in terms of money; but in order to avert the obviously catastrophic effect on profits which, as we saw above, a statutory raising of wages must have, another side of the Codes was designed to raise prices and so undo the effect of raising wages. Indeed, I think that the main lesson of the whole N.R.A. scheme, which, as I understand it, really ceased to function even before it was outlawed by the Supreme Court, was to demonstrate conclusively that there is no way out by a direct attempt to raise wages; and this for the reasons which we have noted above. Others of Mr. Roosevelt's measures, such as a wider distribution of relief, were unquestionably

progressive. Others again, such as his various farm schemes, did good in respect to the money they distributed, but seemed to me reactionary in that they were designed to destroy food-stuffs and to limit their further production when millions of American citizens were underfed. Yet other of his schemes were of the public works type, and some of them, such as the T.V.A., clearly had a progressive character.

*Out of Chaos,
a Policy.*

I think, however, that, as the years have gone by, a definite and coherent economic policy has emerged out of these somewhat chaotic beginnings. It is now possible to see that the effective part of the economic policy of the two Roosevelt administrations has simply been to distribute many billions of dollars of purchasing power to the mass of the population, as an addition, or supplement, to what they receive by way of wages. (I am now speaking, let it be understood, of the strictly economic measures of the administration; I am leaving aside such important and valuable measures as the Wagner Act, by which American trade-unionism has undoubtedly been helped more than by any other single Act of Congress, and for which the American wage earners must always be grateful to the Roosevelt administration.) If you examine the real economic effect of the works schemes, the relief schemes, the public works schemes, the various farm schemes, the various schemes for making loans to industries and to local authorities, and even such measures as the veterans' bonus, you will see that what they all really amount to is the giving of a great deal of money to various sections of the population.

Not a Bad Policy Either. *Now I submit to the readers of this book that to give money to the mass of the American people is not at all a bad economic policy either.* It is not at all a bad policy, because, as we have seen, the essential thing that is wrong with the American economic system is that it fails to distribute enough money to the American people to enable them to buy the goods and services which they would produce if they were all in employment. Hence, if what is wrong is that people have not enough money, the simple, practical thing to do seems to be to give them some! And, in so far as Mr. Roosevelt has done this, and he has done it considerably more than any other government of any capitalist state has done, he has deserved the support which he has had from the mass of the American people.

For what is wrong with their condition, I repeat, is not merely that they have not enough money in the ordinary sense that we all have not enough money—in the sense that we would all like some more money. No, the American people do not have enough money in the precise and definite sense that they have not enough money to provide a sufficient demand for the final products of the American productive system to keep that system going, and so to provide themselves with jobs. What, therefore, could be simpler or sounder, as far as it goes, than to give them the money, which is all they lack in order to set themselves to work?

If we follow up in some little detail the inevitable consequences which flow from Mr. Roosevelt's having attempted

to do this simple, sensible and obvious thing, we shall see the advantages and the limitations of his policy, and what ought to be the attitude of the American people toward it.

Where is the Money to Come From? The first thing that we shall see is that the method of distributing money to the mass of the population directly by the Government gets over the difficulty that if you try to do the same thing by raising wages you will so eat into profits as to bring the system to a standstill. Or at any rate it *may* get over this difficulty. That will depend both on where the money comes from and how it is distributed.

This brings us straight to the question which everybody naturally asks when first confronted with such a policy as this. They naturally ask at once: "But where is the money to come from?" Well, let us see where in fact the billions of dollars which Mr. Roosevelt has already distributed have come from. They have come, as I understand, from three sources.

Taxing the Rich. 1. They have come from increased taxation of the rich. Now the increased taxation of the rich which Mr. Roosevelt's government has imposed has been one of the things—though, as I shall show in a moment, I do not believe that it has been the most fundamental thing—which has produced in those who own the capital of America a furious hatred for Mr. Roosevelt and his government. This hatred almost compels the rest of the American people to support Mr. Roosevelt, even if they feel doubtful of some of the things which he is doing.

At first sight, however, it must be admitted that, if the object of the whole policy is to increase purchasing power, so as to provide a market for industry, then raising the money by increased taxation of the rich does not seem a good method of financing the policy. For what is obviously wanted is not a transfer of purchasing power from one group of people, the rich, to another, the wage earners, but a net increase in the purchasing power of the whole community.

This objection has a great deal of force, but it is not true, I believe, that such redistributory taxation, as it is often called, does not help to solve the problem of purchasing power. Recently an English economist, Mr. J. M. Keynes, has done some important new work on this subject. Mr. Keynes has shown that such redistributory taxation does in fact increase the total of purchasing power available for buying the final products of an industrial system. The argument is a complicated one, but I can give a rough idea of it as follows:

The richer people are, the higher the proportion of their income they save. (As we noticed above, the capitalists habitually save a high proportion of their income.) So long as they see attractive avenues for investment, this may not increase unemployment, for the money they save will be used to put up new factories, sink new mines, etc. But, if the prospects of making profits through new investments are not good, there may not be enough investment going on to take up all the savings which the rich have made. In that case unemployment will appear, the national income will

fall, and slump will be upon us. If, however, that part of their income which they would have saved is taken from the rich and given to the wage earners, who will certainly spend almost all of it, all will be well. Hence, raising the money for distributions of mass purchasing power out of taxation from the rich is by no means an ineffective way of increasing net demand. In general, we may say that by making the system less lopsided, it helps to prevent the onset of slump and unemployment.

Borrowing from the Rich. 2. But it would have been quite impossible to raise the vast sums which Mr. Roosevelt has distributed out of increases in annual taxation. The greater part of these sums Mr. Roosevelt has borrowed. The rich, that is to say, have lent the money which the American Government has distributed to the mass of the population. Now the obvious thing to say about this method is that it is all right as long as it lasts, but that if it is pursued beyond a certain point, a time will come when the interest which the Government has to pay on an ever increasing national debt will make it too expensive to go on with the process.

It is true that this time will come much later than you might think at first sight. For the payment of interest on past borrowings by a government to a capitalist class, and the payment of taxes by this same capitalist class to the government is really a circular process. If the national debt is large, it will mean that the capitalists receive a vast annual sum from the government by way of interest. But the bulk

of this sum can be raised only out of taxation from the very same people to whom the interest is paid. Therefore, this circulation of money between the capitalist class and the Government can go very far without becoming impossible. Nevertheless there is, I suppose, a limit to it in practice.

New Money. 3. The third source from which Mr. Roosevelt has drawn the money which he has distributed to the population is by far the most interesting and important. He has undoubtedly simply created a certain proportion (I do not pretend to be able to work out what proportion) of the billions which have gone to the farmers and the unemployed, the big industries, the railroads and all the other recipients of government relief. He has not taken this part of the money from anyone. He has, directly or indirectly, created it. This creation of money has not, it is true, involved the old fashioned method of printing dollar bills. That is because the modern banking system has reached a point of perfection which makes paper money quite a secondary affair (I describe how this has happened below, page 66).

But when, for instance, Mr. Roosevelt declared that the gold in the vaults of the Federal Reserve Board and the U.S. Treasury was worth 40 per cent more dollars than it had been before, he in fact created out of nothing that amount of new money. This act in itself did not necessarily have any effect on the situation. For it was necessary not only to create this amount of new money, but to distribute it; it was necessary to put this amount of new money into the hands of people who

would use it to satisfy their wants. But this new money did become a source from which both the government and the Federal Reserve system could distribute money, either by way of loan or direct gift. And it is certain that a proportion, though again I do not pretend to know exactly what proportion, of this new money has been distributed.

Is it Magic? Now to most people the creation of money out of nothing savors either of crime or of magic. (Those who have benefited by it usually think it is magic. Those who have not, that it is crime.) How, people ask, is it possible simply to create wealth out of nothing? Is it not obvious that no good can come of this sort of tricky business? Our answer must be, however, that that all depends upon the situation in which the new money is created.

Of course, it is true that it is impossible to create new wealth simply by declaring one day that the gold in your vaults is worth so many more dollars than it was the day before. Wealth can be created only by work; wealth is the product of human labor acting upon natural resources. Human labor is its father and nature its mother, as the greatest economist who ever lived once said. Hence it is perfectly true that if all the available workers are already working, if all the factories and mines and all the cultivatable land are already being used, then no creation of money, whether by the printing press or by writing up the value of your gold or by any other process whatsoever, can increase the wealth of the community. All that the creation of new money in such circumstances can do is, of course to raise prices.

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That is what people call inflation. It would not be quite true to say that it does no good to anybody. Inflation may do quite a lot of good to some people, i.e., debtors. But it will do quite a lot of harm to another set, i.e., creditors. Anyhow, it cannot increase the real wealth of the community. It can only shift it about from one set of people to another.

It Can Set

Men to Work.

But now look at the situation if everybody is not working—if there are millions of unemployed workers in the country, thousands of factories idle or not working at capacity, acres of fertile land uncultivated. This, alas, is a situation quite as familiar (or a good deal more familiar) to us as is the situation of a community which is using all its means of production. In this situation, when there is unused productive capacity, the creation of new money certainly can result in an increase in the wealth of the community. It can do so for the simple reason that it can set men to work. For that, and that alone, is what increases wealth.

Let us follow the process out. Let us say that a government creates in a certain week a million new dollars. Some of this money it may give outright by way of relief payments to the unemployed; some of it it may lend to the employers, either directly or by putting it into the banking system, so that the banks may lend it, say to a railroad which will spend it on ordering new steel rails from the United States Steel Corporation; and U.S. Steel will in turn distribute the money to its employees.

In either case—though, as you notice, in the first case much

more simply and directly than in the second—the money will get into the hands of individual men and women who will go out into shops and spend it. This will increase the effective demand for the ultimate products of the industrial system. It will enlarge the final market for which the whole of production is carried on. In a word it will help to solve the question of who is to buy the goods. Therefore, it will set human beings to work. Thus because the alternative was not that human beings should be doing other work, but that they should be standing idle producing nothing, the creation of the new money, by adding to the amount of useful work done in the community, can increase its real wealth.

The same thing, clearly, takes place if, instead of giving the new money directly to the unemployed or lending it to the capitalist employers, the government uses the new money itself to employ men on big public works schemes, such as building dams for flood control and electric power generation, or building houses in a rehousing scheme.

Is It the Solution? Here then is a real way by which a government can begin to find an answer to our basic question of who is to buy the goods? As long as there are workers out of a job, the government, so long as it not only creates the new money but actually distributes it by one means or another, can enlarge the ultimate market for goods. Is this then a final solution to our problem? Unfortunately, that is by no means the case. Valuable and important as is a policy such as Mr. Roosevelt's of distributing large sums of money, which will have been raised partly by

increased taxation, partly by borrowing, and partly by the actual creation of new money, such a policy has very definite economic and political limitations. That is no reason why the American people should not support such a policy and carry it right up to those limitations. But it is a reason why they should realize that those limitations exist, so that they can see what to do when they reach them. Before, however, we discuss the economic and political limitations of the policy of direct distributions of purchasing power, let us meet one of the most obvious objections which is brought against such a policy. For, in doing so, we shall see more clearly how the thing works.

The Banks

Make Money.

As soon as it becomes evident that a government, such as Mr. Roosevelt's, is both taxing, borrowing and creating new money, in order to distribute it to the mass of the population in one way or another, a most furious opposition to that government on the part of the capitalist class inevitably develops. In particular the heavens are rent by cries and lamentations that the creation of new money on the part of the government is an act of catastrophic "unsoundness"; that this is "tampering with the currency"; that this way lies ruin and destruction.

There is one simple and sufficient answer to all this line of talk. *A government, when it creates new money, is doing nothing more nor less than the banking system does every day of its life.* The truth is that in recent times, with the growing perfection and centralization of the banking system, and the growth of the habit of making all considerable payments by

check, a radical change has come over the nature of the money which is predominantly used in a modern community.

Let us examine this kind of money for a moment. Now, if you asked an average well-off man how much money he had, he might think you meant the total value of all his property—his house, his bonds, his shares, his life insurance policy, and the like. Even if you explained to him that what you meant was the amount of ready cash in his possession at the moment, he still would not merely look at his pocketbook and tell you that he had, say, fifteen dollar bills in it. He would look rather at his bankbook and tell you how much money he had on deposit. For he knows that this money is as good as cash, since at any moment by drawing a check he can use it to purchase anything he wants.

Now what does this money in the banks consist of? What is this money which a man feels he has, if he has say one thousand dollars in his account at the bank? It does not consist, as we know, of gold. Nor does it consist of pieces of paper. The bank does not keep one thousand one-dollar bills, or one one-thousand-dollar bill, in a safe-deposit box against this client's account. The simple truth is that this money lying on deposit does not consist of anything tangible or material at all. It is bank money or money of account. It consists simply of the written entry in the bank's books. *Now, and this is the important point, the banks can, and do, within very wide limits, create as much or as little of this bank money as they like.*

*How They
Do It.*

The banks do it like this. They create money every time they decide to make a loan to a customer. For in a modern banking system every loan on the part of a bank immediately creates a deposit of the same size. Let us say that the bank has made a loan of ten thousand dollars to Mr. X, who wishes to extend his factory or, quite likely for that matter, to speculate in stocks and shares. Will Mr. X ask the bank to give him the ten thousand dollars in dollar bills? Obviously he will do nothing of the sort. He will immediately deposit his ten thousand dollars, either with the bank which made him the loan, or with some other bank, and he will do so by writing a check. And if all the banks of the country are joined up together by a banking system—as they now are in both Britain and America—that really means that for purposes of currency they may be regarded as one bank.

Now, therefore, the banking system has created ten thousand dollars of new money without having had to issue a single dollar bill. Moreover it may be that for quite a long time this money can be used without there being any need to issue any cash at all. The man who borrowed the original ten thousand dollars is quite likely to pay it by check to someone else in payment for some shares he has bought, or in a series of checks to building contractors who are extending his factory for him. These men in turn will be likely to pay their creditors by further checks, and the ten thousand dollars of new bank money will go circulating round wholly by check without anyone coming in to draw a single dollar bill. Sooner

or later, it is true, some of the ten thousand dollars will percolate down into the hands of people who do not have banking accounts, and they will need to touch actual dollar bills.

But the banks have learned from experience that of any given amount of money of all kinds in circulation they will be asked for only a certain proportion of it to be actually cashed in the form of bills. In Britain this proportion is just about one-tenth (I understand that it is somewhat higher in America, as checks are not quite so widely used as they are in Britain). If the proportion is one-tenth, then it means that the banks must keep one-tenth of the amount which they create by way of loans of new bank money, in the form of cash in case they are asked for it. Hence, if the government, or the central banking authority, does not allow any currency expansion at all, or does not increase its gold reserve, the banking system will be prevented from expanding the amount of bank money in the country to more than ten times the amount of gold and notes which it has in its vaults. But in America this is not a very practical consideration, because the amount of gold and notes available is far more than one-tenth, or whatever the figure is which is necessary to the creation of large additional amounts of bank money.

*Why They
Object.*

Hence the banks can, whenever they can find a customer to whom they can safely lend, create new bank money. And both the British and the American banks have been creating money like this for years on end. We have no particular complaint against the banks for doing this. Indeed, the economic system could

not have worked at all unless they had done this. But it is extremely important to appreciate all this in order to see what nonsense it is when the bankers and their friends hold up their hands in horror against a government, such as that of Mr. Roosevelt, when it creates new money. For such a government is only doing something which they themselves habitually do whenever they get the slightest chance. The real truth is, of course, that they object violently to the government creating new money precisely *because* this is something which they habitually do themselves. They object because the creation of money on the part of the government means the invasion by the government of a function which they intend to reserve for their own. The creation of new money, which is then lent out on interest, is an exceedingly profitable prerogative of the bankers. That is why they are so violently opposed to the government doing anything of the kind. That is why they tell us that it is "criminally unsound" for the government to do something which they do every day of the week.

*New Money
not Unsound.*

That is all quite natural and understandable. It is indeed inevitable that the bankers and their friends should feel this intense opposition to the Government entering the business of supplying the population with purchasing power, just as they feel opposition to it entering any other field of economic activity in competition with themselves.

But we should not allow ourselves to be misled for a single moment by the forms which this inevitable opposition takes. There is not the slightest substance in the reiterated

charge of the bankers that for the government to create new money is "fundamentally unsound," "inflationary," "a deception of the people," and the like. The creation of new money on the part of the government is no more, and no less, unsound than the creation of new money by the banks. The creation of new money, either by the government or by the banks, is unsound and futile, if all the means of production are already working, for then it can only cause a rise in prices, and so inflation. But the creation of new money, either by the bankers or by the Government, is not necessarily unsound at all when a substantial proportion of the means of production, and in particular of the workers, is unemployed.

This does not mean that the mere creation of new money will in itself remedy unemployment. The new money not only has to be created; it also has to be put into the hands of people who will use it to create effective demand. But it does mean that a policy of the distribution of purchasing power to the mass of the population by one means or another, which involves the creation of new money, is by no means necessarily unsound on that account. Its soundness or unsoundness will, as we shall see, depend largely on the way in which the purchasing power is distributed to the population.

Has Roosevelt Found the Answer? Has Mr. Roosevelt then discovered a simple way out of our troubles? Will his policy of distributing purchasing power in addition to the wages which the mass of the population receives, solve our basic question of who is to buy the goods? Will it therefore set the whole economic system to rights? Un-

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fortunately, the problem is by no means as simple as that. The real truth is that this policy of the distribution of additional purchasing power, while leaving the ownership of industry unmodified, can be little more than a temporary expedient. That is no reason for not supporting it strongly. But it is a reason for seeing that it will either have to be carried forward to a new phase, or abandoned. It cannot in itself provide any permanent resting place for the social system.

Chapter VI

Public Works and Private Hates

Three Ways of Distribu- tion.

Let us now consider how the new purchasing power is to be distributed to the mass of the population. Just as there are three sources from which this purchasing power can come (from taxation of the rich, from borrowings from the rich, and from creation of new money by the government), so there are three distinct channels through which this purchasing power can be distributed to the population. Let us consider them in turn.

First, the money can be lent by the government, either directly or through the banks, to capitalist employers who will use it to extend or re-equip their factories, mines, railroads, etc., etc. In this case the money will percolate only gradually, through the contractors and sub-contractors, down to the mass of the population.

Second, the government can itself inaugurate great public works schemes, such as the dams and electrical power stations of the Tennessee Valley Authority, or such as the works schemes—road building, post office building, park improvements, etc.—which have been undertaken by state and city governments all over the Union. By far the largest and

best, however, of possible public works schemes has not yet been undertaken in America on any considerable scale, though it has been suggested. That is a program for rehousing the ill-housed population by public initiative.

Third, the money can simply be given by the government to individuals who will use it to satisfy their everyday needs and so buy additional consumers' goods such as bread, clothes, furniture, motorcars and the like. Money paid out in direct relief of the unemployed, money given to the farmers under various schemes, and money given to the veterans of the world war, are all instances of this kind of direct payment to consumers.

I notice that, under the new schemes with which at the moment (Summer 1938) Mr. Roosevelt is proposing to fight the new depression, all these three channels of distribution will be used. As I understand it, it is proposed to spend nearly five billion dollars over the next fifteen months. Some of this money is to be lent to capitalist employers through a revived Reconstruction Finance Corporation, some of it is to be spent on public works, and some of it is to be given directly to the unemployed, etc., by way of relief. Let us examine the advantages and disadvantages of these three methods of distribution in turn.

1. Lending to the Capitalists. The big question for this kind of distribution is the rate of interest. The only way in which additional money can be got into circulation by this method is for the government to lend at lower rates of interest than the banks or private lenders are willing to grant. If the government does this,

as it undoubtedly can, we may expect to find capitalist employers (whether they are great corporations such as the railroads, or individual private employers, makes no matter) who will be willing to borrow for the extension or re-equipment of their works at the new low rate of interest made available by the government, while they would not have seen their way to borrow at the old higher rate available from the banks or private lenders.

But there is a serious snag here. If depression has really begun, most capitalist employers will not be willing to borrow money for extensions or re-equipment of their works at any rate of interest at all. They would not enter into big schemes of expansion even if you gave them the money; for they see no opportunity of operating their new, extended, or re-equipped factories at a profit if and when they should build them. Of course, certain very big companies and corporations, such as the railroads, may be willing to borrow even though they see little prospect of profitable operation, simply to prevent their equipment falling to bits. But still it is in general true that the worse the depression gets the less possible is it to distribute really substantial amounts of purchasing power through the channel of lending at lower rates of interest than are generally available to the employers.

How the Capitalists Feel About It. On the other hand this method of distributing additional purchasing power has obvious political advantages from the point of view of avoiding capitalist opposition. You would think, indeed, that the whole capitalist class would be strongly in favor of the government providing it with cheaper

money than it could get in any other way. And some sections of the capitalist class are in favor of this being done. It is worth remembering, for instance, that this was the one method of fighting depression which was adopted by Mr. Hoover's Republican administration before he left office in the spring of 1933. The Reconstruction Finance Corporation was started, not by Mr. Roosevelt, but by Mr. Hoover.

On the other hand, the most important and influential sections of the capitalist class dislike even this form of distribution, and they dislike it because it involves governmental activity in the economic field; it involves in particular the government entering into the sphere, hitherto reserved for the private bankers, of lending out money capital at interest. Therefore, it is with reluctance that a capitalist class tolerates even this method of distributing purchasing power. The Reconstruction Finance Corporation was regarded, correctly from their point of view, by the most farseeing capitalists as an undesirable innovation which made a breach in the normal workings of the capitalist system. Still, on the whole, the capitalists will tolerate this form of distributing purchasing power on the part of the government far more readily than any other. For, after all, under it they still retain their direct control of the wage-earning population. The money all passes through their hands before the people can get it. Therefore the people have to offer themselves as workers to the employers before they can get any of the money.

Finally, we must notice that this way of distributing purchasing power only helps to solve the problem of purchasing

power today, at the expense of making it worse in the future. It enables the capitalists to build all sorts of new means of production. Thus the productive capacity of the community grows rapidly. But as soon as the government ceases distributing new money in this way, the community's power of consumption falls back to exactly what it was before. Therefore, the problem itself, which arises precisely from the gap between our power to produce and our power to consume, will have got worse and the next depression will be still more severe than the previous one.

2. *Public Works. Useful and Useless.* The second method by which a government can distribute additional purchasing power is to employ the additional workers itself, on schemes of public works.

Public works schemes can roughly be divided into the useful and the useless types. For some public works schemes are undoubtedly of the "made work" type, of which "digging holes in the ground and then filling them up again" is the classical example. This type of public works scheme naturally offends against our whole conception of common sense and reason. But before we condemn it outright, we should remember what such schemes really are. They are really excuses for distributing additional purchasing power. If they accomplish this, they may actually increase the net wealth of the community.

Look at an example. Say that in a particular community there are twenty thousand unemployed workers. Say that the government put ten thousand of these unemployed on to use-

less kinds of public works. These ten thousand men will now be re-equipped with purchasing power. The work which they will be doing will not add any wealth to the community. But the fact that they can now buy food, clothing, and pay their rent, etc., etc., will mean that a proportion at any rate, possibly the whole, of the other ten thousand unemployed will now be reabsorbed into ordinary industry owing to the increased demand for goods and services of the first ten thousand. The repercussions, as it were, of the distribution of increased purchasing power even by way of useless works schemes will put other members of the unemployed on to useful work.

But, needless to say, this is no reason for advocating useless works schemes. On the contrary, useless works schemes are an unpardonable waste of human energy, of which, after all, there is only a certain limited stock in the community. And who can for a moment deny that there is an immense amount of useful work which needs doing? Obviously, so long as any single one of the 122 million American citizens lacks either the necessities or for that matter the conveniences of life, there is useful work waiting to be done in providing that citizen with necessities and conveniences.

Logically, the unemployed, instead of being set to digging holes in the ground and filling them up again, ought to be set to satisfying the most urgent wants of the mass of the population. Nor is there any doubt as to what these most urgent wants are. As we have seen, large sections of the American people want additional food, shelter, clothing,

furniture, with extreme urgency. Why is it then that there should be any question of the Government, when it wishes to distribute purchasing power by this method, putting workers on anything other than the production of food stuffs, clothing, houses and the like?

*It Is Their
"Right."*

The answer is a perfectly simple one. So long as the capitalist system is in existence, so long, that is to say, as the means of production remain in the hands of the small class who owns them today, the production of these standard necessities of the population is a monopoly right of that class. It is a right of those who own the clothing factories that they alone should produce clothes for the whole nation. It is a right of those who own the land that they, and they alone, should produce food stuffs for the nation. It is the right of those who own the furniture factories that they, and they alone, should produce furniture for the nation. And so on through the production of all standard articles of consumption.

Hence, for the government to set workers to producing these things would be a direct infringement of the property rights of the owners of the means of production in these particular fields, and would be fought only a little less violently by these property owners than would be the direct confiscation of their means of production by the government.

If you doubt this, remember what has happened in the case of the biggest and best of Mr. Roosevelt's public works schemes, the Tennessee Valley Authority. The Tennessee Valley Authority began to produce, if not one of the necessities,

at least one of the important conveniences of modern life, electric light and power. At once the companies which had hitherto supplied the citizens of that part of the Union with electric light and power at a profit rose up in the most vigorous protest and claimed that they, and they alone, had a statutory right to supply electricity in that area. As I understand it, the Supreme Court of the United States has not supported the claims of these private companies. But it appears that the struggle as to whether the government, through the Tennessee Valley Authority, should be allowed to put workers onto the really useful work of supplying electricity is still being fought out at the moment.

The General Principle.

Here we see the general principle illustrated. It is the pressure of the entire capital-owning class which is continually pushing off public works schemes from the useful into the useless field. For the production of all really useful things is the jealously guarded monopoly of those who own the means of production.

In fact, of course, public works schemes are mostly neither entirely useless, such as digging holes in the ground and filling them up again, nor yet, on the other hand, designed to satisfy the most urgent wants of the population. For instance, it is obviously useful that thousands of miles of fine new roads have been built throughout the United States during recent years as public works. On the other hand, additional roads were not, I should have thought, by any means the things which the American people needed most. I know, at any rate,

that if I were undernourished and ill-housed, I would rather have some more food and a better house than a new road along which I could drive at eighty miles an hour the car which I should certainly have sold months before.

*Housing, the
Best Public
Works.*

However, it was much better for the government to build roads than to do nothing. For it did mean that many hundreds of thousands of workers were re-equipped with purchasing power. By far the best and most useful form of public works which any government, which is not willing directly to infringe the monopoly of the owners of the means of production, can undertake is housing schemes. There will, it is true, be intense capitalist opposition to a large-scale government initiative in this sphere also. As I understand it, this opposition has hitherto held up any very substantial progress being made with Mr. Roosevelt's large-scale housing project.

But here is a channel through which enormous sums of money can be usefully distributed and a double benefit be given to the community. In the first place, the money paid out to the workers who will build the new houses will create a demand for every kind of commodity and so keep the wheels of industry turning. Secondly, the ill-housed masses of the population will, for the first time, get decent shelter. The obstacle which stands in the way is, of course, a complex ganglion of property rights. The property right of the slum landlords, who own the only available sites for the houses, to rack-rent the people would be infringed. The right of the private enterprise land speculator to buy up sites and to build

new houses on them for a profit, would be infringed. It is such rights as these which stand in the way. But is there anything behind which a greater mass of public opinion could be mobilized than behind a program of rehousing the vast ill-housed section of the population?

Here surely is the ideal scheme for the large-scale distribution of purchasing power through the channel of the employment of workers, directly or indirectly, by the government itself. Here, surely, is the field in which popular support for public works can overcome the private hates which stand in the way.

Chapter VII

Giving People the Money

Why Have an Excuse? Now we come to the third, simplest, but most startling of the methods by which a government can distribute purchasing power. It can simply give the money away. This is, as we have seen, what the American government has done, by way of unemployment relief, farm relief, and the veterans' bonus, on a considerable scale already.

Now before we dismiss this method we must consider the arguments which can be advanced for it. If public works of even a more or less useless kind are beneficial because they are, as I expressed it, an excuse for distributing purchasing power to the population, why not do the job frankly and directly without the excuse? There is no answer to this question, except this: The direct distribution of money on a scale really adequate to give the population enough purchasing power to buy the final product of American industry, and so prevent unemployment, would be a measure which would cut into the very vitals of the capitalist system. Say, for example, that the Federal Government decided to pay five dollars a week to every adult American citizen, raising the money to do so by

the three methods enumerated above, but mainly by simply creating it. Such a distribution of purchasing power would undoubtedly provide a market for which American industry could work. (I do not know whether five dollars paid as an addition to the present sources of income to every adult citizen would be too large or too small a sum to provide purchasing power adequate to clear the American market of the entire possible output of consumers' goods at current prices.* It would be by no means impossible to work out what the appropriate figure would be. But, in any case, that is not important. Let us take five dollars for the sake of argument.)

*What Would
Happen?*

But think what an effect such a distribution would have on the social system. Think of the vast increase of bargaining power which it would give to the whole wage-earning population of America. It would mean that, at a pinch, nobody actually had to take a job. Most families could just about keep alive whether they worked or not!

No doubt a certain number of physically or mentally sick people would simply refuse to go to work any more; but I do not think myself that this would be a very serious matter. What would be a very serious matter for the employers would be that all the other wage earners, who would certainly still

* In practice of course there would be some increase of prices even if idle means of production were available to increase production in every field, and if the increase in effective demand were applied steadily and gradually. The clutch would be bound to slip a little no matter how steadily you let it in, before the huge bus of the American economic system would accelerate. This would have to be allowed for in any calculation. But it is not really material to the principle of the thing.

GIVING PEOPLE THE MONEY

prefer to work if work would bring them in a good wage, would insist that they would *not* work unless their work did bring them in a good wage! Think of the immense stiffening of the front which labor, whether organized or unorganized, would at once present to its employers! The ultimate sanction by which the employers get people to work for them is that the workers will starve if they refuse. Remove that ultimate sanction and you have pretty well knocked the bottom out of the capitalist system.

Unquestionably, the employers and their friends are perfectly correct, from their point of view, in passionately opposing any approach even to a direct, universal distribution of money to the entire population by the government. They are perfectly correct when they say that it would mean that people would get out of control. They would get out of *their* control, that is to say—out of the control of their present rulers, the capitalist employers.

But just as unquestionably all this is no reason whatever why the people of America should oppose such a scheme. On the contrary, from the point of view of everybody except the capitalist employers, there is a very great deal to be said for it. But we ought to recognize one thing. And it is this: that just because this scheme would ultimately make the working of the capitalist system impossible, it cannot be adopted unless we are prepared to substitute some other economic system for capitalism. You cannot, in a word, do something which will make the working of your present system impossible unless

you are prepared to start putting a new system in its place. For otherwise you will produce chaos.

*Why They
Oppose.*

We can now see that the whole of the present furious opposition of the American capitalist class to Mr. Roosevelt and his policy of distributing purchasing power was entirely inevitable. It has nothing to do with the soundness or unsoundness of Mr. Roosevelt's schemes. The opposition was bound to arise because these schemes infringe upon, or at any rate lead toward an infringement upon, the property rights of that section of the American people which owns the capital of the country. And that is just why the American people should certainly give Mr. Roosevelt's plans their strongest support!

Or rather, they should urge Mr. Roosevelt and his administration to push their schemes for fighting the depression by the distribution of purchasing power to the people even more vigorously than they have yet attempted.

*He Is the
Pump!*

Let us have no illusions upon this score. Mr. Roosevelt met the last depression by distributing billions of dollars throughout the population; and he did succeed in producing a very considerable revival. But it was suggested, both by Mr. Roosevelt and by other spokesmen of his administration, that his distribution of purchasing power was merely designed to revive the normal workings of the capitalist system. We were told that he was merely "priming the pump" which, once primed, would go on working of its own accord. I do not know whether the Administration spokesmen are still saying the same thing to-

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day. But if they are, they are failing to face the facts. *The truth is that a distribution of purchasing power to the mass of the population in supplement to the wages they get from capitalist industry is in contemporary American conditions an indispensable and permanent necessity, if industry is to be kept going on anything like a full-time basis.*

There is no question of priming the pump. The American government has got to *be* the pump. It has got to pump a steady and substantial stream of purchasing power to the mass of the population. Only so can it prevent major crises of unemployment and depression sweeping down upon the American people. If the American people put sufficient pressure upon both Mr. Roosevelt and upon Congress to ensure that his present five-billion-dollar program is pushed through rapidly, and that the money actually gets into the hands of the population, industry will revive; but not unless. And it may well be that this program will need to be extended and supplemented in order to meet the situation.

The Alternative. For what is the alternative? The alternative is to allow Mr. Roosevelt's attempt to answer the fundamental question of who is to buy the goods to be defeated. And defeated this attempt will be unless it is pushed through with great courage and resolution in the face of the furious opposition which it has excited and will excite. If this attempt is defeated, if Mr. Roosevelt is prevented by the reactionary pressure which will be put upon him and upon Congress from distributing really adequate amounts of purchasing power to the American people during

the coming months, the depression will deepen into a crisis more severe even than that of 1932.

In that case Mr. Roosevelt and his administration may well be discredited. The reactionary forces will be enabled to throw the blame for the depression on Mr. Roosevelt and his policies. They will endeavor (and so short is human memory, that they may succeed) to make the American people forget that the last depression broke out under the severely conservative Republican administration of Mr. Hoover. They will claim that the only way by which the American people can get their jobs back is to throw out Mr. Roosevelt's supporters at the coming Congressional election in November, 1938, and to restore the Republican party to power in the Presidential election of 1940. They will no doubt hint, if they do not say it quite openly, that until and unless they and their friends are restored to power, the American capitalists "will not play"; but that once the Republicans are put back in office, big business will feel happy again, the stock market will boom, vast private investments in new factories, mines, railroads, etc., will be made by private enterprise, and everybody will find himself in employment again.

Such propaganda is, of course, sheer blackmail. It amounts to telling the American people that they must vote for the candidates selected by the employers, or else they will not be given jobs. But unless Mr. Roosevelt's administration has dealt resolutely with this counterattack, unless it has itself produced jobs for the American people, this may well be a very formidable attack. Wage earners have got to have jobs,

and if they cannot get them one way, through a progressive administration, they are almost forced to turn back to reaction in the hope of getting employment at any cost.

A New Boom? But this is not to say that the American
—and a New people would be likely to recover either pros-
Crash. perity or security if they turned back to the
 Republican party because they felt that Mr. Roosevelt's administration had failed them. Let us think for a moment of what would happen if Mr. Roosevelt's attempt to solve the problem in the progressive way were to be defeated.

It seems to me possible, though by no means certain, that the return of a Republican administration and congress in the coming elections of 1938 and 1940 might so please the American capitalist class that they would feel confident of their ability to make huge profits again. It might be, therefore, that they would decide to re-equip their factories, and generally to undertake vast new investments. If they did so, a boom would no doubt begin to develop. And while it was developing, there would be, no doubt, an increase in employment. A certain proportion of the American unemployed would get their jobs back. While the new factories were being built, the new mines were being sunk, the railroads were being equipped, and vast new office buildings and luxury apartments were going up, employment might be quite good. And while employment was good, enough money would be distributed by way of wages to provide a fair market even for consumers' goods.

But what would happen as soon as the new factories, mines, etc., came into production? Can anyone possibly doubt that what would happen under the new Republican administration of the 1940's would be precisely the same thing that happened under the old Republican administration of the 1920's? The boom would be followed by a crash. Directly the wave of construction which the political triumph of reaction might have provoked had passed, the old question of who was to buy the goods would return in full force.

And it would return, not merely to the same extent, but to a far greater extent than ever before. Can there be the slightest doubt that the triumph of reaction in America would mean the smashing of the recent gains of the American people? It would mean the curtailment of all social services, the stopping of any distributions of purchasing power by the government, and above all the smashing of the new American trade-unions. Wage rates would fall steeply. Therefore, as soon as the wave of construction was finished, the market for the ultimate product of industry would be smaller than ever. The crash would be far worse than anything seen before. Moreover a new reactionary administration would do as little as, or less than, the administration of Mr. Hoover did, to mitigate the suffering of the American people in the new catastrophe.

*Roosevelt's
First Step.*

Can there, therefore, be the least doubt that the American people can have no hope of anything but the most short-lived and dearly bought prosperity from turning back toward reaction? The opposition which the capital-owning class is inevitably rais-

ing to the attempt to answer the question of who is to buy the goods by distributing purchasing power to the mass of the population, is formidable. But all the same, along these lines lies the only way out. However, the opposition which has arisen, and which will inevitably grow more and more intense, should warn us that the distribution of purchasing power can, in the nature of things, be no more than the first step in a progressive solution of the problem. Capitalist opposition to such a policy will inevitably create an unstable situation, in which one of two things must happen. Either the encroachments upon capitalism, which as we have seen are the consequence of such a policy, will be pushed further and further until they amount to a progressive modification of the system and the building up of a new system to take its place; or the whole policy will have to be abandoned in the face of the capitalist resistance which it provokes. That resistance will increasingly take the form of a refusal on the part of the owners of the means of production to undertake and initiate production so long as the progressive government is in office. Hence that government must either surrender, or itself begin the task of organizing and initiating production.

Forward or Back? In a word, the American people are now in a transitional position. They must either go back to the anarchic, unregulated, uncontrolled capitalism which produced the slump of 1929, or they must press forward until a larger and larger share in organizing and directing the economic life of the community is brought under their control. Can there be the slightest doubt

but that the second of these alternatives alone offers the American people any prospect of a successful solution of their problems?

The Capitalists Are the Dictators.

The spokesmen of the ruling class tell the American people that any extension of governmental activity is a step toward a dictatorship. They give awful warnings that Mr. Roosevelt is attempting to make himself a dictator and that the American people's only hope of the preservation of liberty and democracy is to reject him. What hypocritical nonsense it all is!

What the reactionaries cannot stand about Mr. Roosevelt is precisely that, for the first time for many years, they have encountered serious opposition to their own dictatorship!

The capitalist class of America has for so long held undisputed sway that any effective opposition to its will seems to it to be positively blasphemous! Mr. Roosevelt, it is true, has not challenged the essential domination of the capitalist class, which depends on its ownership of the means of production. Indeed, as he has often asserted, he is a supporter of a system of the private ownership of the means of production. But he has found himself impelled, by the very logic of events, on to the course of attempting to distribute purchasing power to the mass of the population. And such a course, while it will actually make the present economic system work far better for a time, does undoubtedly point toward the progressive modification of that system. This is his unforgivable sin in the eyes of the ruling class.

There is nothing too bad for them to say of any man who

does not do their bidding. But their opposition has rallied to Mr. Roosevelt very strong popular forces which might well, in other circumstances, have themselves opposed him. Thus fate has decreed that Mr. Roosevelt should become the rallying point behind which the broadest possible coalition of all the progressive forces of America can mass. His program for the distribution of purchasing power does offer, as we have seen, a step in the right direction; it is a step which all these forces can support. But the American people will, in the end, be disillusioned and defeated, unless they realize that this program is only a first step; that moreover, it is a step which must be retraced unless a second step forward can soon be added to it.

But that second step forward can hardly be taken without some realization, at any rate, of what the ultimate destination of the whole forward march must be. That destination can be nothing less than the construction of a new economic system to take the place of the one which is letting us down so badly and so rapidly. Before, however, we go on to define in detail the nature of that alternative economic system, we must consider further and in some detail the alternative reactionary answer to our original question of who is to buy the goods. For such an alternative reactionary answer does exist.

*Here Is
Another
Answer.*

As we have seen, the defeat of the progressive forces in America today and the installation of a reactionary administration would almost certainly lead, after perhaps a short and hectic boom, to a new crisis far worse than any preceding one. But this is on the hypothesis that the American capi-

talists, if they were to regain full control of the government, could find no alternative answer to the question of who is to buy the goods. I think that in American conditions, and for reasons to be described in the next chapter, they could find no such alternative answer. All the same there is an alternative, reactionary answer to the question, who is to buy the goods. It is called the Imperialist answer.

Other capitalist classes, notably the British, have given this answer and have given it with a considerable degree of temporary success. It is possible, in a word, for a capitalist class to find a market for the goods which its inability to distribute purchasing power to its own people makes it impossible to sell at home, by selling them abroad. This is the reactionary answer to the dilemma of purchasing power. In the next chapter we shall examine this answer in principle and then consider its application to the contemporary situation in the United States.

We shall see that the defeat of the progressive forces in America would mean, not only the restoration of the very worst features of capitalism for the American people, but would also drive America outward upon the world. It would inevitably set her feet upon the well-trodden, but blood-soaked, path of imperialist aggression. Thus the result of the present struggle of forces in America is bound to react profoundly upon the fate of the whole world.

Chapter VIII

The Imperialist Answer

Let's Export the Goods!

The employers of various nations, and above all the British employers, have given this answer to the question of who is to buy the goods. They have said: "If we can't get rid of the stuff at home to our own people, because their wages are not high enough to allow them to buy it, let's get rid of it abroad; let's export it."

It is a simple answer, but it leads to extremely complicated results. For it leads to the world being combed for markets. In the first instance, the employers will search the world for markets for consumers' goods. They will try to get rid of their huge output of food and clothes and furniture and motorcars and all the rest of it to foreign buyers. But nowadays there are whole industries, the function of which is to turn out, not consumers' goods of this kind, but means of production themselves. There are whole factories whose job is to equip other factories. There are whole types of machines the only purpose of which is to produce other machines. Indeed, the biggest and most important industries today are those which turn out, not consumers' goods, but capital goods or means of production—call them what you will.

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So, very soon it is a question of markets abroad, not only for consumers' goods, but for capital goods also; not only for cotton, wheat, motorcars, typewriters and such things as these, but for looms and spindles, lathes, cranes, machine tools, blast furnace equipment, power stations, railroad goods, and the like.

But these capital goods are very expensive. How is the foreign country going to pay for them? In many cases, the potential market is in some relatively backward, undeveloped place such as India, China, or Africa. How are they to pay for this extremely expensive equipment?

General Now arises a very extraordinary device.
Expansion The employers and their associates proceed to lend to their potential customers the money to buy the capital goods with! This is called the export of capital. Therefore the search for markets may be said to proceed in three stages. First you export consumers' goods, then you export capital goods, and then you export the capital itself.

When once you have reached this third stage of exporting the capital itself, the possibility of a fourth stage appears; and that is to invest your capital in producing something in the overseas country itself. You may send your capital out, not merely to pay for capital goods from home, but also to set up an industry abroad, to sink a mine, or plant a rubber plantation, or the like. You may begin the process of setting up the existing economic system somewhere in Africa or Asia.

The exact stages through which the process goes do not

matter so much. The essential thing is that each capitalist country is forced to embark on a general, complex process of economic expansion. Each country, when it reaches a certain stage of development, is forced into this process of expansion unless it can find some other answer to the basic question—"Who is to buy the goods?"

And this process of expansion overseas does provide a temporary answer to the question; it does enable the present economic system to carry on much longer than it otherwise could. But it has extraordinary and, in the end, appalling consequences.

For so far we have looked only at the economics of the process of expansion; it has a political side, and that political side has a very well-known name. It is Imperialism.

Imperialism This is how Imperialism comes about. When you are at the first stage, when you are simply exporting your consumers' goods, there is no very great temptation to try to annex the country to which you are sending them. But now see what happens as soon as you get to the second and third stages, when you are exporting capital goods and the capital to pay for them.

Why then, at once you become frightened for the safety of your capital. Whoever it is you lend it to, whether it is the government of some undeveloped region, or some company which has been organized by the natives of the undeveloped country, or, more likely, by your own capitalists operating there—in any case, you will be afraid that you will lose your money.

Perhaps the government to whom you have lent it will refuse to go on paying the interest? Or perhaps it will be overthrown by a revolution? Or perhaps some other empire will come in and annex the country to which you have lent your money? These worries get even worse when you reach the fourth stage and begin employing native labor in the country to which you have exported your capital. For then your capital has gone permanently overseas; then there is no question of bringing it back. So you need permanent political control in order to ensure its safety.

Moreover, once you have begun actually employing native labor (stage four above) you will need political control of your market for another reason. You will want to control its government so that it passes laws (such as a hut tax for instance, as in the British colony of Kenya) which will force the natives to go to work for wages in your new mines or plantations, instead of working for themselves on their own land.

In any case, and whatever stage of the process of expansion you have reached, you will want all the markets of the particular territory for yourself. You will strongly deplore any tendency for the employers of some other empire to come in and export their goods, instead of yours, to it; or to send in their capital, instead of yours, and so get the orders for their capital goods, instead of yours; or to set up their mines, rubber plantations or whatnot, instead of yours. It is for this purpose, above all, that you will want political control of

your overseas market. You will want, to be plain, to annex your market; to make it part of your empire; to paint it your particular color on the map.

*The World
Fills up.*

Now, once again, this is no fancy picture, no figment of the imagination. This is a description of what has happened during the past fifty years, and what is still happening. But nowadays it is happening with a difference. The world used to be a comparatively empty place. There were plenty of markets for the various empires to annex. There was all Africa ready to be painted the different colors of the various empires. And painted it was. This was not a very peaceful or a very pretty process. The natives had to be subdued in quite vicious little wars. But it did not involve any major wars between the empires themselves. Sooner or later, however (in the first twenty years of this century to be exact), the world got filled up. There were no, or few, eligible markets left unoccupied by one or another of the great empires. There was no room, or at any rate not enough room, left to expand into. The world was all painted one color or another on the map.

By 1914, to be exact again, the great empires, as they grew and grew, had reached out until almost everywhere their borders touched each other. But they could not stop growing. The basic process of expansion, which I have sketched above, was still going on. The employers could not get rid of their stuff at home; they still needed ever bigger markets abroad.

*The Empires
Collide.*

What was to happen? What happened was the only thing that could happen. The empires collided. They went on expanding and expanding until they struck each other. The first collision of the empires took place in 1914; they called it "The Great World War." But the "First World War" would, I fear, be a more accurate name for it. For, except in one part of the world, the same process which generated that war is still at work today.

The first collision of the empires resulted in ten million people being killed, and tens of millions more being wounded or dying of hunger and disease. But the empires are all now growing again. They are mopping up the few bits of the world which are still left unannexed. Italy has just mopped up the very last bit of Africa, Abyssinia. Japan is, as I write, trying to mop up the one great bit of the world which was not fully possessed by any one empire, China. The empires are still expanding. They are coming again very near to the point of collision. When will the empires collide a second time, and how many people will die in the second collision?

Such are the final consequences of getting out of the difficulty of who is to buy the goods by sending your stuff out of the country to overseas markets. In political language, periodic world wars are the inevitable consequence of the attempt to solve the dilemma of purchasing power under our present economic system by the imperialist method.

It is impossible to understand how and why the world has got into its present frightful condition unless you understand the above argument. The events that have happened and are

happening in the world simply do not make sense unless you realize that at bottom Imperialism is an effort to sell—unless you realize that every capitalist power is driven to seek for markets all over the world for goods which it cannot sell to its people at home because they are kept at or near the subsistence level of life.

*Britain the
First and
Greatest of
Modern
Imperialisms.*

It was my country, Great Britain, which, under the leadership of its capitalist class, first gave the imperialist answer to the question of who is to buy the goods. Britain was the first country to establish what we call capitalist relations of production. That is to say, she was the first country in which the mass of the population lost their ownership of any considerable amount of the capital of the country and therefore had to go to work for wages for the small class into whose hands that capital had got. No sooner had this particular, and at that time unique, but now general, way of organizing economic life been established in Britain than the inevitable dilemma of who was to buy the goods arose. It arose with ever-increasing intensity in Britain between 1870 and 1890, and it was answered, not in the progressive way; not by any attempt, even, to distribute additional purchasing power outside the wages system to the mass of the population; or still less by any attempt to begin modifying capitalist relations of production, but by the imperialist way of finding markets for the goods overseas.

As we have just seen, as soon as you begin to do that, you want not only to find your markets, but to possess them; and

possess them Britain did. Between 1870 and 1898 Britain acquired 4,754,000 square miles of fresh territory inhabited by 88,000,000 people, as her colonies.

The War of the Empires. Up to this time the British governing class had not been particularly interested in their empire. But now they began to see that the only way of keeping their economic system going, and thus retaining their delightful position at the top of the British social tree, was not only to retain every colony which they had got, but to acquire a great many new ones. By now, however, there were other imperialisms in the field, of which France and Germany were the chief examples. But Britain was quite the largest and strongest, and she got most of the plums. She established by far the largest world empire. In 1914 she had to fight against the younger, more vigorous German imperialism which was determined to take her empire from Britain, precisely in order to make the British markets into German markets. But Britain, marshalling a vast coalition of states, which came to include America, was able to defeat her German rival and the British Empire, far from being lost, was greatly extended.

The Defeated Empires. For a time it looked as if capitalism could not survive in the defeated countries. For a time it looked as if the German, Austrian and other Central European peoples would be able to abolish capitalist relations of production in their countries—would be able, that is to say, to take the capital out of the hands of the ruling class and to put it into their own hands. If they

had done this, then the dilemma of purchasing power would have been solved. It would have been possible to use German, Austrian and Central European industry to the very full without there being the slightest difficulty in disposing of all the goods and services which it could produce. The German and Central European populations themselves would have formed a limitless market, expanding steadily as their standard of life rose and rose. There would have been no need whatever for Germany (or Central Europe generally) to win markets for herself in other parts of the world. There would have been no need, in a word, for Germany, and her potential allies and vassals, to tread the imperialist road of war again.

But by one of the greatest tragedies in human history the peoples of Central and Eastern Europe, because they were divided, because they were confused, because they were ill-led, failed to do away with capitalist relations of production in the years which followed the war. Therefore they remained wage earners and the capital of their countries remained in the hands of a small class of people. Nothing was done which could solve the question of who was to buy the goods.

In one part of the world alone, in what was the Czarist empire and what is now the Soviet Union, this question was solved. The capital of the country was taken out of the hands of a small class; the people as a whole got hold of it, and, sure enough, the question of who was to buy the goods was solved. Whatever troubles and difficulties the Soviet Union has had, and they have been serious, this particular difficulty,

which so plagues and defeats us in the world outside, has never even suggested itself. There has never been, during the whole twenty years of the Soviet Union's existence, the slightest difficulty in selling at home to the Soviet people every single thing which Soviet industry and agriculture could produce. For the Soviet people own the capital of their country. Therefore their real wages can and do rise proportionately to the increase in their productive capacity.

*Germany's
New Attempt
to Conquer
the World.*

But, I repeat, this did not happen in Central Europe. The progressive answer to the question of who was to buy the goods was not given. It was not given either in the final form of the abolition of capitalist relations of production and the restoration of the ownership of the factories, mines and land to the whole population; nor was it given even in the transitional, temporary form of the distribution of additional purchasing power to the mass of the population. Therefore, and with the inevitability of a law of nature, the other answer, the imperialist answer, had to be given.

German and Central European capitalism lived on; but it could not live on without markets. Therefore it was committed to a new attempt to acquire markets all over the world. It was committed to tread the imperialist road to war again. And it is Hitler whom destiny has chosen to lead it down this path.

Again, unless you understand that German Fascism is the marshalling of the German people for one more attempt to conquer world empire, you will understand little of its real significance.

Hitler Wrote It All Down. Hitler, as a matter of fact, wrote it all down, I will not say clearly, but quite comprehensibly if one takes a little trouble, in his book, *Mein Kampf*, which has become the bible of the Nazis. Hitler, it is true, does not even consider and reject the alternative progressive answer to the question of who is to buy the goods. I do not think the possibility of answering the question in this way has ever occurred to him. But he was perfectly clear that the only other answer was world conquest; and it is on the process of world conquest that he is now engaged.

Hitler, as a matter of fact, has followed the program which he laid down for Germany in *Mein Kampf* step by step up to the present time. If he is allowed to, he will use the technical skill and organizing ability of the German people to conquer first Europe and then the world. And the effect of that would be to turn the world into one vast concentration camp for everyone except the ruling class of the German people.

Yesterday, Today, Tomorrow, the Day After— Needless to say, however, Hitler will not be allowed to conquer the world. What will happen, if he is not stopped very soon, is that sooner or later he will plunge the world into a new and universal war. If he had been stopped a few years ago while he was very weak, the job could have been done very easily and without the risk of war. Today, I think it could just be done without war. Tomorrow, it will be possible to do it only by fighting a war, but it would probably be a short war in which Germany would be quickly defeated. But the day after tomorrow, if he is not stopped be-

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fore that, it will mean a long and appalling war, in which much of Europe will be devastated.

That is why everyone in Europe who in the least understands the situation is bending all his energies to induce or drive the other governments of the world to make a united stand against Fascist aggression. This attempt would long ago have succeeded and have saved the world from another universal war but for the determination of the government of my country, the British government, to refuse to join the anti-Fascist alliance. It has refused to do so basically because it fears that, if you stop Hitler, it may mean the destruction of German capitalism. And this the British government is not prepared to countenance. So that it has preferred to risk the reappearance of its old formidable rival, imperialist Germany, rather than do something which might produce a socialist community in Central Europe.

Chapter IX

America's Choice

*Is America
Threatened?*

Now America is not so acutely or so immediately threatened by the reappearance of German imperialism as are the nations of Western Europe, such as Britain and France. All the same, I believe that she errs if she thinks that she is not threatened.

I said in the first chapter of this book that a Fascist Europe, a Europe under the domination of German imperialism, that is to say, would be not only a ghastly but also a very strong thing. It would be a continent launched on a career of world conquest. No nation, however strong or however distant, would be free from its menace. Hence it would seem to me that the American people, strictly for their own sakes, would be well advised to take part in the movement of all free peoples to stop the Fascists before they become so strong that civilization will be almost wrecked in the job of stopping them.

I am not disposed, however, to say much more about this question than that one sentence. For so long as the British government pursues its present policy of connivance in, and condonation of, every act of Fascist aggression in the world,

it is almost impossible for any Britisher to ask the American people to aid the British people in the task of stopping Fascist aggression before it is too late. It is the duty of Britain to set the example, for Britain is nearer the aggressor and more immediately threatened.

British Propaganda. The British governing class, I notice, while refusing itself to make the slightest move to stop the Fascist aggressors; while indeed aiding and abetting their aggression in every way, at the same time is beginning to start a propaganda in America by which it is seeking to persuade the American people that they must come and help the British if, in spite of all Britain's concessions to the Fascists, Britain is attacked. This propaganda shows, on the one hand, that the British governing class, in spite of all it has done for the Fascist aggressors, knows that they may at any moment turn upon it. And, on the other hand, it shows a very poor opinion of the intelligence of the American people. Nothing seems to me more undignified or more hypocritical than this request of the British governing class to the American people to save democracy, world peace, etc., etc., while the British government is every day betraying these very things.

I am sure that the American people will make up their own minds as to what America's world policy should be. If they decide, as I believe they will in the end, that they must join hands with every people whose intent it is to resist Fascist aggression, then they will do so strictly because they see that it is in their own interest, and for their own safety, to do so.

It will not be until we get a progressive government in Britain that we shall be able to follow such a good example on the part of America.

The Pacifist Case. There are, however, people who say that all this talk of resisting Fascist aggression is wrong; that what we ought to do is to give the Fascists what they want; to hand over colonies to the Fascists; to share the markets of the world with them.

Now there are two overwhelming objections to such a course.

First, people who talk like this are really regarding colonies as if they were pawns in some complex game of international chess. But colonies are whole countries inhabited by whole peoples. In some cases, such as India, the greatest of all colonies, they are sub-continent, inhabited by dozens of different peoples. What possible right have we to hand over such countries, with their peoples, to the Fascists?

I, for example, am strongly in favor of Britain giving up India and the other colonies which she holds by force. But I am in favor of Britain giving up India, not to the Germans, but to the Indians. I can imagine no more cynical and wicked thing to do than to hand over India, for example, to Nazi rule. The German Fascists have publicly declared that they regard colored people as subhuman. As one Nazi spokesman put it, colored people are, from the Fascist point of view, a sort of halfway house between human beings and animals.

Goodness knows British treatment of the subject peoples

of our colonies has been bad enough. But it would be nothing as compared with the treatment these peoples would get if they became the subjects of a new German Fascist imperialism. And in practice all the colonies which Britain, or for that matter America, could hand over to the Nazis are inhabited by colored peoples. For the so-called British dominions, Canada, Australia, New Zealand, etc., are not really colonies at all. They are free sovereign states and their peoples would not consent for a single second even to consider being given as colonies to anybody.

*No Peace
This Way.* But there is a deeper reason than this for rejecting the idea of trying to buy off the Fascist aggressors with a few colonies. This whole idea really accepts the imperialist answer to our basic question of who is to buy the goods. It is based on the idea that states can live only if they acquire great chunks of the world as their exclusive markets. In other words, it is based upon an acceptance of the existing economic system. Is it not easy to see, however, that there is no way out for the world as long as you accept this basis? *Peace does not lie down this road.* However you shuffle round the available colonies between the various empires, there will always be some empires which will have too few markets to be able to exist. And these empires will be driven outward in the attempt to acquire more. There are not anything like enough colonies, or potential colonies, to go round. The empires are growing in number. Their productive capacity is expanding rapidly. They cannot, or will not, give their peoples any

more purchasing power; hence their need for markets becomes ever more desperate.

It is utterly impossible to solve the question by any reshuffle of those markets which are available. The only way it can be solved is by giving the populations of the empires themselves enough purchasing power to buy the goods. And this process, although it can be, and ought to be, begun along the lines of Mr. Roosevelt's distributions of purchasing power, can only be finally successful if the ownership of the capital of the country is itself changed.

American Imperialism. But what about America in all this? Why, the reader will ask, have not the American capitalists long before this been driven to give the imperialist answer to the question of who is to buy the goods? Well, of course, to some extent they have. About thirty or forty years ago American capitalism appeared to have embarked on the usual imperialist course. She was acquiring what were colonies, in fact if not in name, in the Pacific, in Central and South America, etc., etc. She brushed aside in a typical, if small, imperialist war the feeble resistance of Spain. America seemed to have her foot planted on the imperialist course.

A New Phase, But then, in the postwar period, American capitalism passed into its last, but greatest period of internal expansion. American capitalism had so vast a home country that it was able to enjoy one last great boom in developing its own home territories. To some extent this arrested the course of American imperial-

ism. In the postwar period America acquired no new colonies and, on the whole, became less interested even in those which she had. She invented, however, a new kind of economic expansion into the outside world. Without actually attempting to annex any new territories, she made enormous loans of American capital to all sorts of foreign countries, from Germany on the one hand to the South American republics on the other, to say nothing of the money she had lent to the British and other allied countries during the war. No doubt the boom of the twenties could not have been so big, or have lasted so long, without this new form of economic expansion into the outside world.

The British capitalists, however, would have said that this was a very risky thing to do. They would have said that if you lent money to states which you did not take the precaution to conquer and annex, it would probably mean that you would lose your money in the end. For it would mean that you had not the power to make your debtors pay.

And so, as a matter of fact, it turned out. This new kind of American economic expansion, which did not carry the full imperialist implications with it, proved a failure. America did lose a very high proportion indeed of all the money she had lent abroad.

*America
Is Anti-
Imperialist.*

The result has been a very strong reaction among the American people against any attempt to solve their economic difficulties by means of economic expansion into other countries, and against Imperialism in particular. To a British observer especially, it is extremely remarkable how, during

all the acute economic difficulties of the last ten years, hardly anyone in America has attempted or suggested a new imperialist drive as the solution. America seems to have turned her back on the imperialist road; she seems to have her feet planted more or less firmly upon the road which leads to solving the problem by means of making her own population the ultimate market for her goods.

If Roosevelt's Attempt Were Defeated . . . We have followed out Mr. Roosevelt's extensive and courageous attempt to solve the problem along these progressive lines. But we have also seen how much there remains to be done before the problem is solved. This attempt was bound to encounter terrific opposition from the capitalist class; for the question of who is to buy the goods can be solved along these lines only at the expense of the capitalists.

We come to this conclusion then. If the present American attempt to answer the question of who is to buy the goods in the progressive way, if the attempt to equip the American people with adequate purchasing power—no matter whose interests and whose prejudices stand in the way—were to fail, then America would inevitably be forced back onto the imperialist road. If the forces which at present center round Mr. Roosevelt were to be defeated, if the whole progressive attempt to distribute purchasing power and to begin the modification of capitalism in America were discredited and defeated, then the only remaining possibility for the American people would be the path of imperialist conquest.

The instinctive opposition of nearly all Americans to such a course would probably necessitate the imposition of some

kind of fascist tyranny upon them in order to make it possible for the leading bankers and capitalists to take them down the imperialist road. At the same time one must remember that the first step along the imperialist road can be made insidiously attractive. This first step usually consists in the inauguration of a gigantic program of armaments. Now it is perfectly true that armaments, which in their economic effects are only a particular kind of public works, will act as a stimulus upon the economic system (I have described how above). Hence they may look attractive to many people who would otherwise be strongly opposed to any tendency toward imperialism. Still I do not believe that the American people could be got beyond this first step of their own free will; some kind of fascism would be needed to get them any farther. But if that happened, if the American people were enslaved, we should get by far the most powerful fascist, imperialist capitalism which the world had ever seen, rushing out for a struggle with the Fascist capitalisms of Europe to dominate the world.

The German Nazis would wake up to the unpleasant fact that two could play at their game of attempting to solve the problem by imperialist expansion! They would meet in an American fascist capitalism a rival more formidable than themselves. But in the ensuing struggle we should all be killed!

It seems to me, therefore, that the fate of the whole world is bound up with the success of the American people in their

AMERICA'S CHOICE

present attempt to solve their problem along the progressive lines of equipping themselves with sufficient purchasing power to keep themselves in employment.



Chapter X

Must We Die for Their Markets?

*The End
Result.*

The final result of trying to solve the problem of who is to buy the goods in the orthodox imperialist way is, then, to kill ten or so million people every now and then. But people do not like being killed. *Dulce et decorum est pro patria mori* (It is sweet and noble to die for one's country), said the Roman poet, trying to encourage the Roman citizens to fight well in Rome's wars.

But in modern warfare (as, I expect, in all warfare) when you are a tiny, nameless unit in a vast mechanized army, fighting perhaps in some distant land, you do not quite know what for, against you do not know quite whom, dying does not seem so sweet.

*About
Patriotism.*

You may, indeed you should, love your country very dearly. But I suppose that in order to die for a country you must first possess a country to die for. And can it be said that those of us who do not own any appreciable part of the capital of our country have a country to die for?

The answer to this question seems to me to be "yes and

no." Such persons have not got a "stake in the country," as the saying goes. They have in a very real sense lost their birthright in their country. For the birthright of every free citizen of a country is the opportunity to live and work for himself and his family. And that freedom can be given only to men who have unrestricted access to means of production which they themselves own, either collectively or individually.

I am bound to say that, when I look at the present state of my country, Britain, for instance, it seems to me that when we are asked to die for it, we are being asked to die for a country which belongs not to us, but to the, say, four million Britishers who alone own any appreciable part in the means of production. Indeed, Britain belongs to a very large extent to a far smaller group within that four million—a group of very rich men who really direct and control things. The great industrialists, the great bankers, the great newspaper owners—these are the men who, it seems to me, really own the country. It does not seem to me to be sweet or noble to die for *their* country.

First

*Get Your
Country.*

All the same, there is a sense in which almost all of us have some stake in our country. If we get any sort of living at all, we derive great benefits from the organized, civilized way of life which has been set up in America and in Britain. Because of this we feel, and in a sense are right to feel, that this is *our* country, which we must and will defend—which it may be worth dying for.

All this leads toward a very important conclusion. The

appeal of patriotism, of devotion and sacrifice to one's country, may be a very high and noble one; but it is also one which can be most shamefully abused. Should we not take special care, when this appeal is being made to us, that we are not being tricked—that it really *is* our country and not, in the case of Britain, Lord Rothermere's or Lord Beaverbrook's country, or, in the case of America, Mr. J. P. Morgan's and Mr. Rockefeller's country, that we are being asked to die for?

Nobody can deny that, in the world as it is, it may be necessary for men to fight for their country. But wage earners will not, in any full or complete sense of the word, have a country to fight for until they see to it that the land, the mines, the machines, the docks, the railways, the factories, and the like, with which they have covered its face, belong to them. For if they don't take care, what they will be asked to die for will be, not their country, but the cause of keeping the present economic system in existence.

Our Now hitherto only a few of the wage
Reaction. earners have grasped all this at all clearly.
But all the same, a great many of them have reacted to the conditions created by all this. Even though they have not fully understood what causes their troubles, they have grown restive. They have wondered why, amidst all the teeming wealth of the world, they have had to live at very near a subsistence level. Especially in recent years have they wondered why it seemed necessary every now

and then to fight and die all over the world, and by the million at a time.

Gradually the idea has grown up that all this may not be necessary or inevitable. And not only has the idea grown up, but organizations have appeared among us—trade-unions, co-operative societies and finally political parties—which have had as their object the changing of all this. These organizations, which amount to what we call a labor movement, have aimed at preventing our having to live in poverty amidst the wealth which we create, and having to die in order that our employers shall be able to sell that wealth to somebody else (for that is what it amounts to).

These organizations, which the people have gradually created, have begun to push for higher wages, have begun to suggest to people that they need not go out and fight their masters' battles for them. Now so long as the employers do not have to ask any desperate sacrifices from the mass of the population, they can tolerate the existence of such a movement as this. But if a point comes (and this point has come in a large part of the world today) when the employing classes and their empires have periodically to ask of us the ultimate sacrifice of giving our lives for them—why then the existence of movements which make people feel that this sacrifice is unnecessary becomes an intolerable danger to those who wish to maintain the present state of things.

The ruling class of each empire today feels that it simply must be able to depend on its people to die for any cause which their rulers tell them they must die for. Hence the

MUST WE DIE FOR THEIR MARKETS?

existence of any source whence people can get independent ideas of their own into their heads comes more and more to be regarded as intolerable.

Fascism. The existence, in a word, of independent, working-class, or popular organizations and propaganda becomes intolerable to the ruling classes of the empires. For these ruling classes know that at any moment they may have to ask "their" workers to sacrifice life itself; and if any doubt that such sacrifice is inevitable has been allowed to rise in people's minds, they may not make this sacrifice. That is why empire after empire has today determined to stamp out the existence of any source of independent ideas or organization among its people. We call this attempt fascism.

Fascism Is the Draft. The simplest way to describe the consequences of fascism for the mass of the people is to say that fascism means permanent conscription. Fascism does to men, women and children (and it does it in peace-time as well as in war-time) what the draft does to men of military age in war-time.

Fascism takes from us, first of all, the right to strike. It not only destroys the trade-union organizations which alone give wage workers bargaining power, but actually makes striking illegal. And the measure of genuine liberty which some ninety million Americans possess today, depends, in the last resort, on this single liberty of it being possible for them to withhold their labor. When that goes, everything goes.

By what has happened to the people in fascist countries, you can see that this is no theory, but actual fact. Once

a people allows its right to withhold its labor to be taken away from it, its political parties, its co-operative societies, its right to vote—every element of democracy and civil liberty—are all swept away. For the one real power of the wageworkers has been destroyed. Once the right to withhold labor has gone, the rule of those who own the means of production must necessarily become complete and unrestricted.

Fascism, then, is the attempt of those who own the capital of the country to stamp out any possibility of resistance to their will. And they have to make this attempt because the needs of their system drive them to demand of us our very lives in war after war, in order to conquer markets for them abroad.

*They
Enslave
the Mind.*

But fascism does not rely entirely on machine guns in order to deprive the people of their rights and liberties. It could not do it by machine guns alone. Perhaps the most important method by which the fascists do their job is the use of the modern technique of propaganda. The fascists attempt to enslave the minds of the people even more than their bodies.

Their most desperate efforts are directed to preventing us from getting a grasp of the real situation. To this end they invent a whole rignarole of extraordinary and disgusting ideas. They put down our troubles to every kind of fantastic cause; they invent positively anything in order to prevent our seeing the real cause, namely, the ownership of the means of production by a tiny class. They say that it

is all due to the existence of the Jews, or the Roman Catholics, or whom you will, among us; or they say that it is due to the usury laws of the Middle Ages having been abolished; or they invent an extraordinary theory called "the doctrine of blood and soil."

This last theory is a very convenient one for the fascists. It teaches that it is a great mistake to think about anything clearly. All you have to do is to just let yourself be guided by your feelings. As the fascists' main object is to prevent our thinking out our position clearly, and thereby trying to understand what the cause of our trouble is, this is an ideal theory for them.

In order to put over this extraordinary mass of lies, fascists have to wage an organized war on all reason and clear thinking. That is why the German fascists, as soon as they came to power, publicly burned the books of all the best authors and greatest thinkers in Germany in the public squares of the cities. That is why, ever since, they have been systematically destroying all that is highest and best in German civilization. In the last resort, all civilized, decent ideas are incompatible with fascism. For fascism is the effort (the fascists say this quite frankly) to organize all life as preparation for war.

The Chain of Consequences. Probably I need not go on describing the frightful state of things which results whenever the fascists are given power in any country. But the point to realize is that fascism is not some extraordinary mania which has hit the world, but is only the logical consequence of doing what is necessary

to keep the present economic system going by the imperialist method.

We have seen the chain of consequences. The present economic system must keep the mass of the population very poor; but it produces an immense flow of wealth. Therefore it has to find foreign markets as a very condition of its existence. Hence imperialism is born and the world gets cut up into the possessions of the various empires. Since these empires go on expanding, they periodically collide with each other and produce world wars. Therefore the employing, ruling class has periodically to call on us all to die to get them markets. Ideas and organizations begin to appear among the mass of us tending to make us refuse to live on a subsistence level in a rich world and to die for our masters' markets. Therefore our masters have to make the attempt to crush out the very possibility of a refusal by us to live and die for them. To this end they have to try to destroy all reason and decency in the world.

This is why, every year now, that part of the world in which the present economic system still exists becomes more and more like a madhouse.

America and the World. If you look at the world as a whole, all this is clear and undeniable enough. But if you are accustomed to looking only at conditions in America (or in Britain for that matter), all this may seem very much exaggerated. It is perfectly true that the evil consequences of keeping the present economic system

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in existence have not yet appeared in America and in Britain to the same extent that they have elsewhere.

Taking the capitalist world as a whole, there is no doubt that conditions for the mass of the people are getting worse and worse. That is what we mean when we say that the present economic system is in decay. Social progress of any sort has become impossible under it. Hours, wages, working conditions, living conditions, for the mass of the population of the majority of the capitalist countries of the world are getting worse. Everything is being sacrificed to the supreme necessity of war making. But this is not yet true in America or in Britain. In America it is true that life for the mass of the population has become increasingly insecure, owing to the ever more dizzy fluctuations of the economic system. But on the other hand the American people have undoubtedly made real gains by way of better social services and increased trade-union organizations, especially in the last two or three years. Moreover they have embarked, as we have seen, on the attempt to solve the economic problem in the progressive way, by distributing additional purchasing power to the people.

*Are Things
Improving?*

In Britain, because of very special circumstances (of which the principal one is the possession by the British employing class of the biggest and richest empire in the world), a certain amount of social progress is still possible. That progress takes place only when the mass of us manage to put tremendously strong pressure on our rulers. But when we do, it is some-

times still possible for us to get improved conditions, better wages, shorter hours of work, etc. etc. Again it is still sometimes possible, in some parts of Britain, to get new and better schools built, local housing conditions improved, etc. etc.

The result of all this is that some people sincerely believe that the conditions of the mass of the American and British peoples are still steadily improving. I think they forget that, against the undoubted elements of progress which still exist, they have to balance factors in which there has been very grave deterioration. Against shorter hours and improved social services you have to balance an immense growth in unemployment, and the gigantic increase of insecurity which that means, not only to the unemployed themselves, but to the whole working population.

The Downthrust of the System. This mixture of progress and regression really means that the strong and persistent struggle of the American and British peoples for improved conditions of life has now come up against the steady downthrust of an economic system which is fundamentally unsound. The two forces may be about balanced today. We may still manage to make an advance here and there; but we are forced to give ground at some other place. There is no particular point in trying to estimate exactly whether, on balance, we are now advancing, holding our ground, or being forced into retreat.

The thing to realize is that the downthrust which we are now meeting is no accident, that it is caused by the fundamental rottenness of the economic system under which both peoples live. The thing to realize is that this downthrust must

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become stronger and stronger so long as we leave our present system in existence.

If we leave the present system in existence too long, we have only to look abroad in order to see a picture of what will happen to us. For in the final analysis there is for us no way out while the land, mines and factories of our countries are left in the hands of the present small class which today owns them. There is no way out while the ninety million American wage and salary earners, and their dependents, are excluded from independent access to those means of production without which they cannot work and live. As long as we go on running our economic system in this crazy way, so long will the world more and more come to resemble a madhouse. We have not yet gone so far down the slope as our neighbors. But if we leave our present social system in existence too long, we are bound to be dragged into the wars which our masters will have to make us wage; we are bound to be crushed by the tyranny which they will have to impose on us in order to get us to fight.

The Ultimate Objective.

It is our fate to live in one of those epochs in history when a whole way of human life (a "civilization," as they call it) is going to destruction. History teaches us that once that process has begun there is no way of saving the dying civilization. The only way out is to put a new one in its place. That is what we must, can, and will do. That is why it is necessary that at any rate the most active and thoughtful of those who are engaged in the immediate struggle of the mass of the population against the conditions of life imposed on them by present-day

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capitalism should get a grasp of the ultimate objective of that struggle.

As we have seen, the type of progressive measures which Mr. Roosevelt is attempting to apply in America today cannot themselves provide any permanent solution to the problem. That is no reason for not giving those measures the fullest possible support, nor for failing to press for their intensification and extension. For these measures are genuinely progressive; they point in the right direction.

But in order to know, even, that they point in the right direction, we must know what that direction is. And that implies that we must know the kind of economic and social system which we can put in the place of the present one, when we have come to the limit of what can be accomplished by such measures as the distribution of purchasing power. The next three chapters of this book are accordingly devoted to an attempt briefly to define the kind of economic system which can alone finally and completely answer our original question: "Who is to buy the goods?" For it is evident that only such a system as can do that will be able to provide us with a firm, permanent basis upon which we can build up decent, happy, civilized lives.

In these chapters we shall be ignoring immediate, practical political issues, such as those which were discussed in Chapters VII, VIII and IX above. Then in the last chapters we shall come back to the question of practical politics, and discuss the burning question of how to get there.

Chapter XI

What Can We Put in Its Place?

I recently had a debate with a distinguished Roman Catholic priest, Father McNab, O.P. After it, Father McNab told me that he thought that I had scored only one point during the whole affair. And I, though I did not tell him so, did not think that he had scored any points at all! So it was a very satisfactory debate for both of us.

Private Property. But that one point of mine arose over the question of property. He said he was in favor of individual, private property. I said that so was I.

How could that be, said he, seeing that I was in favor of socialism? I said that I was in favor of socialism, just because I was in favor of individual, private property. I said that my main complaint against capitalism was that it had deprived by far the greater part of both the American and the British peoples of any individual, private property worth talking about. And I quoted him some of those figures which I gave in Chapter II.

But, he objected, he had always thought that socialism meant taking people's private property away from them.

“Ah,” said I, “that’s what you’ve been taught. What socialism really means is giving nine-tenths of us a chance to get at least ten times as much individual, private, property—ten times as much clothing, houses, gardens, motorcars, supplies of food, furniture, and the like as we ever get today.”

But, he insisted, surely socialism does mean taking private property away from some people? “So it does,” said I. “It means taking property in the means of production, as we call it, out of private hands. But we propose to do so precisely because that is the only way to put a decent amount of private property of the other sort into people’s hands.”

The Two Sorts of Property. The point is that there are two quite different sorts of private property. The one sort is private property in the means of production—private property in a factory, or a mine, or in the land. And the other sort is private property in consumers’ goods—in food and clothes and furniture, in motorcars, in gardens, in labor-saving devices, in access to amusements, in every sort of thing which we actually use and consume.

Now it was my contention to Father McNab, and it is my contention to the readers of this book, that endless confusion arises from a failure to distinguish between these two kinds of private property. Yet it ought to be impossible to mix them up. For there is a sound, working rule for distinguishing between them. Private property of the first sort, private property in the means of production, carries an income with it; private property of the second sort, private property in consumers’ goods, does not carry an income with it.

WHAT CAN WE PUT IN ITS PLACE?

For instance: if you own 1,500 dollars worth of stock in the General Motors Corporation's factories in Flint, Detroit and elsewhere, you will get an income from this stock. (Unless there is a slump, in which case you will be unlucky!) But if you own, say, a Buick motorcar, priced at 1,500 dollars, no one will dream of paying you anything because you own that motorcar. On the contrary, you will have to pay quite a lot in taxation, upkeep and the like for the privilege of owning it. There you have the distinction.

Now you get paid an income if you own stock in the General Motors Corporation factories because they are part of the means of production of the country. You do not get paid an income if you own a Buick motorcar because a motorcar is not part of the means of production. It is a consumers' good.

Now the economic system which is commonly called socialism—and this is the system which we can put in the place of capitalism—involves abolishing the first sort of private property in order to increase vastly the second sort of private property.

It involves taking the means of production, or capital, of the country out of the hands of the small class (about five million persons) which owns them today, and putting them into the hands of the whole of the people. And the object of doing so is that then, and then only, the American people will get, in one way or another, the entire product of these means of production. For that, as you can see from the whole argument of this book, is the one genuine solution of our troubles.

All Owned by the State? One of the first questions which will naturally occur to you in regard to socialism is this: What is to be done with the means of production, the factories, mines and land of the country, when they have been taken out of the hands of their present owners? Are they all to be put into the hands of the state and run by state officials? That is one of the ideas which a great many people hold about socialism. And the number of different and baseless ideas (and some of them are held by socialists themselves) which exist about socialism is gigantic.

No, socialism involves the *public* ownership of all the means of production; but that does not mean that they would all be owned by the state. The very big industries of the country, the railways for example, would no doubt be owned, directly or indirectly, by the state. There are huge economies to be made by the centralized running of these great national services, of which the distribution of electric power is another good example. But even in these cases, the actual industry would be run by setting up particular bodies, commissions, "authorities," or public corporations, *as long as the whole of their capital is publicly owned*, for running the industry.

But there are many other industries, of a smaller and more local character, which would be run by the more local authorities, such as, in America, the state governments, the municipalities, the county councils, and the like. Then again there is a vast sphere for co-operation. There is an enormous field, of which a large part at least of retail distribution is

the chief example, which would be run by consumers' co-operative societies.

Moreover, as recent experience shows, in a socialist society there is scope for producers' co-operation also. There is a vast field for voluntarily formed groups or associations of workers, who will, as groups, own their means of production and themselves do the work. Agriculture seems to be the main predestined field for this form of organization.

In a word, there are just as many forms—there is just as much variety of industrial and social organization under socialism as under capitalism. Moreover, the forms of public ownership sketched above are really only those under which a socialist community starts out. As the socialist community develops, other and higher forms of public ownership will be developed also. The one essential thing is that all the various forms of socialist organization should involve the public ownership of the means of production.

*Hordes of
Officials?*

This throws light on one of the old familiar objections to socialism, namely, that it would mean overrunning the country with a horde of officials. If one means by officials, administrators, managers, foremen, and the like, then, of course, a socialist society has to have such people. But, and this is the point, there are not more, but far fewer of them under socialism than at present. Anybody who is the least familiar with one of the vast American, or British, capitalist trusts knows that they are run by a huge bureaucracy of administrators, clerks, managers, under-managers, sales-managers, publicity-man-

agers, personnel-managers, and the like. We are not accustomed to call these people officials, because they are employed by the United States Steel Corporation or the American Telephone and Telegraph Company or some other great firm, instead of by the State. All the same they are, to all intents and purposes, officials. They are officials working on behalf of a group of rich men, instead of working on behalf of the community.

Now socialism, because it brings order into, and thus actually immensely simplifies, industrial and economic organization, needs far fewer of these administrators than do the great capitalist trusts. The great trusts are often competing with each other, and above all, are desperately trying to sell their products in an already overstocked market. So they have to spend, literally, more time and energy, and employ (directly and indirectly) more officials (sales-managers, advertising men, copy writers, canvassers, etc., etc.) in trying to sell their stuff than in producing it. As there is not, and never can be, any market problem under socialism, as there can be no difficulty whatever in selling everything you can produce, the whole of this vast sales staff of officials can be done away with, and the men and women who compose it put on to useful, productive work.

Profit or Planning. One of the familiar catch phrases of the moment is to say that under capitalism production is carried on for profit, while under socialism it is carried on for use—that socialism is planned production for use. What is meant by this phrase?

Well, we all know what production for profit means. We saw that the way in which wages are bound to be fixed under capitalism means that an ever-growing surplus of wealth goes to the employers and their associates. But what we did not notice was the fact that production is carried on under the existing system *only* if and when such a surplus does go to the owners.

Under socialism, on the contrary, profit ceases to be the regulator of the system. Therefore you have got to arrange some other principle on which to decide what to produce. This alternative principle of regulation we call planning. There must exist in every socialist society something, which is usually called a planning commission, which will decide year by year what kinds of things shall be produced, and in what proportions. It has, as it were, to make an estimate of the total needs of the population and then another estimate of the country's total productive resources. Then it must see how best to fit the one to the other; how best to allot skill, labor, machines, buildings, raw materials and the rest between different possible uses.

Is not this a very difficult job, you may say? Yes, indeed it is; but the point is that it is a job which has to be done, and that it doesn't make it any easier to make no attempt to do it. For, under our present system we simply leave the whole thing to chance. Hence the frightful chaos into which our economic system periodically gets. However badly your planning system works to begin with, it can hardly work as badly as no planning does at present.

Recover the Means.

Socialism implies, then, the recovery of the means of production by that great majority of us who are today deprived of any substantial ownership in them. I use the term "recovery" because, as we saw in Chapter I, there was a time when many more of us, at any rate, had some ownership of means of production—when, for example, four out of five, instead of one out of five, American citizens had enough of such ownership to be able to work for themselves.

In that sense socialism is merely going back to the conditions which existed before the rise of modern capitalism. But we go back to a widely diffused ownership of the means of production in a new way. For, in the meanwhile, during the century and a half of capitalism, the scale of the means of production has grown so enormously that it is no longer practical politics, even if it were desirable, to cut them up again into individual parcels. They have now got to be owned collectively, or in common. Under socialism what is divided up among the whole people is not the means of production themselves, but their product.

Wages under Socialism.

The first few chapters of this book showed that the secret of our troubles lay in the pay envelope. The trouble lay, we found, in the way wages must always be fixed under the present economic system. In a capitalist society wages, as we saw, by and large and with all the qualifications we noticed, are fixed on what the worker can live on, so that he is fit to do his job and rear up a family after him. Therefore the amount of wages has

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nothing to do with the amount which the worker can produce, and does not rise as and when the worker is enabled to produce more. In a long and elaborate, but quite traceable, chain of cause and effect we saw that the strong tendency of any capitalist society to push wages down toward their subsistence level was the thing which produced all our great contemporary evils. For it was this that prevented the population having enough purchasing power to keep themselves in employment; it was this that produced the torturing poverty in the midst of plenty paradox; and it was this which has driven the ruling class of every capitalist state to turn outward in an aggressive search for markets.

Hence if wages in a socialist society (for there are wages in a socialist society) were fixed upon the same principle, the same difficulties would inevitably arise. But in fact wages in a socialist society are fixed upon an entirely different principle. And it is this fact which gives socialist societies the assurance of being wholly free from unemployment, booms and slumps, poverty in the midst of plenty and the need to undertake an aggressive search for markets and empire.

In a socialist society the general level of wages is directly based on the amount of wealth which the workers can produce. If this year the socialist country in question can produce X million dollars worth of wealth, then the total wages and allowances (pensions, sick benefits, etc., etc.) can be fixed at Y million. If next year the country can and does produce X+1 million dollars worth of wealth, then that next year wages, etc. can be and are raised to Y+1 million.

Does this mean, you will ask, that under socialism the worker gets the full value of what he produces? Yes, it does. But it does not mean that he will take out all that value individually by way of his particular wage. The product in a socialist society is in fact distributed in three ways.

*A Threefold
Division.*

In the first place, the worker gets his individual share in his pay envelope. In the second place, he gets what is called a "social wage." That is to say, a certain proportion of the value of his product is set aside for creating a supply of those kinds of consumers' goods which you cannot conveniently distribute individually. For example, it is set aside for the creation of facilities for recreation on a vast scale, for the provision of gymnasiums, playing fields, workers' clubs and reading rooms.

Then again you cannot, or at any rate should not, distribute that essential consumers' service, medical attention, individually. So part of the wealth which the worker creates goes into the financing of vast free medical services, hospital facilities, sanatoriums, rest homes, and the like. And then again, something must be set aside for social insurances, for maintenance payments, if the worker falls ill or is injured, and to give him an adequate pension in his old age. And finally a whole class of what are often called "durable goods," such as roads, for instance, must also be supplied to the people collectively instead of individually. But, as you can see, all this is merely an arrangement by which the workers increase their total receipts of what the economists call "satisfactions" (i.e.,

goods and services) by taking out those which are suitable collectively rather than individually.

But then a third part of the wealth which the worker creates has to be set aside for the purpose of making it easier to create wealth in the future. This part has to be set aside, that is to say, first for repairing and maintaining the existing means of production, and secondly for building new and better means of production. And if the socialist country decides that it wants to industrialize itself very rapidly, this may be a very big part, running up as high as a third of what the workers produce. This part is, as we should call it, reinvested in industry.

Socialist Investment. But what, you will say, is the difference then between this and the capitalist process of reinvestment? There is a huge difference.

In capitalist countries the surplus, over and above what will keep the worker, goes to the capitalists and their friends as their unrestricted private property. They may or may not reinvest some of this surplus in industry.

If they liked and were sufficiently ingenious, they could spend every penny of it on luxuries, or again simply waste it by keeping it in dollar bills hoarded in a stocking, for example. And no one would have the least right, under capitalist laws and moral ideas, to object to what they had done. They would have only "done what they liked with their own."

In a socialist society every penny which is reserved for reinvestment for the purpose of the maintenance and development of the means of production is held in strict trust by the

people's own institutions. Then it is all laid out by them, to the very best possible advantage, so that, as soon as the new means of production have been built, they can be used to raise the wages of the people.

In a word, under capitalism it is a tossup whether the rich choose to reinvest the vast wealth which they draw off from us by way of rent, interest and profit. In practice the amount is so large that they have to reinvest a great deal of it, because, do what they will, they cannot spend it. But they reinvest it just according to their own sweet will and entirely with an eye to what will give them the greatest profit. So that often it is reinvested in things which are socially useless, like speculation in commodities, or in foolish and even harmful luxuries.

Under socialism not a penny of what the people decide to reserve for national development is allowed to become the private property of any individual. It is all held in trust, and reinvested after careful investigation and thought by the planning commission to the very best possible advantage, in order to produce increased wealth—in the form of more food, more clothes, more furniture, more houses, more motorcars and the like—in future years for the people as a whole.

*Wages not
Equal.* Now we come to an important question. We have seen that the general level of wages in a socialist society is based on the total wealth produced; that it rises as the total wealth which the country can produce increases. But does this mean that everyone will be paid an equal share of this total; that, in a word, wages

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will be equal? No, it does not. Under socialism it is still necessary to pay a more skilled worker better than a less skilled worker. It is still necessary to pay the highly skilled fitter in the engineering shop, or the surgeon at the operating table, or the efficient works manager, or the able administrator, more than the unskilled laborer, or than the boy or girl, whose first job it is to sweep out the factory.

Some socialists used to have the idea that it would be possible and desirable to pay exactly equal wages to everybody under socialism. Indeed it is often said that all socialists always used to propose this, and that when we now say that this is not so, we are simply making excuses for the fact that in the existing socialist society, the Soviet Union, they do not pay equal wages.

But this is not so, as you can easily prove for yourself. You have only to look up Karl Marx's pronouncements on the subject in a book called *The Critique of the Gotha Program*, to see that he was perfectly clear that wages could not and should not be equal under socialism.

But, you may say, what about English-speaking socialists? Did not they always say that wages would be equal under socialism? No, that is not the case either. I was recently re-reading Blatchford's book, *Merrie England*, and came across this passage:

“You will observe that under practical socialism there would be wages paid; and probably the wages of managers would be higher than the wages of workmen; and

the wages of artists and doctors and other clever and highly trained men higher than those of weavers or navvies.”

Now Blatchford's *Merrie England*, as older readers of this book may remember, was by far the most famous exposition of socialism published in Britain before the war (it sold no less than two million copies, taking Britain and America together). So there is no doubt that in establishing unequal wages the Soviet Union has done only what every socialist who understood socialism always said that socialists would do.

Exploitation, not Inequality, Is the Sin. “But anyhow,” you may say, “even if socialists always did say that this is what they would do, is it right? What improvement is socialism on capitalism if people are still to get unequal pay? Is not this almost as unjust and unequal as capitalism?”

Stop a minute. What is it that we principally object to under the present economic system? Is what we principally object to that wages are unequal, that people are paid more for skilled than for unskilled work? No, this is not the main thing which we object to. *What we object to is that the highest pay of all is given for no work at all.* What we object to is not inequality of pay between different workers, but the fact that it is not the workers at all, but a class of rich owners, who in many cases do no work at all, who get the really big pay.

What we object to, in other words, is not inequality of pay,

but exploitation, or living off the labor of others. If you are a better workman than I, if you turn out goods worth double what I turn out, you do not exploit me if you are paid double what I am paid. In the present state of economic and social development, I have no complaint against you.

What is wrong is not this sort of inequality. What is wrong is that, at present, you (if you own means of production) may not turn out anything at all, and yet you may be paid, not double, but literally thousands of times as much as I. What is wrong is that the mass of the population is actually paid so little that it cannot buy enough goods to keep itself in employment. That is exploitation; for it means that you are living off my labor. The wealth that you get has got to come from somewhere. It does not drop like manna from heaven; it comes from my labor and the labor of millions of other workers.

It is exploitation; it is living off the labor of others, that socialism abolishes. A socialist community abolishes exploitation wholly and absolutely, even though it may decide to pay its most skilled workers twice or even ten times as much as its least skilled. For it still pays for work and for nothing else.

*Is Socialism
Contrary to
Human
Nature?* All this throws light on the old accusation that socialism is contrary to human nature. Well, judge for yourselves. Is it contrary to human nature to pay men strictly in accordance with the value of the work which they do? No work equals no pay; simple unskilled work equals a wage that will keep the man and his family in decency and security. Better, more skilled work equals better pay, and

so on. Is such an arrangement as that contrary to human nature? It seems to me that such an arrangement is precisely in accordance with human nature. Far from providing no incentive to work, it seems to me to provide a ten times greater and more scientifically adjusted incentive than does the present system.

“Ah,” someone may object, “but what about the exceptional man, what about the artist, the actor, the especially talented man? What incentive does he have under socialism? What about the inventor?”

Well, what about him? The artist, the writer, the actor, the especially gifted man, are simply regarded under socialism as specially skilled types of workers. Such a worker can, and does, because of his superior talents, get especially high rewards. Why not? Such a talented worker gives a quite exceptional degree of service to society. Why should we grudge him a quite exceptional reward? What we grudge are the vast rewards at present given to those who give nothing in return.

And as to the inventor. He, too, can be, and is, rewarded by special fees, prizes and the like, for his inventions. Moreover it is a libel on him, as on the artist, to suppose that he will use his special talents only for the sake of special rewards.

In this connection there is a good story told about an inventor in the existing socialist country, the Soviet Union.* On one occasion, a visitor to the Soviet Union was shown by its proud inventor a new gadget for an improved process of re-

* See *Red Virtue* by Ella Winter.

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fining petroleum. After examining the arrangement of pipes, tubes and taps, the visitor asked the Soviet inventor: "But what do you get out of it?"

The inventor, thinking his explanation had been misunderstood, pointed again to one of the taps and said: "You get oil out of it, here." "Yes, I know that," said the visitor, "but what do *you* get out of it?" "Why," repeated the puzzled inventor, "you get the oil out of it."

And so they went on misunderstanding each other for quite a time. From the tourist's point of view the purpose of the invention was to get a personal benefit out of it for the inventor. For the Soviet inventor the purpose of the invention was to get oil out of it.

Now which attitude is true to human nature? I think the answer is that both attitudes are true to parts of human nature. It is natural for an inventor to want to get some personal benefit out of his invention, and in the Soviet Union he does receive a liberal money reward. But it is also part of human nature for an inventor to want his invention to be of genuine benefit to everybody. Socialism, quite simply and naturally, provides satisfaction for both sides of human nature.

*Is Capitalism
Contrary to
Human
Nature?* Whenever I hear the well-known suggestion that socialism is contrary to human nature, I want to ask the opposite question: Is capitalism contrary to human nature? Is it contrary to human nature to give the highest pay to those who do no work at all; to give the lowest pay to those who do the heaviest work? Is it contrary to human nature to

pay the ninety million Americans who work for wages, so little that they cannot buy enough to keep themselves in employment? Is it contrary to human nature to keep several million people permanently idle while they, and many others, lack the very goods which they ought to be producing? Is it contrary to human nature deliberately to destroy food, clothes and many other forms of wealth, in order to render the production of further wealth profitable again? Is it contrary to human nature so to arrange things that the only job on which men can get employment is building armaments with which to kill each other? Is it contrary to human nature to send millions of men out to slaughter each other in order to decide who shall possess the markets of the world? Is all this contrary to human nature? I think it is.

And that is why gradually and confusedly, but yet ever more powerfully, the people of the world are rebelling against an economic system which makes them do such things as these.

*Socialism
Gives Us a
Chance.*

Socialism is a particular way of organizing the economic life of the world. All the differences between it and capitalism are founded on the fact that, under capitalism, a small group of private persons owns the means of production, while under socialism they are owned by everybody. It is this change in ownership which makes it possible to get rid of those scourges, such as undernourishment, slumps, unemployment, imperialism and war, which afflict the world today. None of these things can finally be got rid of without this

change in the ownership of the means of production, or capital, of the country.

Now socialism is not Utopia. The establishment of a socialist society does not suddenly make people into saints or heroes. They remain imperfect men and women. Therefore all sorts of troubles, of difficulties and of struggles, remain in existence. But the point is this: *Socialism gives us a chance*. What we make of that chance is still our affair. Socialism can only make a job available for everybody and guarantee everybody who is willing to work a decent, living wage with the opportunity to rise to the top of his chosen vocation. Socialism, in a word, can only abolish poverty, war and insecurity from the face of the earth. It can do no more, but no less, than that. Socialism, in a word, gives everyone the opportunity to found a home and rear up a family in health and security; to accomplish those few, simple, fundamental things by means of which we can alone fulfill ourselves as human beings, and enjoy a measure of happiness in our short lives.

To give a chance to everyone to fulfill him or herself in this simple, basic way is only, however, the first task of socialism. There is no doubt that once socialism is established in any country and has accomplished its basic task, human life begins to develop very rapidly under the new conditions. However, it would be foolish to go on arguing about socialism in the abstract any longer. After all, socialism has now been established in one great country. No discussion of it is of any value which does not deal with the question of what has happened in the Soviet Union.

Chapter XII

"I Have Seen the Future and It Works"

*It Exists
and Works.* Soon after the establishment of the Soviet Government, a great American writer, Lincoln Steffens, paid Moscow a visit. When he came back he summed up his experience in the phrase: "I have seen the future, and it works."

That is the thing to remember about the Soviet Union. The thing to remember is that it exists. The thing to remember is that for the first time in human history a socialist society has been brought into existence.

That is a fact that you cannot easily get over. You can argue for ever as to the merits of this socialist society; but you cannot argue away the fact that it exists. You cannot argue away the fact that 170 million people are doing without capitalists, landlords and employers; that they are living, working, producing their daily bread, marrying, bearing children, rapidly increasing the population, and drastically changing the whole nature of their country, and all without the assistance of a single Russian capitalist. Nor is it seriously possible to deny, however much you may criticize their present conditions, that they are better off now than they were when Russia was capitalist.

It has taken the Russian people twenty years to make their community into a socialist one. For the first few years after the revolution of 1919 Russia was only beginning to be a socialist country. For that matter, the structure of this first socialist society is not finally completed even now. But now, in its main essentials, the Soviet Union is a socialist society. As a result of twenty years of extraordinary effort on the part of the Russian people we now know that a socialist society can be built up. We know that socialism works. We know that the thing can be done. That is the new fact in the history of the world.

*What Have
They Got out
of It?*

But, of course, that is only the first fact about the Soviet Union. We all, rightly, want to know not only whether a socialist economic system can be built up, but also what it is like when it has been built up. We want to know what the Russian people have got out of socialism. What are their conditions of life?

Now here we come to a field of endless argument, discussion and dispute. Literally thousands of books and millions of newspaper articles have been written with the express purpose of persuading us that the Russian people have got nothing good out of socialism, that "really" they are no better off than they would have been if they had left the capital of the country in the hands of the Russian capitalists, and gone on working for them.

It is natural for the people who own the means of production in the rest of the world, and for those who speak for

them, to write like this. It is obviously of first-rate importance for them to persuade us that the Russians did themselves no good when they took the means of production from the Russian capitalists. So, when we read their stories of how dreadful everything is in Russia, we are bound to have our suspicions.

Moreover, it is worth while remembering what the Russian workers have undeniably got by way of benefits to themselves. Then we can set these gains against the stories we are told, in case some of them, at any rate, may be true!

Now no one can seriously deny that the Russian workers have got five things out of socialism; and you will agree, I think, that these are all of them things that are worth having.

Five Solid Things. 1. They have got rid of unemployment. Nobody in Russia need be without a job, ever.

Whenever any worker leaves or loses one job, he is certain to receive, not one, but several offers of employment from factories, mines, offices and farms, etc., which need extra workers. For example, when 15,000 workers were discharged recently on the completion of the building of the Moscow-Volga Canal, each one of them received on an average five offers of new employment. Well, that seems to me worth something.

2. Russian workers work seven hours a day. (No need to tell you that that is worth having.)

3. They all have holidays with pay. (No need to tell you that that is worth having.)

4. They have a complete system of non-contributory social

insurance by which they are paid pensions if they are disabled, either temporarily or permanently, by accident or illness, *and when they retire from old age.*

5. Their rate of wages has slowly risen over the past years, and is now rising more rapidly. It is still below that of many skilled workers in America or Britain, but it is above anything ever known before in Russia.

Well, these are five definite things, each of which, it seems to me, American workers will think worth a good deal. These are advantages which take a bit of balancing.

The Real Comparison. Then remember that in Russia today they are doing the job which was done in America and in Britain fifty to a hundred years ago. They are laying down the basic industrial equipment of the country. They are building new railways, new power stations, sinking new mines, building new factories everywhere in that vast sub-continent of a place which we call the Soviet Union.

And remember what conditions were like in Britain, for example, when we were doing that job. The truth is that we did that job largely by means of slowly torturing to death whole generations of women and children. When we, or rather the British capitalists (for it certainly was not the fault of the British workers), were doing that job, British children of six and seven were working fourteen to sixteen hours a day in the mills. British women were underground dragging the coal tubs. Hours of work were, for most of the time, wholly unlimited. There were no insurances, pensions or other social services whatever. Wages were very low.

Well, in Russia, under socialism, they are managing to do that basic job of industrialization with a seven-hour day; with the labor of children wholly and absolutely prohibited; with women prohibited from working underground or on unsuitable work; with special arrangements made for women on all suitable work; with no unemployment; with holidays with pay; with the most complete system of social services which the world has ever seen; and with steadily rising rates of wages.

The Deepest Revolution. Moreover when you have finished talking about industry you still have not mentioned the most significant of all the achievements of socialism in the Soviet Union. And that is the revolutionary change which has come over agriculture—the change from individual peasant cultivation to cultivation in common in the collective farms.

Perhaps it may not be easy for Americans to appreciate quite what that change has meant. American farming is after all conducted for the most part on a reasonably large scale. The typical farm is big enough to use a good deal of agricultural machinery and to employ a varying number of men working together. But over practically the whole of continental Europe till about ten years ago agriculture was not conducted like that. It was peasant agriculture conducted in basically the same way that it had been conducted for a thousand years. It was agriculture conducted on tiny patches, or worse still, on scattered strips of land by peasant families, almost entirely by hand and without outside help.

In a word there had been no basic progress in agriculture for a thousand years—and there could be none so long as the peasant system persisted. And that meant that a great section of the people of Europe were held down to the conditions of peasant life, which is one of the hardest, narrowest, least hopeful conditions of life for a human being.

In 1938 all this is still true of continental Europe outside the Soviet borders. But within the Soviet Union it is true no longer. Some eighty million men and women, the peasants of Russia, have learned in less than ten years to live in a new way; to cultivate the soil in common, pooling their land, their larger agricultural machinery and their larger livestock. It is by far the biggest change that has happened in our century; and it is by far the best. For however rough and imperfect are the collective farms—and as there are 250,000 of them you may imagine that they range all the way from the highest to the lowest level of efficiency—they represent an improvement upon peasant agriculture so gigantic as to dwarf every other step forward which humanity has taken in our time.

So gigantic an advance was not made without effort and without cost. On the contrary, the struggle of the upheaval, the temporary chaos that was involved in this reorganization of agriculture, which is the very foundation of human life, strained the Soviet system to the limit. It was at this point that some of those who had been leading figures in the Soviet Government lost heart, turned their backs upon the attempt

to build up a socialist society, and in the end passed over into the ranks of the deadliest enemies of socialism.

But in spite of everything the job was done. Now both friends and foes of the Soviet Union do not deny that the new way of working the land for the eighty million men and women who live in the Russian countryside has come to stay; that only a tiny minority would desire to go back. For the new way of work has proved its capacity to give the peasants a larger product, to give them more and better food, more money and more leisure. This is the biggest thing which socialism has done so far.

*What Has
Made It
Possible?*

But, it may be suggested, are there not other factors in which socialism is at a disadvantage? I do not think there are. But let us assume, for the sake of argument, that there are.

Even then, what disadvantages of socialism could possibly balance the gains for the overwhelming mass of the population, which I have just set down?

Now all these solid gains of the Russian workers have been made possible by socialism alone. It has been possible for Russian workers to get these conditions only because they took the means of production out of their former masters' hands. Does anyone really mean to say that if the Russian capitalists still owned Russia's industries, and if the Russian landlords still owned her lands, the Russian workers would have a seven-hour day, holidays with pay, rising wages, no unemployment and a complete system of non-contributory pensions and insurances? It is far more likely that Russia would be

going through a period in which workers' conditions would be similar to those which existed in Britain seventy or eighty years ago.

*The Fascist
Countries.*

And then people have the hardihood to say that they can see no difference between the Soviet Union and the fascist states! It seems to me that only two kinds of people can possibly make so senseless a remark as that. Either they must be people who know nothing about conditions in either the Soviet Union or Germany and Italy; or they must be the sort of people who have never had to earn their own livings.

The truth is, of course, that in Germany and Italy the same capitalist economic system as we have in Britain is in full existence. In both Germany and Italy the means of production, the mines, the factories and the land, are owned by a small class of capitalists and landowners. In both Rome and Berlin there are still stock exchanges on which the capitalists and their friends buy and sell their shares in one factory or mine, for shares in another factory or mine. The existence of such a stock exchange, which is a market on which the ownership of different means of production can be exchanged, is alone enough to prove beyond argument that the capitalist system still exists in those countries. And because the capitalist system still exists there, the fascist countries suffer from the same scourges which afflict us, and which we have discussed in preceding chapters.

In Germany and Italy there are slumps, unemployment, exploitation, long hours, falling wages, undernourishment

(and, for that matter, actual starvation). Indeed, conditions there are far, far worse than they are in America, because, as I have described above, the workers in fascist countries have lost the one basic liberty on which all our existing rights are based, the liberty to withhold our labor. Next time someone tells us that he can see no difference between socialism or communism, and fascism, or between the Soviet Union and the fascist countries, let us ask him why the fascist countries do not give their workers a seven-hour day, holidays with pay, freedom from unemployment, complete non-contributory social services and steadily rising wages. There is only one answer to that question. The fascist countries cannot even think of giving their workers these conditions because the workers have not taken the means of production out of the hands of the capitalists and landlords.

But, but, . . . "But, but, but," someone will object, "that
but . . . is not what I mean when I say that there is no
difference between the fascist countries and
the Soviet Union. I am not thinking about such questions as
who owns the factories, the mines and the land. Such ques-
tions have never entered my head as a matter of fact. What
I am thinking about is that in the Soviet Union, as in Ger-
many and Italy, there seem to be executions, purges, trials.
That is what I object to. In particular what about the trials?"

The Trials. Well then, about the trials. The first thing
that must be said about the trials is this. It
was a profound tragedy that the men who stood in the dock
at the Soviet trials had engaged in a conspiracy to overthrow

the Soviet Government. And any friend of the Soviet Union who even seems to deny this is, in my opinion, behaving foolishly. It is a historical tragedy of the first magnitude that these men, who had played prominent parts in the Russian Revolution, should have done these things. And it is true that in doing them they have done grave harm to the Soviet Union. They did grave harm to the Soviet Union directly by the attempts which they made to frustrate the Russian people in their task of building up their new industrial and economic system; they did still greater harm to the Soviet Union by the relations with the fascist powers into which they entered; and they did the greatest harm of all by the effect which the revelation that there were prominent Soviet citizens who could do such things, has had upon the opinion of the world. That they harmed the Soviet Union in these three ways is the overwhelming responsibility which the names of Bukharin, Piatakov, Zinovieff, Rykov, and the rest must ever bear before history. It is just this which makes their conduct one of those acts which mankind will forever remember and forever execrate.

*The Soviet
Union Is
Stronger.*

But this does not mean that the Soviet Government did not have to arrest these men; or that it had any conceivable alternative, when they had told their stories, but to shoot them.

The conspiracy of these men was formidable. If it had gone undetected a few months longer (the date fixed by Tukhachevsky for his *coup d'état* was May 15, 1937), the Soviet Government might have been faced with a serious crisis

and the fascist armies might even now be marching to attack the Ukraine. It would have been ten thousand times better if these men had never conspired; but since they did conspire, the whole future of humanity was dependent upon their detection and execution. The Soviet peoples, after going through the inevitable shock of discovering that some of the men in whom they had placed their trust were so horribly unworthy, are today (1938) undoubtedly far stronger politically, economically and militarily than they were two years ago when these men were still at large.

The Confessions Were True.

All the above argument is based upon the authenticity of the confessions of the accused.

I believe that no one who had not unalterably fixed his mind in the contrary opinion could

read the verbatim reports of the trials without being wholly convinced of the authenticity of the confessions. The report of the last, 1938, trial is a document of some eight hundred closely printed pages. It contains a sheer weight of self exposure; of careful, detailed, precise description of the conspiracy as a whole; of detailed descriptions of the criminal activities of each and all of the prisoners; the whole delivered by each prisoner separately in open court before the assembled diplomats and correspondents of the world. It contains internal proofs of authenticity which simply cannot be doubted by any reasonable person who takes the not inconsiderable trouble to study the matter. For that very reason only a small percentage of those who talk so freely about

the Soviet trials have read them, or ever will actually read them. But that cannot be helped.

As a matter of fact, however, the British conservative press has now largely abandoned the allegation that the confessions were false; and I understand that much of the American press has now done likewise. (But in neither case, of course, does that mean that they abuse the Soviet Government any the less.) Hence two major questions remain. First why did the prisoners confess? And second, and more important still, why did they commit the terrible acts to which they confessed?

Why Did They Confess? As to the first question, I should have thought that the testimony of the prisoners themselves as to why they confessed might be allowed to carry some weight. And several of the most important of them were at great pains to explain exactly what had induced them to confess. Let us take the cases of Rakovsky and Bukharin, two of the most important of the prisoners in the last trial.

Rakovsky says that this is why he confessed.

Rakovsky: For eight months I denied everything and refused to testify. . . .

Vyshinsky: (who was what you in America would call the "District Attorney" of the case) And then, as they say, you laid down your arms. . . .

Rakovsky: But before this the thought frequently arose in my mind: was I doing right in denying? Nobody will deny that imprisonment, solitude in general,

makes people undertake a revaluation of values. But I remember, and will never forget as long as I live, the circumstances which finally impelled me to give evidence. During one of the examinations, this was in the summer, I learned, in the first place, that Japanese aggression had begun against China, against the Chinese people; I learned of Germany's and Italy's undisguised aggression against the Spanish people. . . .

I learned of the feverish preparations which all the fascist states were making to unleash a world war. What a reader usually absorbs day by day in small doses in telegrams, I received at once in a big dose. This had a stunning effect on me. All my past rose before me. Of course this past may be reduced to naught and will be obliterated by my disgraceful actions, but as an inner motive, nothing and nobody can do anything against it. All my past rose before me, my responsibilities, and it became clear to me that I myself was a party to this, that I was responsible, that I myself had helped the aggressors with my treasonable activities. . . . And then I became a judge over myself, I sat in judgment over myself. This is a court which no one will reproach with being biased. I sat in judgment over myself. I had given myself to the labor movement from my youth, and where had I got to? I had reached a stage when I facilitated the vilest work with my actions; I had facilitated the fascist aggressors' preparations to destroy culture, civ-

ilization, all the achievements of democracy, all the achievements of the working class.

That is what induced me to speak, that is what overcame my obstinacy, my false shame born of vanity, fear for my own fate, which was not worthy of a man who had once taken part in the revolutionary movement. My rancor, which all of us harbored, some to a greater and some to a lesser extent, rancor against the leadership, rancor against particular individuals, had played a great part. Rancor and ambition fell from me. I considered that from now on my duty was to help in this struggle against the aggressor, that I would go and expose myself fully and entirely, and I told the investigator that on the following day I would begin to give complete, exhaustive testimony.

Does that sound to you like the statement of a man under the influence of a 'Tibetan drug'? Or a 'Dostoevsky soul'? Bukharin, however, raises this very point and does so specifically in order to convince the outside world that he is telling the truth.

Bukharin: I take the liberty of dwelling on these questions because I had considerable contacts with these upper intellectuals abroad, especially amongst scientists, and I must explain to them what every Young Pioneer in the Soviet Union knows.

Repentance is often attributed to diverse and absolutely absurd things like Tibetan powders and the like. I must say of myself that in prison, where I was confined

for over a year, I worked, studied, and retained my clarity of mind. This will serve to refute by facts all fables and absurd counter-revolutionary tales.

Hypnotism is suggested. But I conducted my own defense in Court from the legal standpoint too, orientated myself on the spot, argued with the State Prosecutor; and anybody, even a man who has little experience in this branch of medicine, must admit that hypnotism of this kind is altogether impossible.

This repentance is often attributed to the Dostoevsky mind, to the specific properties of the soul (*l'ame slave* as it is called), and this can be said of types like Alyosha Karamazov, the heroes of the *Idiot* and other Dostoevsky characters, who are prepared to stand up in the public square and cry: "Beat me, Orthodox Christians, I am a villain!"

But that is not the case here at all. *L'ame slave* and the psychology of Dostoevsky characters are a thing of the remote past in our country, the pluperfect tense. Such types do not exist in our country, or exist perhaps only on the outskirts of small provincial towns, if they do even there. On the contrary, such a psychology is to be found in Western Europe.

I shall now speak of myself, of the reasons for my repentance. Of course, it must be admitted that incriminating evidence plays a very important part. For three months I refused to say anything. Then I began to testify. Why? Because while in prison I made a revaluation

of my entire past. For when you ask yourself: "If you must die, what are you dying for?"—an absolutely black vacuity suddenly rises before you with startling vividness. There was nothing to die for, if one wanted to die unrepented. And, on the contrary, everything positive that glistens in the Soviet Union acquires new dimensions in a man's mind. This in the end disarmed me completely and led me to bend my knees before the Party and the country. And when you ask yourself: "Very well, suppose you do not die; suppose by some miracle you remain alive, again what for? Isolated from everybody, an enemy of the people, in an inhuman position, completely isolated from everything that constitutes the essence of it. . . ." And at once the same reply arises. And at such moments, Citizen Judges, everything personal, all the personal incrustation, all the rancor, pride, and a number of other things, fall away, disappear. And, in addition, when the reverberations of the broad international struggle reach your ear, all this in its entirety does its work, and the result is the complete internal moral victory of the U.S.S.R. over its kneeling opponents. . . . I am about to finish. I am perhaps speaking for the last time in my life."

Well, if you can read even these two tiny extracts from the speeches of only two of the prisoners at one of the trials and still believe that it is all a put-up job—then I am afraid that you are not a very good judge of men.

"I HAVE SEEN THE FUTURE AND IT WORKS"

*Why Did
They Do It?*

But even if the authenticity of the confessions cannot be doubted, there remains the immense question of why these men committed their crimes. In order genuinely to understand that, you will have to read not only the verbatim reports of the trials, but the history of the Communist Party of the Soviet Union. And not everyone has the opportunity to do this.

I find that after very careful study I can just realize how these things came about. But I can only just realize it in spite of very earnest study and in spite of certain experiences in the British Labor movement which help me to understand. Indeed we in Britain have no difficulty in believing that individual Labor leaders may sometimes betray their cause. Mr. J. R. MacDonald, Mr. Snowden and Mr. Thomas all did that. The difference between Britain and the Soviet Union in this matter is not that all our labor leaders are incorruptible while some of the Russians go wrong; the difference is that when the Russian labor leaders sell out, they are shot, and when the British labor leaders sell out, they are put in the Cabinet. Undoubtedly it is a big difference; indeed it is the difference between a capitalist and a socialist country. But it is not a difference of which I as a Britisher am proud.

This little book is certainly no place in which to try to give an explanation of why these Russian leaders went wrong. For one thing, human motive is one of the most obscure and complex questions in the world, and the motives of these men were undoubtedly mixed, complex and distorted in the extreme. In their statements at the trial they give in great detail

the reasons which prompted them to act as they did. But I am afraid that these reasons will not be comprehensible to those who are unfamiliar with the whole historical setting.

*It Happened
—and the
Nevertheless.* Anyhow this great historical tragedy occurred. It occurred, and nevertheless the Soviet Union still forges ahead—like one of her own great ice-breakers crushing and crashing her way through the frozen seas. She has suffered a cruel blow from within; but she has survived it, just as she has survived far worse blows before, and just as she will survive the blows which her enemies will certainly attempt to deal her from without.

The associated peoples of the Soviet Union are striving to do no less a thing than to show mankind how millions of men may live together in peaceful association, working at the common task of providing for their ever-developing needs by their ever-developing skill; they are striving to do no less a thing than to build a community without unemployment, without poverty and without war.

Is it not strange and sad that when in the course of this vast and enormously difficult undertaking the Soviet people find themselves threatened and checked because certain of their old leaders have betrayed their trust, the world should see in this a reason for reviling and hindering them still further? For my part I can see in the treason which for several months of 1937 racked the Soviet State but one more reason for striving to the very utmost stretch of my little powers to aid these peoples in their incomparably high endeavor.

Chapter XIII

What Would Socialism Be Like Here?

*America Is
Different.*

“But anyhow,” you may say, “Russia is a long way off, and a very different kind of place from this country. What we want to know is what socialism would be like here in America. American conditions are absolutely different.”

It is quite true that American conditions are very different from those of the Soviet Union. But because they are different, that does not mean that they are necessarily less favorable for building up a socialist economic system. As a matter of fact, in many respects, they are much more favorable.

*Survey of
Production
Figures.*

For the American people are much more highly skilled in the job of producing wealth than are the Russian people; the American people really could produce enough wealth to create general plenty almost from the very moment that they started using their means of production to the full. ✓

As a matter of fact America is the one country in which careful estimates have been made of how much everybody could have if the American people could only arrange their economic life in such a way that they could use all their

means of production steadily and without interruption. The first of these estimates was made in another volume published by the Brookings Institution, and called *America's Capacity to Produce*. The authors of this volume come to the conclusion that even in 1929, at the very peak point of the boom, America could have increased her output of wealth by almost exactly 20 per cent. For she had this percentage of her means of production idle. They calculate further that in the depression years some 50 per cent of America's means of production were idle. So that we may say that nowadays from 20 to 50 per cent, according to the state of trade, of America's capacity to produce cannot be used. The authors of *America's Capacity to Consume* estimate that the full use of American means of production in 1929 would have meant that the incomes of all those American families with less than \$2,500 a year, and there were 19.4 million of them, could have been brought up to approximately a \$2,500 a year level.* In other words destitution could have been abolished in the United States.

How Much? Another and equally careful estimate of America's capacity to produce wealth was made under the auspices of the New York City Housing Authority and published under the title of *The Chart of Plenty* (Report of the National Survey of Potential Product Capacity). The authors concluded that in 1929 the American productive system could have produced enough wealth to

* *America's Capacity to Consume*, pp. 119 and 128.

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give every American family of four an income of \$4,370 a year, and pro rata for larger and smaller families.

At first sight it would seem that one or the other of these two estimates must be wrong. But this is not so. They are both right on their own assumptions, but their assumptions are different. It is too technical a discussion to go into here, but briefly the point is that the Survey of Potential Product Capacity allowed for transferring productive resources from such things as building skyscrapers to building dwellings, while the Brookings Institution did not. Now under a socialist system the American people would certainly transfer productive resources from less to more urgent uses, so that the hypothesis of the Survey can certainly be accepted. No doubt the exact figure of \$4,370 a year is an estimate, but I am bound to say that it seems to me proved that the American people could provide themselves with incomes of approximately this size.

*Socialism
Based on
Plenty.*

Such immense productive capacity is the prime difference between American and Russian conditions. And it is a difference which would make socialism work incomparably better in America than in Russia. For socialism is an economic system based on the hypothesis of plenty, just as capitalism is an economic system based on the hypothesis of scarcity. Hence the fact of America's vast potential wealth is her greatest single advantage over any other country. Her capacity to produce wealth would be as much of an advantage for her under socialism as it is an actual difficulty for

her under capitalism. For socialism is, as we have seen, the only economic system which makes it possible to distribute the wealth when you have produced it.

Where Is the Money to Come From? Anyone who has taken an active part in political life on the progressive side will often have been asked this question: Where will the money come from? Maybe he has not even been talking about socialism as a new economic system, but merely about some advance toward it, about the nationalization of this or that industry or the extension of this or that social service.

Where is the money to come from, some skeptical worker has asked. Now at first sight this may not seem a very sensible question. As we saw when we discussed Mr. Roosevelt's program, money is never the difficulty so long as there are idle labor and means of production which can be turned to making wealth. For money is only the (very imperfect) means by which we attempt to reckon up, and to distribute among ourselves, the wealth which we produce. That wealth itself can be nothing but the product of our work. Hence so long as we have unused productive capacity, we ought never to let ourselves be stopped by the question of where is the money to come from? For, as we saw in the first chapter of this book, America already produces enough wealth to give everyone quite a decent standard of life and, as the Survey of Potential Product Capacity showed, far more wealth could be produced. So that unquestionably there is

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plenty of money available for enormous immediate improvements and for drastic reorganization.

But I think that a real question lies behind this objection as to where the money is to come from. What people are really getting at with this question is something like this. Can we get on without the present capitalist class? Could we build up and manage a socialist society without the help of the men who run industry today?

The question really boils down to one of whether the American workers, and those from the middle class who agree with them, can run American industry.

I do not see how there can be any doubt that the answer to that question is, Yes. The American wage earners are extremely capable, literate, well-developed people. Many of them are used to undertaking very responsible work. There is a vast fund of administrative, managerial and technical ability among the ninety million Americans who live on wages and salaries.

It is really extraordinary that anyone should doubt the ability of the American people to carry on the productive system. Why even the Russians, who had incomparably fewer advantages than the American people have in this respect, were able to do the job in the end. The Russian people were ninety per cent illiterate, had terribly little technical skill, and almost no managerial or administrative experience. And yet, although not without great difficulty, they have not only managed their existing productive system,

but have enormously developed it. How much more could the American people do?

What About the World? It must not be supposed, however, that America or Britain becoming socialist would leave the rest of the world unchanged. The abolition of capitalism in America or Britain would be a world-shaking event. It would mean that a second great country had passed from the capitalist camp into the socialist camp. Such a change in the balance of forces between the two camps would have immense repercussions upon the rest of the world.

After all, a socialist America would not be alone in the world. There already exists, in the shape of the Soviet Union, a first-class socialist power. If there were two such powers in existence in the world, capitalism would be very much on the defensive. Again one can imagine the immense encouragement which the establishment of socialism in America would have on all the anti-capitalist forces in the rest of the world—the effect, for example, it would have on the desperate anti-imperialist struggles going on, as I am writing this book, in Spain and China.

I have no doubt that the sympathies of Mr. Roosevelt's administration have been with the Spanish and Chinese peoples in their struggles. Unfortunately, however, the practical measures of the American Government have been strongly to the disadvantage of these peoples and have actually helped both the German and Italian Fascist aggressors in Spain and the Japanese aggressors in China.

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America's Part.

In particular the Neutrality Act has unquestionably had this effect. No doubt this Act was passed at the instance of sincerely peace-loving people who saw in it a way of keeping America out of war. They were still thinking in terms of the need to stop the American finance-capitalists from leading their country out on imperialist adventures in search of markets, fields of investment and the like. As we have seen, this was a very real issue in American political life not so long ago. And if the progressive effort of Mr. Roosevelt's administration were defeated and America came under the control of the largest and richest bankers and capitalists, who operate in the political field through the Republican Party, it might well become a most important issue again in the future.

But just at the moment this is not the issue. There is no question of America launching out on imperialist adventure. On the contrary, the issue is that of whether the American people are to give their puissant support to the desperate struggle of the Spanish and Chinese peoples. Naturally there is no question of suggesting that America ought to go to war with Germany, Italy or Japan. For the American people could have given enormous support to the Spanish people by simply consenting to sell the Spanish Government arms under the ordinary provisions of international law. Or again they could have made the Japanese attack upon China impossible simply by refusing to trade with Japan so long as she continued her aggression. (And if any nervous American citizen replies that if America had done that there would

have been a danger of Japan or Italy or Germany going to war with America as a reprisal, then let me, as a European, tell him that he vastly underrates the reputation of America for overwhelming strength, which obtains in the rest of the world!)

What a tragedy that a section of well-meaning, progressive, liberal opinion in America because, if I may say so, it had not studied the specific character of the actual, concrete, particular international situation which confronted America, should have used all its influence actually to prevent America doing things which would unquestionably have had an immense effect in preventing aggressive war and in preserving or restoring peace.

What Americans Have Done. As it was, instead of the American Government being enabled and persuaded to take action which, with complete safety, could have gone a very long way to make Fascist aggression impossible, and so secure the peace of the world, it was left to the effort of individual Americans, and their relatively small associations, to help the Spanish and Chinese peoples. And magnificently these Americans have responded. Nothing has had a greater effect than the appearance of the Lincoln and other American battalions of volunteers on the people's side in the Spanish civil war. The spirit of sheer, disinterested nobility which moved these thousands of young Americans to come across the Atlantic and offer their lives in the desperate struggle of the Spanish people has shown all Europe what Americans are made of. This is one of the rea-

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sons why a European like myself can call his book *Hope in America*.

Again the well-organized, extensive and effective boycott of Japanese goods which has been organized in America has been a splendid example of what one free people can do, even by individual voluntary effort, to help the struggles of another hard pressed people. I am told by expert observers who have recently returned from the Far East that this world-wide boycott of Japanese goods, in which the American people have taken a leading part, has been a factor of the very first importance in hampering the aggressive effort of Japan and thus enabling the Chinese people to organize their resistance.

All this voluntary, individual American effort has been magnificent. But if only all progressive American opinion could have united behind its government, urging it to use the vast power of America to make Fascist aggression impossible, by such simple and safe measures as insisting on the Spanish Government's right to buy arms, and by refusing to trade with Japan, then a united America could have changed the history of the world in the last eighteen months.

I think that the error into which one section of progressive American opinion fell when it sponsored the Neutrality Act and opposed the American Government joining with other democratic nations in the task of making Fascist aggression impossible, came originally from thinking about things in too abstract a way. Those who took this view were intent like all of us on the supreme object of preventing war. But they

thought of peace and war too much as abstractions—they did not think practically enough. For the fact is that the issue for the world today is not that of preventing war in general. The issue is of how to prevent a particular, definite war which is threatening to break out at any minute on a world scale. And this particular, definite war which threatens to engulf the world is not a war caused by an aggressive American imperialism. It is, on the contrary, a war caused by the aggression of the Fascist imperialisms of Germany, Italy and Japan attempting to conquer the world as a market for their capitalists' industries. This war of Fascist aggression is already raging in Spain and China. Hence the issue is not to prevent war in general but to prevent *this* war from becoming a world war, and to stop it in those places in which it has already broken out.

*Right the
Wrongs.*

The same type of consideration applies in the economic and social field. In the last three chapters of this book I have attempted to sketch the main characteristics of a socialist system. I think that it is important to do so because many people will not confidently press even for immediate reforms unless they have a general conception at any rate of the kind of economic system toward which they are working. You cannot, in other words, ask people to go on continually modifying the capitalist system unless they know that there is something to put in its place. But I should be exceedingly sorry if these pages gave the impression that there was nothing useful to be done short of totally abolishing the capitalist system and inaugu-

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rating a full blown socialist system. On the contrary, as I endeavored to show when we were discussing Mr. Roosevelt's program, the chief, immediate thing for every American and British socialist to do is to set out to put right the glaring wrongs which stare us all in the face. The thing to do is not to spend endless time trying to scheme out exactly how this or that economic problem will be dealt with in a socialist America or Britain. We cannot know this in detail until the time comes to do the job. What we have to do is to concentrate on putting an end to the scourges of capitalism.

While taking care to get a grasp of the nature of our ultimate destination, let us set out immediately to right the wrongs which we see in front of us. Let us set out to end the poverty of a great section of the American and British peoples; to end unemployment; to get decency and security for every American and British worker; to end war, injustice and exploitation. We shall find that the righting of these wrongs ultimately involves the abolition of capitalism and the construction of a socialist economic system. For there is no useful improvement which does not lead toward socialism. But at the same time the achievement of particular improvements does not lead to socialism along a smooth or easy path. None of the wrongs of our time will be righted without effort and struggle.

Chapter XIV

How to Get There

The Struggle. This book has been designed to show that we cannot in the end do the job that has to be done without transferring the capital of the country—its means of production—from the small class of persons—say five million people in America—who now own them, to the whole people. For so long as the factories, mines, and the land of the country remain in the hands of a small class, it will in the end prove impossible to distribute enough purchasing power to the rest of the population to enable them to buy the final products of industry and agriculture, and so keep themselves in employment. From this fact we traced all the worst ills which afflict the world today.

This is no reason for failing to support efforts such as those of the Roosevelt administration to distribute additional purchasing power, without directly attempting the transfer of the means of production. But it is a reason for realizing that these efforts cannot be finally successful—or rather that they can be successful only in so far as they begin to impinge upon one or other of the property rights of the existing capital-owning class. It is a reason for realizing that they can only be

carried forward in the teeth of relentless opposition from this class.

The Question of Power. This brings us directly to the question of political power. Our conclusion must be that you cannot do the job without acquiring political power. The question of power is the great question of political life.

How can the wage earners, and the rest of the population which has no substantial ownership in the means of production, get political power into their hands so that they can even attempt the task of altering the economic basis of society? Well, you may say, in America that is not so difficult. America really is a democracy without king or House of Lords to check the will of the people. The American people have only to vote for whom they will and they must be obeyed.

Now there is no doubt that the exceptional degree of political democracy which the American people won for themselves by the revolution which founded the Union, and which they have jealously preserved ever since, is a great advantage to them and will give them opportunities for carrying through their struggle to transform their economic system not enjoyed by most other peoples. But they will only be able to enjoy those advantages if they realize that their right to vote for candidates who are in favor, for instance, of a wider distribution of purchasing power, gives them only a particular weapon in the struggle. It by no means in itself guarantees their victory.

For the truth is that in highly developed capitalist com-

munities such as America and Britain, the elected representatives of the people do not necessarily rule at all. This brings up the question of who does in fact rule.

Who Rules? Who rules in any given community? The answer is: He rules who owns the capital of that country—its means of production, that is to say. This is a fundamental political truth. It is only on the basis of this truth that one can talk sense about politics.

And surely this truth is obvious enough? Put it this way. Imagine a country in which a certain group of men owned the entire water supply. Would not this group of water-supply owners rule that country? Could not a child tell you that so long as they managed to hold on to the water supply, they could dictate to the rest of the people? It might be that the rest of the people had the right to elect their rulers. But the owners of the water supply would say, "If you do not elect us, we will cut off the water." Therefore the people's right to elect whom they pleased to rule them would be, in practice, almost worthless.

The position in America and in Britain today is not quite so bad as that, but it is something like it. Five million or so Americans own the capital, or means of production, without the use of which most of the rest of the American people cannot get their livelihoods. The American people have a perfect right to refuse to elect a single one of the five million to Congress or to any public office. But, if they do, the five million begin to cut off the water supply. They begin, to be plain, to refuse to use the means of production or to let any-

body else use them. They create what is called a financial crisis, or panic, or slump in which more and more Americans become unemployed and destitute. And unless some very vigorous measures are taken, they remain so until they become good boys and girls again and re-elect the representatives of the five million to govern them.

It Is More Than Changing Governments. He who owns the means of production rules the country, whatever its constitution may be, until and unless he is actually turned out of that ownership.

In other words, the road forward lies through the taking of power out of the hands of the five million, and putting it into the hands of the ninety million. Now this is a much bigger thing to do than simply to change the government of the country. It involves far more than the replacing of a Republican administration by a Democratic administration, or even the election of a Farmer-Labor administration. All the same, the election of a progressive administration is a first step in this direction.

But the election of a progressive administration is a step in the right direction only if that administration realizes that its election is but one incident in the enormous struggle of the people to regain their economic birthright. For unless the progressive administration realizes this, it will be unprepared for the furious counter-attacks upon it which the representatives of the ruling class will certainly launch—as they have done in the case of the Roosevelt administration.

The point is that the placing in office of an administration based on the non-capitalist elements of the population, still

leaves the owners of the means of production in power. For he who owns the means of production holds political power. The election of an administration which they do not control is, however, a serious threat to the owners of the means of production. They always fear that it may do things which will impinge on their property rights. Hence they always attack it relentlessly. And this main attack always takes the same form. They attempt to discredit it by "cutting off the water supply"—by creating a panic or slump in which millions of people lose their jobs.

When that situation arises the progressive administration must either surrender to the ruling class, who will then have established their power to override and set at nought the democratically arrived at decisions of the people, or it must enter into a struggle with them which can only be finally successful when the means of production have passed out of the hands of this small class into the hands of the people. In a word the present possessing and ruling class will not give up the struggle because a vote of the people has gone against it. It will use every available means to cling to its possessions. How then can the transfer of real power, which must involve the transfer of the means of production, come about? That I cannot tell you. For in order to do so I should have to be able to foresee future events.

The Question of Violence. But, you will ask, do I mean that the transfer of power must come about by violence? Must there be revolution and civil war? Can we not transform society without passing through this terrible ordeal?

HOPE IN AMERICA

Now this question of violence is not really a very complex one. We have allowed ourselves to be confused by the terrific propaganda which our present rulers make on this question. They suggest that socialists and in particular communists are desperate and evil persons who want to use violence for the sake of violence, and will not abide by democratic decisions. Quite simply, all this is a lie. There is nobody outside a lunatic asylum who does not wish to do everything in his power to avoid his country being involved in social violence and civil war. Socialists and communists are absolutely willing to abide by the democratic system. Indeed, they spend a very great deal of their time defending democracy from the attacks upon it which the Fascists and their friends are already making.

But what they do say is this. They cannot pretend that they think that the representatives of the capital owners will abide by democracy, if and when the people have voted, perhaps not even for socialism, but for the righting of certain wrongs which involve disturbance of the capital owners' property rights. They will, I repeat, "cut off the water supply" if we do not go on voting for them. They will create a financial panic or slump if a democratic government attempts to enact any serious progressive legislation at all.

But a democratic government, if it is to survive, must not yield to such blackmail. Such a government must push on with its progressive program in spite of the sabotage of capital. It must, if necessary, replace by government plants, or take over, industries which the employers are no longer

willing to conduct, and thus give the people their employment back again. Nor can we deny that it is possible that the representatives of the capital owners will try to use violence against such a determined democratic government, which they have failed to scare off by economic sabotage.

In that case, the question of avoiding an actual outbreak of violence will depend on the democratic government acting swiftly enough to prevent the reactionaries and their representatives from getting the chance to plunge their country into chaos. A progressive government will reserve the right, in a word, to meet reactionary violence in the only way that it can be met, namely, by the quick, short, decisive use of force in order to prevent the overthrow of democracy.

In principle there is no more to be said on the subject of violence and non-violence than that. Everybody, of course, hopes that social change will come in the most peaceful way possible. But we cannot allow change to be prevented by the unchallenged violence, first economic and then physical, of those who have a privileged position to lose. For to resign ourselves to the continuance forever of the capitalist system because our present rulers would not allow it to be abolished without violence would be to condemn the world to an endless series of world wars.

Who Are We? I have said above that "we" cannot resign ourselves to the everlasting rule of the owners of the means of production. We cannot resign ourselves to it even if every attempt to challenge that rule is to be met by the threat, first of economic reprisals, and then of actual physical

violence on the part of our present rulers. For the rule of the owners of the means of production means the perpetuation of an economic system which, because it cannot distribute to the mass of the population sufficient purchasing power to buy the final products of industry and agriculture, must drive a literally maddened humanity into self-destruction in both international and civil war.

But who are "we"? We are that great majority of the population who have no effective ownership in the means of production. Tens of millions of human beings cannot, however, act without somehow organizing themselves. They must form some kind of associations, through the instrumentality of which alone they can make their will felt.

The Labor Movement. Now in every capitalist society certain organizations have grown up among the mass of the wage earners as a reaction to the conditions imposed on them by capitalism. These organizations have been designed to protect the interests of the wage earners. These are the trade-unions, the co-operative societies and the working-class political parties. These organizations make up what we call the "labor movement." A labor movement represents the instinctive determination of the four-fifths of us who live on wages and salaries to protect ourselves, to some extent at any rate, against the absolute rule of those who employ us.

The trade-unions prevent the employers from fixing wage rates, conditions and hours exactly as they please without taking any account of the workers' point of view. The co-

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operative societies make it possible for organized consumers to get a certain amount of their wants satisfied without paying a tribute of profit to the capital owners. The political parties of the working class, by putting pressure on the representatives of the capital owners, extract concessions by way of social services, pensions, insurances and the like. It is above all through this labor movement that "we"—the great majority of the population—can make our will for social change effective.

Labor in America.

Now the labor movement has been less effectively developed in America than in Great Britain. It is only in the last few years that trade-unions have been organized in some of the most important American industries, while in Britain important and influential trade-unions have existed in these industries for many years. Again in Britain there is a very extensive consumers' co-operative movement, with no less than eight million members, possessing stores all over the country. Finally the organized British workers have for nearly forty years possessed, in the shape of the Labor Party, a political party of their own, organized on a national scale, which has twice formed the government of the country, and is now the official opposition. In America, on the other hand, political parties based on the organized wage earners are only just beginning to come into existence, and are still local to particular parts of the country, as for example the newly developed Labor Party in New York State. All this may sound as if the task of accomplishing social change would be very

much harder in America than in Britain. But I believe that just the opposite is true. I believe that the fact that the American labor movement is only now beginning to develop its forces on a national scale is actually a great advantage to it. For it will be able to avoid the very serious errors into which the British movement has fallen during the course of its development—errors which threaten, if they are not speedily overcome, to send the British movement into decline.

The Political Future. Naturally it would not do for someone like myself who is not an American to begin offering suggestions as to what the American labor movement should and should not do. Nor could I do so even if I would. For only an American can possibly know enough about the realities of American political life to begin recommending particular courses of action. But I would not have it be thought that in saying, as I do, that the labor movement must, in any country such as America or Britain, be the core of the forces making for progressive social change that I am suggesting that the labor movement is the only progressive movement in the community, or that it ought necessarily or immediately to cut itself off from the more progressive non-labor political forces and parties.

I submitted above (Chapters V, VI and VII) the case for supporting to the uttermost Mr. Roosevelt's program for the distribution of purchasing power to the mass of the population and—more than supporting it—urging the President and his administration to push through and extend this program. Hence the question of the advisability of independent labor political action on a national scale—

such as the organization of a Farmer-Labor party—is no doubt closely bound up with the question of the extent to which the Democratic party under Mr. Roosevelt carries through a progressive program. At the same time American Labor would be lacking in realism if it did not see that a progressive program along Mr. Roosevelt's lines can only succeed in the end—indeed can only be prevented from being wrecked by the counter-attack of reaction—if it is carried forward beyond itself, as it were. Mr. Roosevelt's effort to distribute purchasing power will, inevitably, be defeated and discredited in the end if its authors flinch from doing things—such as the carrying through of a great rehousing scheme—which will unavoidably impinge on entrenched property rights.

In a word, a labor movement cannot do its job—and so save the world—unless it sees clearly whither it is going. This does not mean that it should try to get there all in one jump or should reject the chance to go half way, or a quarter way, at a time. But it does mean that it will lose all sense of direction—that it will not even know whether it is advancing or retreating—unless it achieves a consciousness of its goal. And a lack of such a consciousness has always been the weak spot of both the British and the American labor movements.

*We Have
Lacked
Knowledge.*

The American and the British workers have always had a genius for organization. They have built some of the largest trade unions, co-operative societies and working-class political parties which the world has ever seen. But both the American and British labor movements have always had one

HOPE IN AMERICA

very grave weakness—a weakness so grave that success cannot come until it is removed. They have never been more than semi-conscious of what they were trying to do. They have never seen more than a very little way in front of them. They have worked simply for better wages, shorter hours, more social services and the like without pausing to think out at all clearly what the consequence of getting these things must be.

True, the British movement has become socialist. It has seen, in general terms, that these concessions cannot be won without, in the end, transforming society from a capitalist to a socialist basis. But the British labor movement, as a whole, has never yet faced up to what is really involved in getting rid of capitalism and building up socialism. This is because it has lacked a clear enough understanding of the nature of capitalism. It has not understood what it was up against.

And, primarily for that reason, it failed to make use of the opportunities which it has had on several occasions in the last twenty years. So that today only a thorough, and very difficult, transformation of the very nature of the movement can save it from going the way of the labor movements of Central Europe. And if that happens then there will be little hope for us in Britain. We shall go down into the nightmare of fascism and war.

American Labor has the unique opportunity to avoid all that by learning from our mistakes. American Labor has an immense opportunity to rally to it the whole American people, with the exception of the tiny possessing class. For the people

HOW TO GET THERE

of America are a people who labor by hand or by brain. In this lies their hope; in this lies their fair opportunity to build themselves a world fit to live in.

Chapter XV

There Is Hope in America

THERE is hope in America because her people are young, strong and daring. There is hope in America because her Union was founded in the name of the life and liberty of her people. There is hope in America because the American people long ago swept away all the clutter of monarchy and titles and mediæval privilege which still clings round our feet in Britain. There is hope in America because her people are coming to their hour of decision after the peoples of Europe, and can learn from their experience. How can the people of America fail in the end to hammer out for themselves a way by which they can get their livings in peace and security?

I know America well enough—I have been in the United States five times now, and have travelled over it from New York to Los Angeles and from Alabama to Maine—not to forget the other side of the story. I know a little of the special problems and difficulties that face every American who is working for social construction. Assuredly the struggle to go forward cannot be easy for the American people. Every step will be gained by effort and sacrifice alone. The forces of reaction are stronger in America, perhaps, than anywhere else

in the world. But then the forces of progress are incomparably stronger too. The struggle is here upon a gigantic scale. It will not be won by the people unless they join the most serious effort at economic and political self-education with their practical achievements in the political and economic field.

But they will do it. America will never take the dark path. She will never give the imperialist answer to her basic problem. She will never turn to fascism and war.

And so one more European finds hope in America. Ever since the foundation of the Union, the poorest, the most oppressed, the most despairing of the peoples of Europe have thought of America as the country of hope. And year by year tens of thousands of them have put their hope to the test and have set sail across the Atlantic. Some have found what they were looking for; some have been disappointed; some have prospered; some have fared no better than they had done in the lands from which they came. But now they form the greatest nation in the world. Now they are heirs to the richest, the most fertile, and the widest domain that heart could desire. They have only to found their relations one to another upon knowledge and justice, so that all may have a sufficient share of the vast wealth which they know so well how to produce. Surely they cannot fail!

And so I, one more European, look to America for hope. Those millions of Europeans who have peopled her asked only for the opportunity to work and live. Now we in Europe

THERE IS HOPE IN AMERICA

ask of the people of America something more. We ask them to show the world how a people may learn to live in freedom, peace and plenty.

Finis.

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