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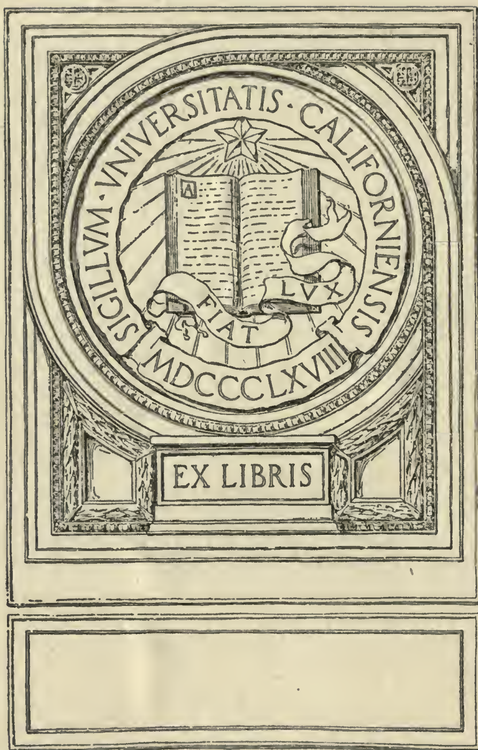
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PAPERS

BY

H. SANDERSON FURNISS, M.A.
EDWIN CANNAN, M.A., LL.D.
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With Criticisms.

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BIRMINGHAM:
BIRMINGHAM PRINTERS, LTD., 42-44, HILL STREET.

1917

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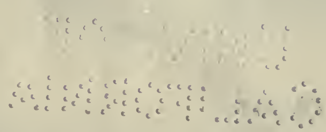

L. C.

PREFATORY NOTE.

As the College buildings are still in the hands of the Government, and as the times do not yet allow of our resuming the residential side of our work, the Council thought that the College could most usefully supplement our teaching by correspondence, and help to promote the study of social and industrial questions, by continuing its policy of holding from time to time national conferences of the representatives of working-class bodies.

At Oxford and Bradford the questions discussed were, for the most part, national in their scope. But at our Birmingham conference we thought it wise to take a wider survey and to consider "Some Economic Aspects of International Relations."

The principal topic of my own paper was suggested by a question raised by Mr. C. S. Orwin in the paper he contributed to our Bradford conference, namely, as to whether it was desirable to subsidise British agriculture as a measure of defence. This question seemed to me so important as to deserve further elaboration and a fuller discussion than it was found possible to give it at Bradford.

The College is fortunate in having secured a paper from Professor Cannan; and Mr. A. E. Zimmern, who contributed a paper entitled "The Control of Industry" to the first volume of this series, has placed us under a new debt of obligation. Our thanks are also due to Mr. E. A. Mabbs, Mr. E. J. Naylor, and Mr. J. G. Newlove, for leading the discussions.

H. Sanderson Furniss,
Principal of Ruskin College

Oxford, *October*, 1917.

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SOME ECONOMIC ASPECTS OF INTERNATIONAL RELATIONS.

AN ACCOUNT OF PROCEEDINGS AT THE NATIONAL CONFERENCE OF WORKING-CLASS ASSOCIATIONS HELD IN BIRMINGHAM ON SEPT. 21st and 22nd, 1917.

(Notes taken by E. T. HUNT, Oxford.)

FIRST SESSION.

Mr. James Bell (Amalgamated Weavers' Association), in taking the chair, said he would like to make a few remarks on the work of Ruskin College. In ordinary times there were resident students drawn from working-class organisations, *e.g.*, from Trade Unions, Co-operative Societies, and the Club and Institute Union, and sent to the College to be trained, not to lift them out of the movement, but to make them more useful in it. The government of the College was in the hands of working-class organisations, and there was therefore every reason why working-class organisations should support the College. During the war it had not been possible to carry on the work in the ordinary way, as the College was being used by the War Office as a home for nurses. After the war it was intended to take up the full work again and to go on with it. In the meantime, it was desired that the usefulness of the College should be continued, and conferences had been organised so that subjects of interest to the working-class and labour movements could be brought before the people interested.

COMMERCIAL POLICY AND OUR FOOD SUPPLY.

By H. SANDERSON FURNISS, M.A.,
Principal of Ruskin College.

Very few, if any, of the problems with which society is confronted can be solved by reference to economic considerations alone. For instance, they are almost always capable of being regarded also from an ethical and political aspect.

Though the subject-matter of economics is wealth, it should always be borne in mind that wealth is only one of the means to well-being, which itself also depends upon the attainment of high ethical standards and satisfactory political relations. This does not mean, of course, that there are no economic problems apart from ethics and politics. On the contrary, problems must be isolated and considered from their different points of view. A surgeon who specialises on the heart will realise that he cannot consider the heart entirely apart from the nervous system, the lungs, the digestive organs, etc.—in fact, he must know something of the body as a whole ; that, however, will not prevent his becoming a heart specialist. The business of the economist is to be able to say : " If you want the largest possible production of material goods, you must follow such and such a course " ; of the political philosopher to point out that such and such a course must be followed, if good government at home and satisfactory relations abroad are to be secured ; of the moral philosopher to show us how to live aright and lead the good life. It may be necessary that each should criticise the others, thus : " If we proceed along your lines production may be curtailed, political relations may be disturbed, or the sum of human happiness diminished," as the case may be. Prospects of wealth, then, may have to be relinquished for the sake of good government, or the pursuit of riches abandoned, or political relations endangered for the sake of maintaining what is believed to be a right ethical standard.

This line of thought is particularly applicable to the problems connected with foreign trade and with commercial policy in general, and also to the particular problems here under discussion—viz., the problem of our food supply ; for in both the general and particular questions, ethical and political, as well as economic matters, are all very definitely involved.

To the economist the object of foreign trade is identical with the object of all exchange—viz., the increase of utility—the increase, not necessarily of national wealth, but of the wealth of nations. The political philosopher, however, knows that at times sacrifices of economic advantage may have to be made in order to secure political ends—for instance, to consolidate an empire, to secure the adhesion of allies, or for purposes of defence; while again, the moral philosopher may urge that the advice of the economist cannot be taken without qualifications if the moral standards are not to be lowered, or if moral obligations are to be fulfilled—for instance, the boycott of goods made under conditions of slavery, the abandonment of trade in deleterious products, such as opium, or the carrying out of a commercial treaty.

Before the outbreak of the present war, what is known as the fiscal question, raised by Joseph Chamberlain, had divided opinion on commercial policy, and had been before the nation at every General Election since 1903. On the one hand, it was urged that the time had come for a departure from the Free Trade policy to which we had adhered since 1846. On the other hand, it was maintained that the reasons alleged were not of sufficient weight to justify a change, and that our existing policy was, under prevailing conditions, the best that could be devised—at any rate, from the point of view of the United Kingdom.

Throughout the almost ceaseless discussions which were carried on during those years while political and moral considerations were adduced, both in support of change and in support of the maintenance of the *status quo*, economic considerations were certainly most prominently before the public. This is perhaps more strictly true of the defenders of Free Trade than of the advocates of change. But on both sides the political and moral considerations, when brought forward, were as a rule given a secondary place. When the war is over, and the time comes for bringing the whole subject once more under review, it seems certain that political and moral considerations will play a more important part than they did in the pre-war period. The resolutions passed at the Paris Conference in 1916 suggest that this will be the case, and it seems clear that the problem of regulating trade with reference to measures of defence, and the problem of binding the Empire more closely together by means of fiscal ties, will carry more weight than they did formerly, while other new and non-economic considerations, such as the idea of arranging our trade relations so that they may benefit our Allies to a greater extent than neutral countries, and so that they may benefit our former enemies as little as possible, may have their place in the discussions that will arise.

When all this is admitted, however, it must not be forgotten that there are economic principles underlying foreign trade—principles which cannot be neglected in the formulation of a commercial policy.

It is sometimes said that the old fiscal question is dead—that the conflict is no longer one between Free Trade and Protection, and that it has been moved on to new and broader lines. It is probably true

that after the war the question will not be debated quite on the same lines as hitherto, and the point at issue will not be merely the desirability of a departure from, or the maintenance of, Free Trade. Political and moral considerations, as I have already suggested, will be brought into the foreground ; and in addition to this, new economic considerations will be put forward. The erection of a tariff, for instance, may be advocated on political or ethical grounds, but it may be possible to show that the political or ethical ends, which it is desired to promote by means of a tariff, can be equally well secured by adopting some other course which would also be more advantageous from the economic point of view.

I do not, however, believe that the old controversy between Protectionists and Free Traders is dead ; for at its very roots there still lies, as it has lain from the days of the mercantilists, the fundamental difference between those who look upon foreign trade from the national, and those who regard it from the international, standpoint ; and as long as this is so, the economic principles underlying foreign trade cannot be thrown on the scrap-heap.

While recognising, then, that our commercial policy can at no time be decided by economic considerations alone, and that still less is this likely to be possible after the war, it seems, nevertheless, well worth while to reconsider once more the economic principles on which commercial policy has hitherto been largely based ; for should it, after the war, be found desirable to give greater weight to political and moral considerations than to economic motives, it is of the utmost importance that we should realise that we are adopting a policy which, though framed with the object of securing some moral or political ends, is economically unsound. We must be quite clear that we are not being rushed into a commercial policy for political or ethical ends in the belief that it is also the policy which is economically the most advantageous ; and I propose, therefore, to re-state once again the economic principles which were believed to underlie our commercial policy before the war.

A great deal of time and paper have been expended by English economists, especially of the older school (economists in other countries have not, as a rule, followed their example) in elaborating a special theory of foreign trade—or of international trade, as they usually call it—and even a special theory of international value. Foreign trade is, on the whole, a more satisfactory term, for trade is, strictly speaking, not international. When we speak of British trade, French trade, German trade, and so on, what is really meant is trade carried on by individual Englishmen or individual Frenchmen with individuals living in other countries, and not trade between nations in the strict sense, such as would be the exchange of Ireland for Java by England and Holland !

Nor is there any fundamental difference between the principles underlying foreign trade—*i.e.*, the exchange of goods and services between individuals living in different countries—and the principles

underlying the exchange of goods and services between individuals living in the same country. What differences there are are not differences in kind. But when it is said that foreign trade is trade between individuals, it is not intended to suggest that foreign trade is a matter of no interest to nations as a whole, or that each individual State is to leave its citizens to carry on foreign trade with complete freedom from control; for foreign trade is of the greatest importance, not merely to individuals who engage in it, but to the countries to which those individuals belong. Just as a wise State controls its domestic industry and imposes restraints to individual liberty when this appears to conflict with the general good, so also it may be necessary for a wise State to place limits to the absolute freedom of individuals with regard to the carrying on of foreign trade. State control in some directions may even be more necessary in foreign than in domestic trade, for in the former, international relations may be involved which can only be arranged by those who can speak as national representatives, with the authority of the State behind them. Even if it be admitted, however, that State control is more necessary in foreign than in domestic trade, the difference is one of degree, not of principle.

Another difference between foreign and domestic trade on which a good deal of stress has been laid in the past is that labour and capital are less mobile as between nations than they are within a single country. This, again, is a difference in degree, and not one of principle, and it is easy to exaggerate it, for neither labour nor capital is perfectly mobile within a single country, and capital is now practically as mobile as between different countries as it is within a single country. The great bulk of the capital used in trade and industry consists of plant, buildings, machinery, and other things which cannot easily be moved from one part of the country to another, while the capital which is mobile is new capital—that is, money or some form of purchasing power which has not yet embodied itself in concrete production-capital, and which can move as easily from London to New York as from London to Manchester.

There are, however, some definite factors to be taken into consideration, which act as impediments to foreign trade, and which do not appear at all in connection with domestic trade—namely, differences in climate, in natural resources, and in language. Differences in climate account to a great extent for differences in conditions of labour in different countries, and for differences in wage rates. Differences in natural resources largely account for the direction which production takes in various parts of the world—*i.e.*, the kind of goods produced; while the fact that difference in language is an impediment to exchange requires no explanation. In addition, national characteristics, national customs, and national sentiment still count for a good deal, and make trade between the inhabitants of different countries less easy to carry on than trade within a single country. Again, differences in the form of government in different countries, the absence of a uniform currency

and commercial legislation—particularly when it takes the form of tariffs—have to be taken into consideration.

All these factors have to be borne in mind when examining the economic principles underlying foreign trade, for they affect the exchange of goods, although they do not alter the principles upon which goods are exchanged. They make foreign trade a somewhat less simple thing than home trade, but they do not make necessary a special theory of value.

It is frequently said that foreign trade is simply a matter of barter, goods being exchanged for goods, and exports and imports tending to balance one another. These statements are broadly true, though at first sight they are far from apparent; for a glance at the foreign trade returns of any year is sufficient to show that some countries, like Great Britain, appear to import far more than they export; while the exports of other countries, like India, exceed their imports. This was, at any rate, the case before the war.* The facts, therefore, do not at first sight appear to bear out the theory.

The following problem also naturally arises: the ultimate object of all the individuals who engage in foreign trade is to be paid in money for the goods they sell; but if foreign trade is nothing but barter, how do they manage to succeed in this object?

The way out of the first difficulty is not hard to find, for the statement that exports tend to pay for imports, and *vice versa*, requires the explanation that in foreign trade, just as in domestic trade, services as well as goods are exchanged. The principal services exchanged by the people of the United Kingdom with the peoples of other countries are those rendered by our carrying trade and by loans of capital to other countries, and neither the earnings of our carrying trade nor the interest paid on capital abroad appear in the Trade returns. If these are added to our exports, together with the payments for some minor services, it will be found that our exports do approximately balance our imports; and the same thing is true of the trade of the world, though at no given moment is there an exact balance of exports and imports between the various countries.

The answer to the question: How is it that those who are engaged in foreign trade ultimately obtain payment in money, in spite of the fact that foreign trade is barter?—is less easy to state in a few words, and I have not space for many. A complete answer would involve an explanation of the mechanism of the foreign exchanges; but, put very shortly, it is that those who engage in foreign trade ultimately receive payment in money for the goods they sell through the medium of bills of exchange or other instruments of credit.

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* Imports into the United Kingdom, 1913 ...	£768,734,739
Exports from " " "	£525,245,289
Imports into India, 1912-13	£152,307,000
Exports from " "	£171,233,000

Statistical Abstract

The system works out, broadly speaking, and taking the simplest possible case, somewhat as follows: If an Englishman buys goods from a Frenchman, the Frenchman ultimately receives payment for them in money from another Frenchman, who has bought goods from another Englishman, and who owes him money for what he has bought. The second Englishman is ultimately paid for the goods he has sold to the second Frenchman by the first Englishman who owes money to the first Frenchman. This roundabout business is going on on a large scale all the time all over the world, and it is conducted by means of bills of exchange and other instruments of credit, which for the most part consist of pieces of paper from one man telling some other man to pay him or somebody else a certain sum of money by a certain time. By this means everybody ultimately gets paid in money, though very little passes from country to country, so that trade is kept in what is in essence a state of barter. Practically the whole of this financial side of international exchange is conducted by the banks and discount houses, which act as intermediaries beween buyers and sellers.

This is, of course, a very incomplete explanation of a very intricate subject, but it may, I hope, be sufficient to show that in course of time an elaborate and delicate mechanism has gradually been built up which greatly facilitates the exchange of goods between the peoples of different countries.

The foregoing explanations appeared to be necessary for a complete understanding of the principles which underlay our commercial policy before the war. This policy—the Free Trade policy, as it was called—was based on the view that the economic interests of the country were best promoted by freely admitting all the goods we wished to buy from other countries, with the exception of a very small number of commodities upon which customs duties were imposed for revenue purposes only. It was held by the supporters of this policy that it was to the advantage of the country to obtain the goods it required from those parts of the earth where they could be produced most advantageously either as to quality or cost, and that we should devote ourselves to forms of production which we could carry on better and more cheaply than our neighbours.

We were dependent on foreign countries for much of our raw material, some of which we could not produce at all ourselves, and for a very large proportion of our food, which we could not produce so cheaply as other countries; while we had, on the other hand, succeeded in securing a pre-eminence in certain branches of manufacture.

As imports are paid for by exports, and *vice versa*, it was believed—at all events by Free Traders—that any check to our imports would be followed sooner or later by a corresponding check to our exports, and that the most likely way of inducing other countries to follow our example was to abide by Sir Robert Peel's maxim: "The only way of fighting hostile tariffs is by free imports." In defence of this policy it must be admitted that we did succeed in obtaining most-favoured-

nation treatment from practically all the protectionist countries of the world.

If the civilised world consisted of one single State it can hardly be doubted that universal Free Trade would be the most satisfactory policy for it to adopt—at any rate, from the purely economic standpoint; and it is mainly owing to the fact that the civilised world is split up into separate and independent States that a different policy has been adopted by almost every country except our own. It is certainly remarkable, that in spite of the machinery that has been devised for facilitating foreign trade, and in spite of the fact that there are already obstacles to exchange between the inhabitants of different nations, which are not present to the same extent in the case of trade within a single nation, that almost ever since there was anything worthy of the name of foreign trade the nations have vied with one another in erecting barriers in the form of tariffs, with the object of making the exchange of goods between different countries still more difficult. The explanation of this is to be found mainly in the importance attached to the furthering of national interests, and in the fact upon which I have already insisted, viz., that regard for national interests may make it necessary that economic considerations should in some instances give way to political or other considerations which are, or appear to be, paramount.

While protection has been adopted largely for political and other non-economic reasons, it has generally been defended as being also the best policy from an economic point of view. Tariffs are, of course, erected for purposes other than pure Protection. They are set up as a means of raising revenue, or as a means of bargaining with other Protectionist nations, or as a weapon to be used for purposes of retaliation.

Leaving these uses of tariffs on one side, the economic arguments in support of Protection pure and simple can be reduced to a comparatively small compass. They are all based on the belief that Protection is necessary for the increase of productive power. Thus, the protection of infant industries is urged as being necessary in order to increase productive power in the future, and the fostering of old or well-established industries which are thought to be weaker than their foreign rivals is also advocated in order to prevent the diminution of productive power. It is believed that national power and national greatness depend largely upon the fullest and most productive employment of a nation's labour and capital; and that these are best secured by protecting national industries from foreign competition. The erection of tariffs is by no means the only method by which the policy of Protection can be carried out. Industries may be protected by means of bounties or other forms of Government subsidy, and, in fact, wherever national funds are devoted to the support or encouragement of any particular industry or group of industries, such industries may be fairly described as protected

I have tried to state as succinctly as possible the principles underlying the policy of Free Trade and the policy of Protection, but I do not propose to examine or discuss the arguments for or against either policy: that has been already done *ad nauseum.* It does, however, seem desirable, when a change of policy with regard to a particular industry like agriculture is recommended largely on non-economic grounds, to examine the question as to whether economic considerations can be altogether set on one side—or at any rate, what the result is likely to be if they are neglected—and I now turn more directly to the subject with which this paper is to deal—namely, commercial policy in relation to our food supply.

The change which is now widely demanded with regard to our food supply may be stated in a very few words. It is that we should produce more of our food in our own country, and purchase less of it from overseas; and the principal argument for the change is the necessity of greater security in time of war. Other reasons are also brought forward, such as the desirability of our having a larger rural population, the suitability of agriculture as a means of employment for ex-soldiers, its general advantages over town industries in the matter of health, and other arguments based on social and ethical considerations. The main argument, however, is the argument for defence.

The questions I propose to examine are: first, whether the change proposed with regard to our food supply for defensive purposes, and the methods suggested for bringing it about, can be justified in any degree on economic grounds; and, secondly, if not, whether it is desirable to adopt measures which are based on non-economic considerations —that is, whether it is desirable to "sacrifice opulence for defence."

It appears necessary to raise the first question, as, although agricultural reform is urged mainly on grounds of defence, it is frequently claimed that measures which are said to be necessary for national security will also be economically advantageous. Thus, Mr. A. D. Hall writes: "We take as starting-point that the State must secure the more intensive cultivation of the land of the United Kingdom and an increasing employment of men upon the land both as an insurance against war and as a means of reducing the national indebtedness. The process of readjustment may involve some cost to the State; but the necessity is as great as that of maintaining an army or a navy, with this difference, that the expenditure is only *an investment on which a commercial return will be obtained* as soon as the readjustment is complete."*

Before the outbreak of the present war we imported about half of our total food supply, including four-fifths of our wheat, and paid for this mainly by exporting manufactured goods.

Now it is unlikely that we could become absolutely self-sufficing as regards food even if we wished to do so, except at a cost which would

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*Agriculture after the War (A. D. Hall), pp. 37-38. The italics are mine.

be prohibitive; but we could become sufficiently self-sufficing to enable us to meet a crisis—*e.g.*, to enable us to hold out against a blockade lasting for a considerable period. We could also make ourselves much more nearly self-sufficing in normal times than we were formerly. In order to do this, a considerable increase in our arable land would be necessary, and a large amount of the land which has been put down to grass during the past forty years would have to be broken up. The new arable land would be the means, not merely of increasing our output of wheat, but on it agricultural experts believe that we could also maintain—if not surpass—our present output of meat and milk from grass land, growing foodstuffs on the arable land for live stock as well as for human beings. In a national emergency we could live on our live stock, and grow more food on our arable land for ourselves.

But the immediate economic advantage of such a reform is, apparently, not sufficiently certain to induce agriculturists to carry it out without very definite guarantees from the State, and if the change is to be made at all—at all events, in time to be of any use in the present crisis—it is maintained by those who recommend it that British agriculture will have to become a State-subsidised industry.

During a great national crisis like that involved by the present war, a discussion of the economic effects of a particular policy is not likely to receive much attention, for most people seem to be ready to adopt almost any heroic remedy which is suggested without stopping to count the cost; and there is, perhaps, something to be said for this light-hearted recklessness during a national crisis. But when changes are recommended, not merely for the purposes of the war, but with the intention that they should be continued into the post-war period—when it is hoped in many quarters that reforms possibly made necessary by the war may become part of the permanent policy of the country—then it is important that they should be scrutinised with the greatest care.

That the agricultural reforms which are now being recommended in the first instance as war measures, are also intended—at any rate, by some of their exponents—to apply to agriculture, if not permanently, for a great number of years after the war, may be seen from the following quotation from the report of Lord Selborne's Committee: "We are confident that as the years pass by and agriculture becomes more intensive in the United Kingdom, an increase of production will be reached which would now appear impossible to any farmers, and that if the agricultural policy which we recommend is carried out steadily and continuously a great change will be effected within a generation,"* the policy recommended by the Committee being subsidies to agriculture in the form of fixed minimum prices for wheat and oats.

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*Part I of the Report of the Agricultural Policy Sub-Committee, Cd. 8506 (p. 7).

How far can such a change, and the methods proposed for bringing it about, be regarded as in the best economic interests of the country? The fact that we have hitherto imported so much of our food does not of itself show that food can be imported more cheaply than we can grow it at home; for it is possible that we may be able to produce, *e.g.*, both wheat and certain forms of manufactured goods more cheaply than can be done in Canada or Argentina. But even if this were so, it might still be to our advantage to devote most of our energies to manufactures, leaving Canada and Argentina to supply us with wheat.

It is, however, clear that most of the food we have hitherto imported we have imported because it could be produced more advantageously as regards either quality or cost elsewhere than in our own country. The fact that we are told that the only way in which we can become more nearly self-sufficing as regards food is by subsidising agriculture—even with the very high prices at present prevailing—certainly seems to show that in the opinion of those who are advocating a change of policy it is likely to be more economically advantageous for us to buy than to produce in the future.

To become more nearly self-sufficing, then, would mean an increase in the cost of production of the nation's food. It would mean that we should cease to buy some of our food in the cheapest market; and this would appear to show that the methods adopted in bringing about such a change cannot be justified on purely economic grounds. It may, of course, be argued that the plan of fixing minimum prices, either on all wheat and oats produced in the country and brought to market, or based upon the acreage under wheat and oats, will not in reality cost the nation anything or increase the price of food, and that it is most improbable that prices will fall below the minima suggested for many years to come. With regard to the possible changes in price levels after the war it is impossible to speak with any certainty. But the mere fact that the agriculturists demand guarantees as to prices before they would consent to make the changes required, and that the Government thinks it necessary to give the guarantees demanded, seems to show that a fall in prices immediately after the war is contemplated as being at least within the bounds of possibility. If it is certain that prices will not fall below the minima, why the alarm of the agriculturists, and why fix the minima?

But even assuming that prices will not fall below the minima suggested, the cost of administering any scheme for subsidising agriculture will be considerable. The work of the Board of Agriculture or of some other Government office will be increased, and a large new staff of inspectors will have to be employed, the cost of which will have to be borne by the taxpayers.

Again, as to the actual changes proposed: there is no doubt that we could largely increase the output of wheat and oats in our own country, and the experts appear to agree, as I have already said, that we could at the same time maintain—if not actually augment—our present output of meat and milk. But the question cannot be

regarded with reference to output alone. Output must be considered in relation to cost. Net product, and not gross product, is the true test of economic production. It is generally recognised that the production of meat and dairy produce on arable land requires more capital, employs more labour, involves more supervision, and is exposed to greater risks than their production on pasture. But as to whether the actual cost is greater or less on arable than on grass the experts are not agreed, and, as far as I am aware, there is no sufficient data available upon which to form an opinion. Nothing can be gleaned on the point from Denmark, where dairy-farming on a large scale is carried on upon arable land, the Danish farmers being apparently quite as bad at account-keeping as our own.

The point, however, is one upon which definite conclusions ought to be reached, for if it should be found that in our efforts to increase our output of cereals we are increasing the cost of production of meat and dairy produce, the case for making the change is materially weakened. It may be suggested that if it is really more profitable to produce meat and dairy produce on arable land, self-interest would have led British farmers to adopt this system of agriculture. But the British farmer does not look at profits alone—or, rather, like other business men, he looks at net profits, not at gross profits. Arable land, as I have already said, needs more supervision than grass—that is, more work for the farmer himself—and in many cases he sets off the possible extra profits against the extra work and additional risks, and decides in favour of a smaller but more certain return and an easier life for himself. In addition, there is the extra capitalwhich is required, and which has not always been available.

The fundamental point, however, which must not be lost sight of, is whether there is the slightest chance in the near future of our being able to produce the wheat we require as cheaply as we can buy it, and if, by adopting non-economic methods now, we can build up a system of agriculture which will eventually be able to hold its own without artificial aids, and also supply us with much more of the food we require.

It will simplify the problem if I narrow it down to the question of wheat. In favour of our being able to produce more of the wheat we require as cheaply as we can buy it, it may be argued that forty years ago we produced a great deal more than we do now, and immediately before the war we produced one-fifth of our total wheat supply when the price was 32s. 9d. a quarter ; while again, an even larger amount of wheat was grown in 1894 when the price was only 22s. 10d., than in 1913. But, in reply to this it may be pointed out that in the past forty years large new wheat areas have been developed in different parts of the world, while the changes in cost of production have been until recently in favour of other countries as compared with the United Kingdom.

Again, the wheat grown in 1894 and 1913 was probably produced on the best land and under the most favourable conditions, and it

does not follow that it could have been produced at a profit under less favourable conditions on inferior land. Nor does it even follow that all the wheat produced was grown at a profit. The force of custom is strong where farming is concerned, and rotation schemes, together with the need for straw, may have made it worth while to grow wheat for low profits—or in some cases for no profits at all.

It is, however, clear that a considerable supply of wheat can be grown at a profit in the United Kingdon with very low prices without the aid of State subsidies, and of course if prices remain considerably above the 1913 price of 32s. 9d. a quarter, a larger supply of home-grown wheat could be produced at a profit, provided that the cost of production is not increased proportionately; but even then it is by no means certain whether we could produce as cheaply as some other countries. Australia is one of the most distant countries from which we import wheat, and although we only imported from Australia some twenty per cent. of our total imports of wheat from the whole of the Empire, owing to the high cost of transport from Australia, a comparison between the cost of Australian wheat and of wheat grown in this country is likely to be particularly favourable to the latter. In 1913, when we were only producing about 20 per cent. of our total wheat supply, when the price was 32s. 9d., the cost per quarter of Australian wheat delivered in Great Britain was 32s. 6d. The cost of carriage accounted for more than 25 per cent. of the total cost, and in addition the wheat was a better quality than English wheat.*

The average price for Australian wheat for the four years 1910-13 inclusive was 36s. 11d., which therefore allowed a fair margin of profit. Exact figures as to the cost of production of wheat in other countries are not available, but it is probable that countries lying within easier reach of our ports than Australia are at a still greater advantage with regard to supplying us with wheat than she is.

But what as to the future? It may be that the cost of production of wheat in other countries may increase, and that the growth of the populations of other nations may reduce the supply available for export to this country, so that it may become, not merely necessary but profitable for us to produce more of our food ourselves. When this time arrives, however, the change would come about naturally. The new demand for home-grown wheat would create the supply, and to adopt at the present time artificial means to bring about a state of things which would come about in the natural course of events, would appear to be a somewhat wasteful proceeding.

One other point in this connection remains to be mentioned. If it is more profitable to buy a large part of our food than to produce it, and if, notwithstanding this, we decide to produce instead of to buy, we shall gradually have to transfer some of our labour from manufactures to agriculture, and new capital will be diverted to agriculture—

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*For this information I am indebted to the Institute for Research in Agricultural Economics, University of Oxford.

that is, industry will be turned from a more to a less profitable channel The result will be a diminution in the national income—or at least, a less rapid increase than would have taken place had the change not been made. This at a time when we shall have an enormous debt to pay off, when large sums are needed for pensions for soldiers' widows and the disabled—in short, at a time when the most productive employment of labour and capital will be more than ever essential. There is no need to labour the point further; enough has been said to show that a subsidised agriculture will mean dearer food, and that neither the changes suggested nor the methods proposed for carrying them out can be justified on purely economic grounds.

I now turn to my second question—namely, if the change cannot be justified on economic grounds, whether it is desirable to adopt measures which are based on non-economic considerations—*i.e.*, whether it is desirable to "sacrifice opulence for defence."

That to be prepared for war is the only way to keep the peace is a doctrine which, in the minds of many people, the present war has done much to discredit; and there is probably much truth in the opposite view—namely, that to concentrate attention continually on the possibility of war is one of the surest ways of bringing it about. But against this, it may be argued that where any of the more powerful nations are making preparations for defence which can at any moment be used for purposes of offence, all the others are obliged to follow their lead; and it certainly seems improbable that any single nation is likely in the near future to reach such a high standard of morality as to abandon on pacifist grounds all military and naval defences while living in the midst of an armed world.

Assuming, then, that defensive measures will be regarded as indispensable during the coming years, the questions which naturally arise are whether an attempt to make ourselves more nearly self-sufficing with regard to food as a measure of defence is necessary, and whether it is not likely to turn attention away from military, naval, and other measures which are more strictly regarded as defensive.

To deal first with the second point: if we are to spend millions a year on armaments, surely these should be adequate for national safety without the imposition of an additional burden of dearer food as a defensive measure. Is it not better that steps should be taken to make an effective blockade impossible, and that we should know how much we are spending for that purpose, than that we should, by indirect means which are supposed to have economic advantages attached to them, attempt to make a possible blockade unavailing?

As to how far it is necessary to make ourselves more self-sufficing with regard to food for the sake of national security, much turns on the question as to the weapons with which future wars are likely to be waged. If we could be certain that the greatest danger to which we could be subjected in the next war was from a vigorous submarine campaign, some steps in the direction of making ourselves less dependent on overseas supplies would seem to be desirable. But the submarine

may become obsolete to-morrow, and the next war may find us with a subsidised agriculture as a protection against a danger which we should not have to encounter.

The importance of regularity of supply is a point which must not be overlooked. Hitherto we have obtained wheat, for instance, from a large number of countries, but a regular supply from very few; and when one source has failed us it has been all to the good that, owing to our free market, we have been able to turn to another. One of the main reasons why our supply from so many parts of the world is so irregular is that in all wheat-growing countries there are occasional bad harvests. There is a partial failure of our own harvests once in seven years on the average, and if we have ceased to draw any large part of our supplies from other countries, it will not be easy to do so again in an emergency. This of course, is not an argument against our attempting to make ourselves more self-sufficing as regards wheat, but it does suggest a further difficulty in the way of our being able to do so. If we narrow the area of supply, the supply is likely to be less regular.

A plan which has often been proposed—namely, the storing of wheat in national granaries, to be used in an emergency, might in some respects be more satisfactory than the subsidising of agriculture, for the stored wheat might be used even in normal times as a means of regularising the supply and also of steadying prices. But many of the objections I have already urged against a subsidised agriculture apply with equal force to national granaries.

The political results of our devoting our energies more to agriculture and less to manufacturing industries cannot be ignored. The countries from which we formerly imported food will have to find new markets for their products, and this may mean that commercial ties between some other countries and ourselves will be weakened, while they will be strengthened between our competitors. If we buy less wheat from Canada, for instance, it is possible that the United States with their growing population may take the Canadian supply, while the Canadians may take American manufactures in exchange instead of ours; and the closer commercial relations thus created may evenutally lead to a weakening of the political union between Canada and this country.

Of course to this it may be replied that it is not intended that our subsidised agriculture should make us absolutely self-sufficing, and that it might be so arranged as to make us self-sufficing as regards supplies from foreign countries, all the food we require being produced within the Empire. But here again we shall have to face the possibility of a failure of the harvest in the Dominions simultaneously with a failure at home. It is difficult to see, also, how this plan could be carried out without a tariff and a complicated system of preference; and it is still more difficult to see how a tariff giving a preference to imports from the various parts of the Empire could be successfully combined with any scheme for fixing minimum wheat prices in this country. The question of preference is too complicated for any adequate

discussion here, but it may be pointed out that if imperial wheat were admitted free, or given a preference as against supplies from other countries, agriculture might develop so rapidly in the self-governing Dominions and India that instead of importing four-fifths of our wheat from the rest of the world, as we did before the war, we might before long find ourselves importing four-fifths from the rest of the Empire—*i.e.*, we should still be importing the bulk of our supply from abroad—in which case our national security would be no more assured than before. In fact, it seems almost impossible to reconcile the policy of making the different parts of the Empire self-sufficing with regard to their food supply as a measure of defence, with the policy of drawing them more closely together by means of economic ties, for the greater the success obtained in making each part secure, the more disunited the Empire will become; while the more nearly we approach to an Empire united by economic ties the less must be the self-sufficiency of each of its parts.

It is by no means the object of this paper to decry all attempts to develop British agriculture so that it may become a more prosperous industry. My aim has been merely to consider how far it is necessary to introduce agricultural reforms on grounds of national safety, how far the plan of subsidising agriculture is likely to succeed in that object, and how far it is likely to be detrimental to the economic interests of the country as a whole. Are there no alternative policies with regard to our food supply that could be adopted? There appear to be two, and these it should be possible to combine: (1) The development of agriculture by economic means, and (2) Emigration.

There is no doubt whatever that our agriculture could be made far more productive than it is without resorting to any artificial methods for its development. Mr. A. D. Hall, an ardent advocate of a subsidised agriculture, writes as to this: "In every district certain farms stand out; and if the neighbouring holdings, with the same class of land and the same opportunities were only worked with equal intelligence and energy there would be no agricultural problem to discuss";* and again: "It is not too much to say that if the farming throughout Great Britain reached the standard, not of the best, but of the good farms existing in every district, there would be an increased production of food of from 10 per cent. to 15 per cent. without any addition to the existing proportion of arable land."† Why is it, one may well ask, that farming throughout Great Britain does not reach the standard of the good farmers existing in every district? The reasons are to be found mainly in the fact that farming is not as a general rule seriously treated as a business, in the neglect of science, and in the inadequacy of agricultural education. It seems unlikely that agriculture will ever become really prosperous in Great Britain until the farm is run more on the lines of other businesses—until industrial farms on a large

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*Agriculture after the War, p. 27.

†Agriculture after the War, p. 100.

scale, with up-to-date machinery, with highly-trained managers, and with labour organised in strong trade unions and living under decent conditions, have superseded small farms run on obsolete and old-fashiond lines.*

Mr. Middleton's Report on "The Recent Development of German Agriculture" has attracted a good deal of attention of late, but one fact which it reveals—namely, that in 1910 the total expenditure on agricultural instruction in Prussia was about £484,000, while the total expenditure in England and Wales in 1910-11 was about £117,000—appears to have been hardly noticed.† A larger expenditure on agricultural education would probably be of far more benefit to agriculture and to the nation in the long run than any that is likely to be derived from the manipulation of prices.

Whether farming should become a national industry, whether large-scale industrial farms should be owned and controlled by the State or municipalities, or whether they should be left in private hands, is a question which it would take too long to discuss here, and I must content myself with merely stating the lines upon which, as it seems to me, reform should proceed, leaving questions of administration on one side.

Of course the reforms which are here suggested cannot be brought about in a day, and if a largely increased output of agricultural produce is required immediately, other measures will have to be adopted; but on Mr. Hall's own showing, when times once more become normal large agricultural developments are possible without the necessity of making any great demands upon the taxpayer, or without involving disturbance to other industries, or changes in our commercial policy.

I have so far considered the question from the side of supply, but it is possible also to look at it from the side of demand. It may turn out to be wiser to diminish the demand for home-grown food than to attempt an increase in the supply by non-economic means; and emigration would tend to bring about this result. There are great possibilities of agricultural development in the self-governing Dominions—far greater than in this country. But development in the Dominions will be slow unless the supply of labour there can be largely increased. This country could, after the war, doubtless supply much of the labour that is needed, and it is at any rate arguable that cheaper and better food might be grown for the mother country by British labour in the Dominions than by British labour at home.

There are, no doubt, serious objections to emigration, and the cry of: "Surely there is room on the land in the old country for those who are willing to work" may very naturally be raised. But it is possible that the development of agriculture at home could go on

*For a fuller discussion of the policy of industrialised farming, see "*Some Problems of Urban and Rural Industry*" (published by Ruskin College), Paper entitled "The Place of Agriculture in Industry," by C. S. Orwin, also Speech by Arthur W. Ashby (p. 89).

†"*The Recent Development of German Agriculture*" (T. H. Middleton), p. 26.

side by side with the development of agriculture in the Dominions by means of emigration. There is much to be said in favour of a larger rural population in this country, on social and other grounds; but it will not merely be wasteful, but disastrous, to put men on to the land without reference to the amount which it is possible for them to produce. The output of an acre of land may be increased by doubling the number of men who are working upon it, but the chances are that the output will not be doubled, and unless it is doubled, the output per man will have diminished, and those working upon it prior to the change will be poorer than before.

An increase in the number of small holdings may be desirable apart from economic considerations, because there are numbers of men who can live happy lives spent mainly in hard work on small pieces of land, obtaining but meagre returns, and there is no reason why small holdings on a considerable scale should not exist side by side with large industrial farms. But for the young man with energy and enterprise agriculture in Canada might offer both a better life and larger returns for his labour than he could hope for on a small holding at home.

Emigration, it may be said, means leaving friends and old associations, and the breaking of family ties. But, on the other hand, how often do the young men and women who leave their native villages in rural England for work in our industrial towns return to their homes? It really might not make very much difference in this respect whether a boy from Somersetshire settled in a Lancashire town or on a Canadian farm; and with the improvements in travelling facilities which are likely to take place in the near future, it may become almost as easy for him to return to his native village from Canada, as it was, not so very long ago, for him to take the journey from the North of England

I am not in any sense writing as an advocate of emigration, but it seemed worth while to point out that it is, at any rate, a possible alternative to the policy of increasing our home-grown food with the aid of non-economic devices.

If the nation should decide against emigration and in favour of encouraging young men and women to remain in the mother-country, the question arises as to whether it is necessary or desirable that more than threequarters of the population of England and Wales should live in towns and less than a quarter in the country.* I have already shown that to draw more men into agriculture than the industry requires would be disastrous; but while we may not want more men on the land, we certainly want more people in the country; and a distinction should be drawn between the cry of "Back to the land" and the cry of "Back to the country." The opinion appears to be widely held that agriculture is practically the only industry which can successfully be carried on in the country. But is this so? Why should

*Urban population: 78.1 per cent.; Rural population: 21.9 per cent. (Census for England and Wales, 1911).

we not spread out our industries instead of keeping them, and the people whom they employ, cooped up in unlovely towns? Could not buttons and bedsteads be made just as well in the Warwickshire villages as in Birmingham? Is it essential that boots should be manufactured in Northampton and in the East End of London? Could not a great deal of our clothing be produced in the country districts?—and could not agricultural machinery be made in the midst of the industry where it is used?—to take a few examples. In fact there are probably very few industries which it would be impossible to carry on quite successfully in the country.

There are two obvious difficulties—coal and transport. But the one could be overcome by a more extended use of electricity—by means of large electric power stations, placed as far as practicable in the neighbourhood of the coal mines,* and the other by light railways and motor services and improved organisation of our railway system.

The development of agriculture on the lines I have already suggested will of itself not be sufficient to keep young men and women of enterprise from seeking work in the towns, and the only way to prevent this, as it seems to me, is to bring into the country some of what is best in town life—some of the amusements, the larger choice of occupations, the opportunities of self-development and social intercourse, which are in a great measure denied to country dwellers. An industrial population working side by side with those who work on the land would both confer and receive benefits. The monotony of the life of the agricultural labourers would be relieved, while those engaged in manufacture would gain in health and physique. Agriculture itself would also gain, for many of the industrial population would turn to agriculture as an interest in their leisure hours. The English people are, after all, an out-of-door race, lovers of country sports and of the country. The most inveterate townsmen love flowers, and do their best to obtain even the smallest strip of garden.

But I am certain to be told that my scheme will entirely destroy the beauty of the country and the charm of country life. No such thing, however, need be the result of the changes I have in mind; for, as Mr. Hartley Withers has said: "We might imagine England one vast Garden City, dotted over with factories, each of which might be as beautiful as a cathedral, embowered and surrounded by fruit trees and gardens, in which a highly educated and technically trained population would work for five or six hours a day, and spend the rest of their time in intellectual leisure and healthy exercise and home life under ideally happy conditions."† This is, of course, an idealistic picture, but it is surely well to have an ideal before us.

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*For the possibilities of the application of electricity to industry, see "*The Nation's Wealth,*" by L. G. Chiozza Money, Chap. XII.

†"*The Unity of Western Civilisation,*" edited by F. S. Marvin, p. 219.

I have wandered far from the subject of national defence and a subsidised agriculture; but to many of those who advocate a subsidised agriculture as a means of defence the idea is attractive because they think it will be possible to combine with it the bringing back of the people to the land. My object has been to show that there is another way in which this can be brought about. The immediate question which we have to discuss, however, is whether we wish to subsidise agriculture for the sake of national security in the future. If, when peace comes, we find that the world is in such a state as to make it appear that future wars are inevitable, then we shall decide to adopt a "nationalist" policy, but we must be prepared to pay the price with little certainty that we shall gain the security for which we have paid. If, however, we find that the nations are drawing together in the interests of the peace of the world, and that the world is likely to become a place in which democracies can live together and work in harmony for the welfare of mankind, then we shall develop our agriculture without reference to the possibilities of future wars, and shape our commercial policy in such a way, that it may help to bring about the most advantageous division of labour amongst the nations, with the freest possible exchange of goods and services between their peoples.

In speaking on his paper, Mr. Sanderson Furniss said that the conference would naturally involve a good deal of discussion on commercial policy, for commercial policy was the point around which international relations and economics might be said to meet, and he had thought it worth while to restate once again the principles upon which our commercial policy before the war was believed to be based, and some conflicting theories of foreign trade, namely, the theory of Free Trade and the theory of Protection. He intended the first seven pages of his paper to be as much an introduction to the conference as an introduction to the paper itself.

While political and ethical arguments, which must be considered, would be brought forward in support of a change of policy, it was important to keep the economic point of view well in the foreground. The fiscal controversy was not dead, though it might have moved on to a somewhat different plane. There were still people who approached the question from two entirely different standpoints, from what he had called in the paper the national and the international points of view. The objects aimed at might have something in common, but the method of approach was different.

The main argument of the paper was suggested by the question as to whether it was desirable to subsidise agriculture so that it might be developed as a means of defence in a national crisis, or whether we should continue to trust to being able to keep the seas open by ordinary methods of defence. The question was not merely one of national expenditure—many other factors had to be taken into consideration. The speaker then summarised the main points of his paper, and suggested several

questions for discussion. He wished to make it quite clear that he distinguished carefully between changes which were proposed for the purposes of the war, and changes which were intended, in some quarters, to become part of the industrial policy of the nation.

In expanding one or two points, he asked whether we were quite certain that the fixing of minimum prices for wheat and oats, as had been done in the Corn Production Act, was really the best way of getting the extra supply of food that we required. Might not fixed prices remove a stimulus to production and perpetuate old-fashioned and obsolete methods ? This was an important matter, and especially in connection with farming.

Again, was it quite certain that to make ourselves self-sufficing with regard to food would really be a guarantee of winning wars in the future ? Was it not the case that what success we had had in this war had been mainly due to our surplus wealth—for the most part the product of our manufacturing industries ? The countries which had shown the greatest staying power during the war were those whose manufactures were highly developed, and not agricultural countries. He would be told that Germany had developed both manufactures and agriculture, and this was, to some extent, true. But Germany had only done so by placing a great strain upon her people, and surely after the war we should not wish to emulate Germany in her military preparations.

With regard to the suggestions at the end of the paper, they were not, strictly speaking, alternatives to the development of agriculture as a means of defence, but he believed that it was possible to realise many of the objects of those who were in favour of a subsidised agriculture, by other and less objectionable methods.

If a future war was regarded as inevitable, we should probably be driven into some policy which was not economically the most advantageous. In that case, let us know what we were about. The answers to all these questions depended on our faith in the future, and on the kind of place we intended the world to be when this struggle was over.

QUESTIONS.

Question : Would it not be more correct to say that the Navy is maintained not so much for the protection of transport and national trade but for the protection of the country as such ?

Answer : I suppose it is intended for both. But when we talk of increasing our Navy we lay stress on the importance of protecting our trade.

Question : With regard to emigration, which the speaker advocated, would the lecturer consider it economically good ? The reason for emigration of the agriculturalist in the past was wages and depression

in their class of occupation. He argues that people should be taken back to the country. How would he do that while the magnet of the bigger shilling exists in the towns? It is this that draws them away.

Answer: I only suggest emigration as an alternative. If you think it best not to bother about increasing the supply of food here, you could get over the difficulties by diminishing the demand for it by having fewer mouths to feed, *i.e.*, by sending some of your people to grow corn in the colonies. There is a great deal to be said for emigration from some points of view. The agriculturalist has a better chance of making a livelihood in the Colonies, and, as a rule, a better life before him. As to bringing men back into the country, I am not sure that the speaker has quite understood my point. I want to distinguish between bringing them back to the land and back to the country. There are many industries besides agriculture that could be quite well run in the country, and it would be a good thing for the townsmen to work in the country and certainly a good thing for the country people. It is quite hopeless to try to bring people out of the towns to work at agriculture under present conditions.

Question: Would it not be better for the happiness and well-being of the country if more people were brought on to the land rather than into manufacturing industry?

Answer: I am not at all sure about that. It depends largely on what they can get out of the land. It is no good putting too many men on the land if they cannot produce enough to keep themselves; or too many people to provide the food you want. In the same way, you may have too many people in a factory. I think it would be a good thing for other industries to be introduced into the country: it would add a good deal to the happiness of the life both of the townsman and the country people they find there.

Question: The lecturer seems to suggest that there are too many people on the land. I think there are not sufficient. If there were more houses built, people would come back to the land. If that could be done, cultivation would be greatly intensified. Belgium can produce close upon twice as much per acre than in this country, because people are on the land to cultivate it. Could we not intensify our cultivation much more in this country if at least double the number of men were on the land?

Answer: We might do with more people on the land, but I do not think we should do good by doubling the number. You have to look at the output per *man*, rather than the output per acre. You may double the people, but unless you can at the same time double the output *per man*, the people are poorer. That is one of the difficulties you are up against. You cannot increase the number of people on the land indefinitely. I should think if you developed agriculture on the lines I suggest, you might increase the number of men to some

extent; but, on the other hand, it is possible that if you get more up-to-date machinery and more scientific farming, you would get a considerable increase of food without much increase of men on the land. I have no objection to more people if they are needed.

Question: Would it not be better for the Government to give us better facilities for having small holdings, where men when they are getting on in years could maintain themselves and help to maintain the people at large?

Answer: Small holdings for townsmen would be a very good thing; and if you can get the townspeople to go into the country, you could develop the small holding policy as supplementary to industrial farming; but I am not at all certain that the small holding policy as it is being run at present is going to be a very great success. Small holdings, as they are at present, generally mean very hard work for a man and, probably for his wife and children too, for very small results. There should be small holdings for the people who like that sort of life, and also for special things like fruit and vegetables. I do not think you will ever get agriculture developed successfully over all the country on the small holding plan.

Question: If small holdings were developed you would require buildings for the people to live in. The Government do nothing in that direction in the rural districts. The reason given is that it does not pay. If we had more men on the land, what would that add to the cost of production?

Answer: If you have more people on the land, you will want more houses, and this would mean increase in cost of production of food. I think that would be quite justified if you found you wanted more people for agriculture. The same thing applies to towns: if you want more people, you have to enlarge the town. I do not think that would be a reason for not doing it if it was desired to develop agriculture in that way.

Question: Does the lecturer believe it is economically sound to establish factories in the country? Is not centralisation far better than decentralisation, seeing that one industry is so dependent upon another?

Answer: I think it economically sound if we increase the well-being of the population. (I do not want to narrow economics down to pure material well-being.) Improved transport and light railways, motor services, and extended railway services would do away with the difficulty of decentralisation—run your factories by electricity instead of coal. I think this could be done; and, if it would result in a healthier and happier population, I think it would be justified; and if you could get rid of some of the squalor of the slums of the industrial towns in that way, it would be fully justified.

Question : If the land were owned by the State, would not these difficulties disappear altogether ?

Answer : I am not at all sure about that. I should like to see the land owned by the State, but I am not sanguine about all the difficulties.

Question : Could we not increase our food supply, especially of necessary articles, to be almost self-sufficing, and at the same time increase our other industries ?

Answer : I think you can do both. As I said in the paper, you can largely increase agriculture by developing along economic lines. If you go beyond that, if you try to go as far as to make yourself self-sufficing in a national crisis, as has been suggested by people like A. D. Hall, I think you will only do it by sacrificing some of your manufactures.

Question : The lecturer said subsidised agriculture means dearer food. What does he mean by that ? Does he mean that the cost to the consumer will be greater or that the cost of production is greater, as it may be that the prices of agricultural products is not necessarily affected by the subsidy ; the price would be fixed by the international markets of the world ?

Answer : By dearer food I mean that if we are going to try to make ourselves self-sufficing as regards food, or more or less so, and going to shut off supplies from abroad or from cheaper sources, and produce it from a dearer source, you are going to produce it at a greater cost than you can buy it, which really means dearer food. You would probably get also higher prices because you would stop foreign supplies.

Question : Would the extra cost of the subsidy affect the price to the consumer ?

Answer : It would not directly affect the price, but the consumer would pay it through taxation.

DISCUSSION.

MR. A. E. MABBS (Coventry Trades Council) :—

It seems to me we have to look at this question from one or two points of view. First we have to consider whether it is necessary to provide a greater food supply sufficient to be able to rely upon it more or less in time of war. We do not get over the difficulty by merely saying that possibly the submarine may not be so effective in the next war, and possibly our crops may be burnt from above. That may be the case ; but, on the other hand, the submarine may be more effective,

so much so that we may be cut off. In that case you would have to rely upon the supply of food in this country, or else give in altogether. That seems obvious ; and as no one can say definitely what may happen, it is the absolute duty of the people to provide in some way for a supply of food stuff in time of war. It is absolutely necessary for the safety of the country to take measures in this respect. The policy which has been suggested is that of subsidising agriculture ; but is this the proper policy ? To my mind subsidies are always bad, and you could not give subsidies to worse people than the farmers, because you have no guarantee that production will be increased, and that is the aim in view. I am inclined to think that the greater ease with which the farmer can get his money, the less likely he would be to produce more ; and it seems to me that the best method would have been not to subsidise the farming industry, but to have started experimental State farms, which might be temporarily subsidised by the Government, or—far better—provided with all the capital necessary to work the ground so as to get the very best results. I am absolutely convinced that the question of small holdings is as dead as it can be. What we want is the application of brains, science, and education to the land of this country, and then I believe it will be possible to produce an enormously greater amount of food than we do at the present time. Quite apart from the question of increasing food with a view to a future war, I am inclined to think that the question would have arisen in course of time. It is very nice to say that you are getting your food supplies from other countries, but, after all, the time must come, some time or other, when the population of those countries will need larger and larger proportions of the food grown in their own countries for their own consumption. The United States used to be very much larger exporters of corn than they are now, and it is estimated that in a very short time the United States will be importers, and not exporters, due largely to the increasing population. This is partly due to the drawing off of the population from agriculture into other industries, which have been so successfully run by the United States ; and what is true of America will also be true of the Colonies. Although you can say there are other portions of the world where enormous amounts of wheat could be grown, such as Russia, we shall find that development goes on in the various countries of the world not merely in agriculture, but that, side by side with this, manufacturing industries are being continually introduced. In the Colonies, as well as at home, the glitter of the town, quite apart from increased remuneration, seems to be an exceedingly powerful factor in determining whether men shall live in the town or in the country, and it seems to me that probably this problem will have to be faced by every country in the world. The only way in which you can get over the glitter of the town is to nationalise the land, although you have difficulties there. You have to have the land owned by the State and controlled by some authority which shall be responsible to the Government. Then you will be able to get, as Mr. Orwin pointed out at Bradford, a more skilled man even than you have on the land at the present

time. By means of light railways, etc., instead of a few isolated houses here and there without any chance of association, the people could live in areas of considerable size, big enough at any rate to bring some of the attractions of life to which we are so accustomed in the city to these places, and thus the attraction of town life would be diminished. Those are the lines on which we must work.

As regards small holdings, most of us when we have to give up our avocations in which we are employed would make very bad small-holders, because they have to work very, very hard. What we do want is a greater production of the necessities of life; and it does not matter to us where these come from. The great problem is the greater production of wealth—to produce more—so long as the distribution is equitable. In this question of the supply of food it is necessary to get more people on to the land, and also from the point of view of national well-being and health it is absolutely imperative to get more people on the land. A few years ago it was stated that you could never get a fourth generation of Cockney, as they had died out by that time. We have been using up the life of the people to become the workshop of the world. The lecturer's idea seems to be that we ought to be the workshop of the world, but he wants the conditions bettered: he wants the workshop to have a back garden. I don't believe that you will simply revive the health and vitality of the people by taking them back into the country and having manufactures there. I believe that there is something in the land itself that gives a greater vitality to the people that work on it, and therefore from the point of view of health this is absolutely necessary.

If you go into the manufacturing districts to-day you find that the average height is now 5 feet 2, or 5 feet 3, due entirely to the concentration of town life and to the unhealthy conditions under which people live. You then go to Suffolk and the south-west of England, and you see the kind of men who used to be in Lancashire—5 feet 9 or 10—and it is nothing unusual to see men of six feet. With reference to emigration: emigration is very nice for those who like it, and I want to see a condition of affairs so that anyone who does not like it need not emigrate, and because of that I want to give the people in this country the opportunity of becoming agriculturalists in this country. If they prefer to go elsewhere, I have no objection; but emigration should be voluntary emigration, and I want to say that the great majority of those who have gone abroad from this country in the past have not gone voluntarily, but because economic circumstances have practically forced them out of the country, and that is not the sort of emigration we want, because, as far as possible, it is always desirable that people should be able to do that which they desire in order that they may have a chance of being happy. I do not welcome the idea of emigration, because as a general rule those people who emigrate are the people with the greatest amount of kick, and these are the people I want in the country—the people who brace up the working-

class to have some greater desires and conceptions of what life might be. The proof that the best have gone out of the country is the fact that when they come back they are not treated the same. They do not treat a Colonial soldier the same way as they do the English "Tommy." In the train to-day there were some Colonials, who stated that it was disgraceful that the Colonial should be treated better than the "Tommy." They are better treated because they have the kick—they are not content to put up with the conditions of life of our people. They have better conditions, and the authorities recognise that they have to make better conditions for the Colonial than for the English soldier, although the greater proportion are Englishmen.

Mr. Furniss finished up by saying that after all the question we have to consider is what sort of a world we want: this is a very good thing to consider, and I hope we shall always consider it. But, side by side with the world you want, you have to put a worse world which you may get by neglecting the possibilities of making this one better. We as individuals desire that there should be peace, and that everything should be produced in those countries where it is best to produce it. This is an ideal which I believe we are working towards, but at the same time we have to realise that there are other things to be thought of, the possibility of the democratic countries of the world going under and being overcome by the autocratic spirit of those who desire the suppression of all democracy, both here and abroad. We have to remember the dangers of the starvation of this country and I believe, for the reasons I have explained, that it is absolutely necessary to produce in this country a far greater quantity of food than we have produced in the past. I believe also that a larger agricultural population is desirable for the sake of the health of the nation.

GENERAL DISCUSSION.

Mr. George Wilson (Huddersfield Industrial Society, Education Committee): No one could have read this paper without being convinced that we shall have to have some different arrangement in our fiscal system; but I believe in the co-operative movement, which is a protection against profiteers. It has always been thought that a policy which is good for the individual is good for the nation, but that has been proved to be quite false and unsatisfactory. I also believe that in the interests of national health our agriculture should be more fully developed than it has been in the past. There are quite a number of questions, but they can be resolved into one: What sort of a nation do we want? We want better conditions than we have ever had before, a more virile nation, more healthy men, women, and children—and one way of getting these is to develop agriculture more scientifically.

Mr. Straker (Northumberland Miners): I, too, want more food produced in this country, not as a protection against war, but as a provision for the people during peace. On page 12, Mr. Furniss refers to tariffs as a means of defence, and calls attention to a remarkable fact, that "in spite of the machinery that has been devised for facilitating foreign trade . . . . . the nations have vied with one another in erecting barriers in the form of tariffs." The explanation for it (he says) is to be found mainly in the pursuit of national interests. I do not agree that that is the explanation. I believe the explanation is not that tariffs have been in the interests of nations, but rather in the interests of persons. I think when we look at the profiteering that is going on during the present crisis, I am justified in saying that these men have set their personal interests above the interests of the nation, and at the present time it is possible they are exploiting our feelings against Germany for the purpose of getting tariff reform established in this country in their own interest, and not in the interest of the nation. However, it is proposed that a fiscal arrangement with our Allies shall be established, and at the same time a tariff established for the purpose of increasing production at home, against a possible blockade of this country. If we have a fiscal arrangement based on friendship with our present Allies, we need not think of a possible blockade of this island; but if we fear a blockade, then it is because we are afraid of our Allies. Is it ever likely that we shall have such a combination of nations against us as would make a blockade of this country at all possible? If a blockade were to take place, we could not possibly be self-supporting for any great length of time. The only wise policy, therefore, is in that League of Nations which there is so much talk about. But to get a League of Nations it is necessary that the peoples should be united in International Trade Unions.

A Delegate: If we agree that the real necessity of the times is the cultivation of a greater food supply, we ought to recognise that this cultivation is being left in the hands of private enterprise. If the food supply of the country is of such vital interest, we should have the land under State ownership and State control. For many years past we have had in this country State experimental farms. I think that the time of experiment is over, and we ought at once to get the best men on to the land. What we want is specialisation of production, and we can only get that when we get the land under State ownership and the men trained. This is the real question.

Mr. Jesse Argyle (Club and Institute Union): I confess that I am not one who believes that this terrible war is going to be the last: war begets war, and man is a fighting animal. I think that we in this country would be very foolish indeed if we did not take advantage of the lesson of the present war to be prepared for

another. Any hope now of universal free trade that we used to talk about is a mere idle dream. The bitterness between nations will be too great for many years to come to allow of that. There will possibly be free trade with the Allies, but there again there are grave difficulties. To come to our own Empire, there is a great likelihood that we shall get, if not absolute free trade, something very closely approaching to it; and when you get to that position it will be found, as in the past, that our Colonies are in a much better position to supply us with the great bulk of our food than we are to grow it ourselves, and it will be found in the best interests of all that they should continue to supply us with the bulk of our food while we supply them with manufactured goods. How then are we to bring this about, and yet also have security for our food supply in a future war, because it has got to come over the seas? The lecturer thinks that something may be done which will get rid of the menace of the submarine. It seems to me equally probable that the menace may be even greater than it is, and so we have to find some means by which we shall always have a reserve stock of food here. I have considerable faith myself in what the lecturer only very lightly touched on in one small paragraph—*i.e.*, in national granaries. Why the subject has been so ignored in the past is more than I can understand. The idea is simply that the Government should build a number of these granaries and store sufficient corn to supply our needs for at least twelve months or longer. This could easily be done because, although I do not believe that war will be done away with, I believe there will be a few years of peace when this war is at an end, and supposing that interval were five or ten years, there would be ample time for the Government to build the granaries and stock them gradually with the year's food supply without interfering in any appreciable degree with the ordinary course of trade. Thus, we should do away with the necessity of subsidising industry, which is very bad indeed, and to a considerable extent with dearer food, because we should always have this reserve which the Government could use if we were being unfairly dealt with. It could be distributed by being gradually put on the market at the end of each year, so that year by year there would be a stock of new food in store, and that, with the supplies which would be in the hands of private owners in the ordinary course of trade, would, I believe, give us a sufficient reserve, so that we should have confidence and thus be able to develop in the best way the trade of the Empire.

Mr. F. A. Thomas (Royal Arsenal Co-operative Society): I think we all agree on the necessity of increasing our food supply; but what I am particularly concerned with is how it is going to be done. Possibly we all agree on the nationalisation plan; but I am keenly interested in the question of how you are going to keep the people on the land when it has been nationalised. Some of the speakers seem to think that nationalisation is the be-all and end-all. I want to know, having

got the men on the land, having introduced your most scientific methods, trained your men in colleges, got your people going on co-operative lines so far as machinery and transport and so on is concerned—what you are going to do to reconcile the consumer and the producer? This problem seems to be almost insoluble. I expect it is common knowledge that the Board of Agriculture, through the agricultural organisations and the farmers' organisations, advises the farmers by telegram as to the best markets and, in short, trustifies agriculture all over the country, but it does nothing to reconcile the producer with the consumer, and this is the great problem of the future. If the agriculturalist is simply going to get higher prices, we, as consumers, are still going to be left "in the cart." The problem is dealt with by the Co-operative Wholesale Society, inasmuch as they have gone in for farming, and inasmuch as they distribute the profits among the consumers, but that does not deal with the interest of the producer, and it appears to me that in the future we must get those two things working in harmony. I do not know how the problem is to be solved. Perhaps it could be done by a system of profit-sharing for the agriculturalist and treating the consumer on co-operative lines.

Mr. E. J. Naylor (London Society of Compositors): There have been one or two questions introduced which appear to be outside the problems raised by Mr. Furniss in his paper. I suppose if a vote were taken it would be found that we were all in favour of State ownership, and possibly the lecturer would agree to that; but he is dealing with the problem as it presents itself. We have capitalistic governments and capitalism ruling in all parts of the world, and the question he puts to us is: Will it be better for us to forsake the principles of free trade which have, after all, allowed this country to develop on certain lines, or whether the war, and the conditions set up by the war, have brought about a change with regard to our intentions or desires on the fiscal question? One point not already touched upon is the problem of the consumer as such. The consumer, of course, is the largest class in the community, because we are all consumers; and, as a Trade Unionist, I naturally applied the test as to what effect any change in our fiscal system or in our method of international exchange of commodities, either of agriculture or of manufactured articles, would have upon the wages of the men I represent. Wages, of course, are only a measure of what can be bought, and if by a change in the fiscal system you are going to increase the cost of living, to the extent of the taxes and possibly more than that, then you are bound to admit that wages are being reduced to that extent. Therefore I look twice at any proposal which will have that effect, and it has been demonstrated that this will be the effect in the event of the Government coming to the conclusion that it is necessary for a change to be made in our fiscal system. One speaker referred to the fact that it may be possible to get a system of free trade with the colonies to the exclusion of other countries. That will not increase the amount of agricultural produce

grown in this country. We all know that preferential duties for the colonies do not protect the English farmer, because he cannot stand up against the competition of the colonies. After all, is it not possible that we are making too much of the scarcity of food, even in war time? After three years we can still get a good square meal: let us be careful lest we set up a bogey. This country has been able to maintain its food supply far better than other countries which have had tariff reform. Is it wise, is it politic in the working-class interest, to adopt a change of the fiscal system that will mean increased cost of food? More agricultural produce could be grown in this country, but what value is that to the working-class of the country if they have to pay more for it?

Mr. Sanderson Furniss' Reply.

I should like to thank Mr. Mabbs for kindly undertaking to open the discussion at such short notice, and also for the very great attention with which he has honoured my paper. In many respects Mr. Mabbs and I are at one. He wants to see agriculture developed in this country: so do I. He does not like subsidised agriculture: nor do I. As to the possibility of future war, he thinks that we must be prepared for this, and must take steps in regard to our food supply. I do not think I take quite such a gloomy view with regard to future wars as Mr. Mabbs or Mr. Argyle. If we are going to concentrate our energies on preparations for the next war, I am not at all sure that life will be worth living. I am therefore willing to take risks, and I am not prepared, without a great deal of convincing, to accept measures which will, I think, involve heavy sacrifices on the part of the people of this country. I am not at all sure about a subsidised agriculture giving us the protection we are aiming at, nor am I sure that we are going to get the food we want to make ourselves self-sufficing in a crisis, by any such measure; and I doubt also whether that is the kind of defence we really require. Therefore, as I say, I am willing to take risks, and develop agriculture as far as we can on what I call economic lines, without subsidies, and without putting undue burdens on the great mass of the population. If our farms can be improved and the farmers induced to farm more scientifically, let them do so, and let us do all we can to persuade them; educate the agriculturalist more, and so on, but do not let us make large sacrifices at a time when the country will be extremely poor, for what may be, after all, merely a will o' the wisp. As to the question about the people coming back to the land, Mr. Mabbs thinks that there is too much attraction in town life, and also that in the country it is the actual work on the land which is the good thing, and not work in other industries. I feel pretty certain that you will not get the people back to the land merely for agriculture. "Back to the land" is a hopeless cry. You won't get people back under present conditions, and I don't want them to go back under those conditions. The only way in which you can get them back is

by creating a new life in the country, and that you can only do by getting some of the interests of the town into the country. You have to take some of the town life—the social and educational opportunities—into the rural districts. Mr. Straker suggests an amendment on page 12, with regard to my explanation of Protection, and I gladly accept that amendment: Protection is certainly due to the belief of certain persons as to the importance of national interest. Mr. Thomas asks how I reconcile the interests of producers and consumers. I doubt if these ever can be entirely reconciled, but at any rate you won't persuade the consumer that they are reconciled by giving subsidies to producers.

SECOND SESSION.

THE INFLUENCE OF THE WAR ON COMMERCIAL POLICY.

By EDWIN CANNAN, M.A., LL.D.
(*Professor of Political Economy in the University of London*).

As time goes on, commercial policy becomes more and more controlled by considerations of employment, the dominating idea being the increasing of employment or at least the prevention of its decrease. Unfortunately, it is usual to regard every diminution of employment in any trade as an evil, and we cannot usefully approach the subject of commercial policy without some preliminary examination of this opinion.

When we work directly for ourselves we welcome with joy methods and appliances which reduce the labour of obtaining any particular article, even if we want little or no more of the article than we have been getting. Just now, we all garden for ourselves, and know how nice it is to get a more effective tool or to learn of some method which saves labour in digging or hoeing. We do not regret the lost labour. Nor do we make reservations in favour of skilled labour: we cheerfully scrap our laboriously acquired talents if they are rendered unnecessary by the discovery of new methods or implements. The situation is obviously the same whenever a number of people co-operate consciously. There is no reason to suppose that a purely communistic society would have the slightest objection to adopting labour-saving methods or appliances: the labour saved would be regarded as a pure gain, since, if little or no more of the article produced by it is required, it can be applied in other directions, with the result of an increased total of desirable results, or it could be simply abandoned in favour of greater leisure.

But when we co-operate unconsciously by way of selling our own products and buying those of other people with the proceeds, changes in the direction of labour-saving generally have an unpleasant side. It may happen, of course, that the demand for the article is so elastic that when its production is made twice as easy and the price falls to one-half of what it was, a double quantity will be sold. In that case, no inconvenience will be felt: there will be no reduction of employment in producing the article. People are apt to think that this should always be so, but in fact, of course, the demand for most things is not and cannot be so elastic. It is much more usual for the demand to

be such that an increase of production proportionate to the reduction of labour will cause such a fall of price that there will be less available for the remuneration of the labour, so that if all the previous workers insist on continuing, their position will be worsened; the same number can only be employed if they submit to reduced earnings; otherwise some must be excluded, which of course involves hardship, or at the very least inconvenience, varying in degree chiefly with the suddenness of the change. There is, of course, nothing exceptional or anomalous in this. In the case of an individual producing things for himself, a transfer of labour from one kind of production to another can be effected without inconvenience or hardship by the exercise of the sovereign power wielded by his brain. In the case of a communistic society transfers of labour from one occupation to another would be effected similarly without hardship to the persons concerned by simple decree of the labour ministry or whatever department of government was entrusted with the distribution of individuals between employments. But in society as we have it, people are attracted into employments and deterred from joining them, kept in them and driven out of them, by the different and changing comparative advantages which they offer as means of earning a living.

Recognition of this hardship is of course the most substantial cause of the sympathy which is widely felt with those who resist labour-saving methods and appliances. But the whole of the dislike for reductions of particular kinds of employment which prevails cannot be thus accounted for. Much of it comes simply from a fundamental misconception which leads people to suppose that labour itself is wanted instead of merely the things which labour produces, and which are not wanted because labour produces them, but are produced by labour because they are wanted. The habit of talking of each particular industry as "supporting" or "maintaining" those who follow it leads people insensibly into the belief that the industry directly supports or maintains those who follow it in such wise that a diminution in its amount would diminish the whole society's means of maintaining its numbers. If we say that boot-making supports bootmakers, we are apt to fall into thinking that if we grew boots with as little trouble as fingernails and with no more nourishment than at present, society, to be as well off as it is, would have to be less numerous by the whole number of persons employed in bootmaking. With some muddle of this kind in our minds we become inclined to regard every "expansion of industry" (in the sense of more labour being devoted to any particular kind of production) as a good, and every contraction as an evil. We are prone to rejoice indiscriminately over every increase of numbers employed in any trade, and to mourn indiscriminately over every decrease. We even sometimes go further, and rejoice not only over an absolute increase of numbers but over an increasing percentage of the whole number being employed in a trade, while at the same time, in defiance of elementary arithmetic, we mourn over a decreasing percentage employed in another trade! The stock example is

agriculture. Throughout history increasing knowledge and civilisation have enabled mankind to get the raw materials supplied by the surface of the earth for human food and clothing with greater and greater ease, so that a larger proportion of human labour time has been gradually made available for working up that raw material into more refined forms. Labour being divided, the diminution in the proportion of the labour time required for providing the coarsest necessaries of life has naturally meant a diminution in the proportion of the whole population which has to be employed in agriculture, and a setting free of a larger proportion for supplying other and more refined wants. Yet when has mankind been without weeping and wailing over "the decay of agriculture"? The greatest sign of human progress has been constantly treated as something to be deplored and, if possible, prevented.

If progress, when it requires absolute or comparative reductions in the number of persons employed in particular trades, affected all countries equally, there would be much less resistance to these reductions. The ordinary person generally knows little of what is going on in other countries, and constantly assumes unconsciously that a change which he sees proceeding in his own country is not in fact going on in other countries. But he can be told, and it is often a great comfort to him when he is certain that some symptom indicates that his own country is going to the dogs, if he can be assured that other countries show the same symptoms in equal degree. But of course progress does not affect countries equally, and consequently we have not only redistribution of mankind between different occupations, but also redistribution of the persons following each particular occupation between the various countries. Invention of new methods of transport, coupled with the more general provision—by accumulation of capital—of the material machinery required to utilise the invention, is the most obvious of such causes. It has made it possible and desirable to redistribute agriculturists and manufacturers, reducing the proportion of agriculturists and raising that of manufacturers in the old countries, while not doing so or not doing so in the same degree in the new countries.

But changes in transport are not the only things which affect the distribution of industry. Technical changes in the industries themselves, the exhaustion of old sources for the supply of raw materials, and the discovery of new sources, developments in education and a host of other things, are constantly making it desirable that particular industries should grow more slowly, cease to grow, or even decline in some situations, while they grow or grow more largely in others. The general tendency in history has been towards greater and greater territorial division of labour or localisation of industry—that is to say, greater concentration of particular kinds of work in particular districts. To put a larger proportion of an industry in one place obviously involves leaving less in another, so that concentration is necessarily accompanied by denudation—as an industry gets localised in some

districts, it declines in others. So long as this process takes place within the confines of a single national area there is little or no complaint. We hear nothing of the calamitous situation of the South Eastern counties owing to the disappearance of the iron industry from the Weald, nor of the misfortunes of Wiltshire owing to the woollen industry having increased more rapidly in Yorkshire.

But when the redistribution is not between different districts of the same national area, but between different national areas, popular feeling is quite different. Then in each national area or country concentration is regarded with favour so long as the concentration takes place in that country, while the denudation is deplored and usually obstructed by government. Each country is quite willing to accept any increase of industry due to the increasing concentration, but is unwilling to accept the necessary denudation. The various publics fail to realise the very elementary fact that it is just as true of any number of human beings as it is of one, that if they give a larger proportion of their time to one kind or a few kinds of work, they must give less to the other kinds. If an industry is concentrated in a country, it means that the inhabitants of that country deliberately make more of something or other than they want themselves in order to exchange the excess for something else which is provided by the inhabitants of other countries. If they change their minds and resolve to make these other things for themselves they must willy-nilly give up concentration on the first lot: they cannot have time to make both, and they do not require both. Thus, local or national increase of an industry due to greater concentration must necessarily be accompanied by local or national decline of some other industry or industries.

The war is likely to form an important landmark with regard to both general and local declines.

Firstly, lest us consider its relation to general declines. The extreme urgency of the case when whole peoples have imagined themselves, generally without grounds, to be fighting "for their lives," or at least "for their national existence," has led to the overcoming of much resistance to easier methods of production. It is one of the cruellest ironies of the war that hindrances of this kind should have been easier to remove when people were struggling to destroy each other than when they were peacefully co-operating in the production of things generally desired. But so it is, and many authorities hope that the gain made in this direction may offset—at any rate, to a large extent—the loss caused by the destruction of life and limb and by the check to the accumulation of new instruments of production. Various schemes are being mooted for securing that resistance to this kind of improvement shall be less in the future than it has been in the past.

My impression is that a good deal of useless advice is being given. Employers are told that they have been wrong in not allowing the employed to reap the benefit of changes which reduce the amount of labour required to produce particular articles. This would be right

enough if the employers were able to keep the advantage to themselves; but what actually happens in the long run—and usually in a not very long run—is that the advantage of a less costly form of production is secured by the purchasers of the product in the shape of a reduced price. Improvements in the production of an article thus cheapen the article while leaving the remuneration of the producers at the accustomed level compared with the remuneration of producers of other things. This surely is the common-sense solution: if a thing become easier to produce let it be produced in greater quantity and be cheaper—do not pay the producers more. There seems no real ground for paying them more, and to do so is practically impossible because of the difficulty of selection. If potato-growing is made twice as easy by some invention, it would be not only senseless to say potato planting and digging was to be higher paid, but futile, unless you give some kind of monopoly to a limited class and face the difficulty of saying who is to be admitted to that class. Otherwise, there will be enough independent potato-growing to keep down the price to a figure which will not yield the proposed extra remuneration.

The real cure seems to be the simple one of greater versatility. The resistance to improved methods comes from the reluctance which people very naturally feel to agree to anything which involves a diminution of the demand for the particular kind of labour which they can offer. To get rid of this reluctance altogether is of course impossible, but its force will be diminished by every increase in versatility which makes the maintenance of demand for the particular kind of labour less vitally important to the persons concerned. And here I see one of the very few good effects of the war which I personally have been able to recognise. It does seem as if the war will have enormously increased the versatility of the present generation. The amount of change of occupation has been enormous, and in consequence quite a large proportion of men and women, who before were only experienced in one kind of work, are now experienced in two, three, or even in more kinds. Moreover, everyone is accustomed to the idea of versatility, and convinced that it is much easier to acquire the skill necessary for most occupations without either training in youth or a very long training in later life. This, I think, is one of the most hopeful features of the present situation. Old stick-in-the-mud Europe has, in respect of this matter, become one of the "new countries" which owe so much of their superiority to the greater versatility of their inhabitants.

Trade Unions will have to accommodate themselves in some way to the psychological change which will have taken place. When men become more versatile they will not feel so much identity of interest with an organisation representing a small branch of industry and nothing else. To be useful, labour organisation must represent persons and not an abstraction. The union which represents a trade no longer necessary to society is of no further use. The general shake-up of the war in making these facts more obvious will undoubtedly be beneficial, though an outsider may be excused from offering suggestions about the manner

in which labour organisation should meet the case. I expect it will find a way.

With respect to the other branch of the subject, resistance to *national* contractions of particular employments, which is the branch with which we are concerned, the prospects of mankind do not appear so unclouded. The war has inflamed slumbering tribal animosities and has created pseudo-tribal animosity between most of the people who happen to live in the dominions of the two sets of belligerents, whatever their race may be, and animosity is unfavourable to clear thought and prudent action. We need not indeed attach much importance to the insensate ravings of banqueters who break the plates in an English hotel because they were imported from Germany before the war, or of their friends who wreck the shop of a baker who is fighting for them in France, because his wife employs a German to fill his place in his absence—a German who, in all probability. left his native country because he was not enamoured of it. Such froth will soon disappear. The memories of nations are short—so short that in the past only a few years have usually been requisite to turn enemies into allies and allies into enemies. The plate-breaking heroes of the Savoy probably thirsted for war with Russia over Penjdeh and the Dogger Bank incident, with the United States over the Venezuelan boundary and with France over Fashoda ; and the wreckers of the bakery might easily be led against any foreigner who presumed to provide them with any of the necessaries of life. But it does seem as if the present war has been more successful in exciting lasting animosity than most modern wars. A generation or two must pass before the sufferings and indignities endured by the people of areas occupied by hostile armies will be forgotten. The London school children slaughtered outright by the German aviators, and the Karlsruhe school children slaughtered outright by the British and French aviators, may be forgotten in a few years, and their graves be untended like those of their fellows who die from natural causes or poverty and neglect, but those who were only maimed will continue for the remainder of their lives to excite the indignation of their compatriots against the cruel enemy. We cannot doubt that hostile sentiments between enemies will be acute for a long time, and it seems to me that it would be sanguine to suppose that its effects will be anywhere near counterbalanced by growth of affection between allies.

Nor is this matter of sentiment the only disquieting factor. There are others perhaps more practically important.

In the first place, the war has forced most countries to be more self-sufficient than they were. The self-sufficiency has been disagreeable enough to the people who want the imported articles and have had to put up with inferior and much dearer substitutes, but it has favoured those who produce these substitutes, and they rather naturally desire to stick to what they have gained. The position is just the same as it was in this country at the end of the great war a hundred years ago The agriculturists then had got used to receiving enormously high prices, and they could not bear the idea of a drop on the conclusion of

peace. They therefore persuaded themselves and the legislature that the salvation of the country depended on keeping the price of wheat up to 80s., and obtained legislation intended to secure that object—legislation which was happily unsuccessful, and had little result except some aggravation of agricultural depression. We see now in the papers paragraphs headed "No more cheap foreign glass," giving accounts of the determination of persons concerned in the manufacture to prevent their fellow-citizens from buying an important building material, not from the enemy but from the Belgians. There is nothing new in this: one effect of war always has been to provide temporary protection for industries which thereupon clamour to have the protection made permanent, and have usually some partial success followed by reaction later.

Secondly, the State, in this and other important belligerent countries, has succeeded in securing the support of labour organisations and thus nationalising in a certain degree the labour movement. Finding it impossible to make head against their enemies without better support than that afforded by the usual organs of Government, the States have struck up alliances with the trade organisations and have used them freely for the purpose of allaying—or, at any rate, smothering—discontent. The most cherished prejudices of the governing classes have been jettisoned in view of the paramount necessity of winning the war. Lord Willoughby de Broke is alleged to have sung "The Red Flag," German army commands are said to have fraternised with trade union secretaries, and Cabinets undoubtedly consist of the most amazing compounds of "prancing exproconsuls" and "pestilent labour agitators."

The bringing in of labour to national governments at the moment when these governments are engaged in an immense military conflict of absorbing interest is a most inauspicious event. You know how men who work for an organisation of any kind are apt to put the good of the organisation before the end for which it was founded. Persons in the service of the State are specially inclined to this. I have many friends who have temporarily given their services to the State, and I have been astonished at the rapidity with which most of them become identified with the machine which they imagine themselves to be working, but which really works them. For three long years the machines which are each called by their subjects—subjects is the right word—The State, as if there was only one State in the world, have been working not to create but to destroy, and those who have been tending them will have greatly lost their perception of the true ends of life. Thinking perpetually of warfare, they are sure to shrink from allowing the people of their respective countries to increase their "dependence" upon the people of other countries by the increase of international commerce. A good example of the manner in which evil associations obstruct clear thought was given us last spring when one of the new Labour ministers declared that he would not allow any foreign steel to come into his country till all the steel works in it were

fully occupied. There was in his mind not the smallest consideration of the question in what proportion it is really desirable that the world's production of steel should be divided between the various countries, but just a thoughtless acquiescence in the standard provided by the number and magnitude of the steel works which happened to be present in his own country early in 1917. Why 1917? Why not some other year? Is it true that not only that what is, is right, but also that it must never be changed?

Can nothing be done to cope with these sinister influences by cold reasoning? Possibly something. It may do good to point out the absurdities involved in the belief that concentration of particular industries in particular countries is undesirable, or at any rate that its extension beyond that already attained in 1917 (or whatever is the date of the controversy) is undesirable. It may do good, too, to point out the extreme unsuitability of existing national areas to be economic units, each striving for self-sufficiency. If the world is to be divided into units striving for self-sufficiency, surely the division ought to be made by a boundary commission of economists, trade unionists, or such other persons as we may suppose competent to order industrial matters. The present national areas were never marked out by such people. They have come down to us from feudal times, have been modified by modern wars and have no claim whatever on economic grounds. If you took the map of the world and tried to divide it into suitable areas for self-sufficiency you would find yourself enlarging the first country you took in hand and enlarging it more and more till at last there were no others.

The cult of national self-sufficiency is incompatible with peace, since it must inevitably render warfare perpetual by making it necessary for each nation to grab territory which contains the source of some product which it has not got in its existing territory and which it must have in order to be self-sufficient. We have seen a little of this already; it would be more and more serious, the more intense the worship of self-sufficiency. Supposing the bigger empires managed to settle down to an uneasy peace, what would become of the smaller countries? What is to become of Denmark, Switzerland, Portugal, when the big countries reached a high degree of self-sufficiency and would not deal with them? They must join the bigger countries, and soon there would be only two or three great powers in the world which, after a second or third Armageddon, would be reduced to one by some struggle for the source of some indispensable article.

Such arguments may seem telling enough in the countries which are too small to allow the lust of power to flourish. But in the greater empires they are likely to fall on deaf ears so long as the present state of sentiment prevails. In each of these, people will be found to believe that their own country is the best situated for the struggle. In the large scattered empire of which the parts are separated by long distances over sea, people think they can best be independent of outside supplies because their dominions extend into every zone of temperature and

include every kind of soil. In the smaller but compact empire the weaknesses of the larger but more scattered one—its liability to succumb to submarine attack for example—are clearly perceived, and it is hoped that the more compact area will win through with the aid afforded by science in providing substitutes for imported products. So long as the question is considered from a purely national point of view, and so long as patriotism is confounded with contempt and hatred of other nations, we may doubt if argument directed to show the suicidal character of the gospel of self-sufficiency will have much effect in the greater countries. When two men desirous of killing each other are locked together in the water, it is not much use to tell them to let go if each thinks the other will drown first.

Even, however, without any expectation of cold reasoning about either exclusive or mutual advantage producing much effect in the present state of international sentiment, we may hope for some improvement owing to the discredit into which the more important belligerent States will have fallen by the end of the war. The war is no longer popular in Europe, though it is said to be so in America, where it is only beginning ; it will be less popular before it ends, and in the appalling slump which will follow the inflation by the aid of which it has been carried on, it will be universally execrated. The independent States are responsible for it, and none of the greater ones can escape responsibility by pleading that it was not their fault but the others', since, if they did not want the war, they ought to have taken more efficient steps to prevent its occurrence. Moreover, they have each saddled themselves with a load of debt, made much greater than it need have been by their insensate issues of paper money which have raised prices against them, and quite impossible for most of them to bear. Breakdowns under the burden will deprive them of the one and only means by which modern wars can be carried on, while continued bearing of the burden will involve taxation wholly incompatible with popularity. Some of the existing States will probably disappear altogether, and those that remain will find their power immensely reduced. The Labour movement will cease to regard the capture of such discredited institutions as an object of desire, and will not only be thrown back into greater reliance on its own organisations, but will also tend to make those organisations, wherever possible, ignore national boundaries. This will greatly weaken the forces which resist necessary and desirable redistribution of industries between different countries. An organisation representing that part of a trade which is situate in a single country can scarcely fail to support any measures which will prevent its being superseded by greater growth in another country. But an organisation which represents both parts of the trade will regard the transfer with equanimity.

All this might be urged even if no fundamental change in our political system were impending—even if it were likely that we should be content after this war to sink back into the old condition of preparing for the next one. For my part, however, I regard that as a state of

things which, if possible at all, could only endure for a very short time. The possibilities of preparation are now seen to be so great that preparation for the next war would mean the giving up by the whole population of every kind of commodity, service, and enjoyment beyond the very barest necessaries of life. No people will stand that, and the inevitable consequence will be the introduction of some kind of world-government which will put an end to what is called national independence—that is, the right to go to war claimed by the present national States. These States, or those of them that remain and the others that take their place, will then drop into the relative position which different Dominions of the British Empire at present occupy in regard to each other, and we may derive some useful ideas from the parallel.

Though the different Dominions of the British Empire have no right and (perhaps therefore) no inclination to go to war with each other, they seem at first sight to show much the same desire for self-sufficiency as independent countries, and obstruct trade in much the same way. Therefore, it may be said, the different countries in a Worldish Empire in which autonomy without power to go to war was established would adopt much the same commercial policies as they do at present. But we may well doubt whether, if this were true at first, it would continue to be so for any length of time, for two reasons. In the first place, the tendency of the British Dominions to strive for self-sufficiency is much less marked, and is becoming less and less so, in relation to other parts of the British Empire, than it is in relation to foreign countries with which the possibility of war is present. In the second place, it is likely that such cult of self-sufficiency as really prevails is largely due to unconscious imitation of the independent and war-making States. In a Worldish Empire there will be no foreign countries, and the tradition of the war-making States will be gradually dying. Consequently, from the first, we may expect a less vigorous adoption of obstructive commercial policies, and as time goes on we may reasonably expect it to become further and further relaxed.

Professor Cannan, speaking on his paper, said that his object had been to recall the pre-war position and to suggest the post-war position, rather than to propose changes. He had laid great stress on the unsatisfactory way in which progress was constantly obstructed by the opposition to diminution of the amount of labour employed in particular directions. It might be thought unnecessary to point this out, but the discussion on the previous day, in which so many speakers had dwelt on the desirability of having more people employed in agriculture, regardless of the end for which agriculture existed, showed that it was not unnecessary to do so, even in a meeting like the present. The tendency throughout the whole history of civilisation had been for a smaller and smaller proportion of people to be employed in agriculture, and we ought to look upon this with satisfaction and not with annoyance. There was a smaller proportion of people employed

in agriculture in the civilised parts of the world than in the uncivilised parts, but this did not mean that the civilised parts were not so well fed; on the contrary, famines occurred in the uncivilised parts. As to industry generally—he said—it must be recognised that you could not specialise in some forms of industry without losing others. He could not understand the objections to emigration. Why should not the population distribute itself and fill all the empty portions of the world in order to prevent so rapid an increase in the fuller portions? A good result of the war was that many new industrial methods had been introduced which, in spite of the trouble and ill-feeling they had caused in some cases, might lead to good results. On the other hand, the war had caused a certain amount of international hatred which prevented clear thinking; but the good results were likely to predominate if they were given a little time. The State idea was likely to be considerably weakened; that was a good thing, because the State idea was one of the causes of international quarrels. The end of the present war would not—he believed—bring a period of preparation for the next war, but rather a settling down to a permanent peace. Let them think what preparation for the next war would mean. The adoption of an agricultural policy with the idea of providing for the next war would mean this: if more food were grown and more people employed, these people on the outbreak of war would be called off to fight, and agriculture would be less productive again at once. The plan of granaries was much more feasible, as only people to distribute the stores would be required. Granaries could also be made bomb-proof, but fields of wheat could not be protected from incendiary attacks by aircraft. Besides building enormous bomb-proof granaries, it would be necessary to rearrange factories, in order that they might easily be turned into munition works. There would be no luxuries; industrial conscription from the earliest age would be necessary; and arrangements would have to be made for training young men for the army and girls for munition factories while they were still at school, so that they could be turned on at a moment's notice. The British Islands would become an outpost of the British Empire, rather difficult to hold, with a constantly renewed store of ammunition and food for a five years' war and a smaller population. This is what preparation for the next war would mean, and no one need imagine that this country would be a fit place to live in.

QUESTIONS.

Question: Can Professor Cannan tell us how far commercial policy will be influenced in the future by the enormous destruction of capital which is going on in all nations?

Answer: I have not thought it out, but I think we shall all be more or less in the same boat. It might have made a larger difference had not the United States entered the war.

Question : Mr. Cannan said it was a little contemptible for us to be always weeping and wailing at the decay of Agriculture. Was it not possible that when we were speaking of the decay of agriculture we really had in our minds the larger question of the decay of rural life generally, and that it was in fact the decay of what we might call one of the most wholesome and healthy influences in our whole national life ?

Answer : I have no fear of it. I do not look back to a time in which country life was very much better than it is at present : on looking back I find the people were mostly serfs, and though their condition is anything but satisfactory at present, I do not think it is any worse than it was, and it is more likely to improve in the future if a better policy be adopted.

Question : Does the lecturer think that the land of this country is most economically cultivated ?

Answer : I do not think it is. I am not really a competent judge ; but is any country scientifically cultivated ? If anything, I should think this country has got rather too many people employed on the land : we could do with fewer people and more scientific employment of machinery—those few would be better paid : the others might be in America and Australia, and I do not think they would be any worse off than they are at present.

Question : Regarding the issue of paper money and the effect on prices. Could the professor tell us whether there has been more paper money issued than gold abstracted from the present currency ?

Answer : If you take all the world together there is immensely more paper. A great deal has been issued by all the belligerents : in Russia the amount of paper money has been duplicated ten times. That, of course, has led to gold becoming a drug on the market, because it has been driven out of circulation by all this paper, and you cannot isolate this country so far as that is concerned. You can only isolate it to a very limited extent with regard to £1 and 10s. notes. The issue now is greater than the amount of gold : it is being increased about 1½ millions a week. It is ridiculous for governments to water the currency on the one hand and try to cut down prices on the other.

Question : Is it not a fact that land is not cultivated sufficiently, owing to private ownership, and would not State ownership remedy this ?

Answer : No—from what I have seen of State management.

Question : Does the lecturer favour a system which has been suggested whereby the Government should give preferential treatment to certain trades ?

Answer : No.

Question : Will the lecturer kindly elaborate the last nine or ten lines on the bottom of page 41 ?

Answer : I think that is rather more than a question. I have already said what I have to say. The drift of that paragraph is that it is your business and not mine.

Question : Does not the professor think that the versatility of labour which he regards as one of the most hopeful signs of the present situation is likely to lead to certain industrial troubles which would entirely take away any advantage which he may see in it ?

Answer : My view is that everything leads to trouble. I am not one who is always deprecating trouble in the sense of disputes ; I think they are in the nature of things, and are not to be grumbled at ; if you do not lose your temper there is not so much lost. We must put up with difficulties of that kind.

Question : Does the professor favour State management ? Does he base his arguments against it on experience of State management in this country or in other countries ?

Answer : On universal experience, not only in this country during the war but before the war, and in other countries at all times.

Question : What would be the effect of increased versatility on the specialisation of labour spread over a large field of industry ?

Answer : I take greater versatility to mean that people can acquire specialised industry more quickly and easily, and I should say the result of that is, that alterations in the specialisation required, owing to the introduction of machinery and so on, would be carried out with less difficulty and suffering to the persons affected than if it did not exist. Everyone knows that an individual who has several kinds of special skill is in a far better position than one who has only one, when changes occur.

Question : Does the professor think that in consequence of the war there will be any effect on the commercial policy at all ? Does he not think that when our hot blood is down, international socialism and co-operation will allow the commercial policy to go on in the same way as it did ?

Answer : My moods are different—sometimes I am optimistic and sometimes pessimistic.

Question : Is not State ownership of the land the only safeguard in the interests of the community ?

Answer : I do not regard it with much favour. I am not prepared to discuss land nationalisation at the moment.

DISCUSSION.

Mr. Newlove (General Secretary, Postal and Telegraph Clerks' Association): It seems to me that there are a number of very important as well as interesting thoughts brought out by this paper. We are brought back to what always has appeared to me a fundamental question, namely, the attitude which people adopt towards the diminution of employment. This question raises what is in some senses an inconsistency. Diminution of employment, whether from the point of view of employer or workman, is an evil. But under a rational system of society this would not be so; and it does not matter whether you are the employer using capital, or the workman using labour, under the peculiar system of organising our affairs that we now have, what ought to be an advantage is undoubtedly not only an evil but a disaster to a great many people. Why is this ? To my mind the answer is simply because all our production of material things does not take place with primary regard for the utility of the thing that is being produced, but to serve personal ends. An employer undertakes to produce machines because he thinks he is going to make something out of it: a workman goes into an industry because he thinks that by giving a certain number of hours in the week he will get a certain number of shillings for it, and neither of them have very much regard as to the real utility of the thing they are producing. This is responsible, I think, for the antagonism (and I do not think this term is too strong) which workpeople have towards the introduction of labour-saving machinery. They see that one of the first results of such improvements which ought to be a social blessing is really a social evil—it means throwing aside the human factor without any regard to what becomes of the personality inherent in that human factor. It is all very well for the orthodox economists to say to us: "These things always right themselves in time; all the people displaced from industry as the result of a new machine will later on find their level." This is not very much consolation to the poor individuals who are thrown aside as the result of a big development of machine production in industry. I have always been dissatisfied with this explanation, because it does not meet the difficulty. In regard to that, we are brought to the generally accepted view that the comparative advantage of different trades determines the amount of capital and labour which shall go into them. I am not inclined to accept Professor Cannan's easy explanation. I do not think the great majority of workpeople enter a particular trade because of the comparative advantages which that trade has over others. To the great majority of the sons and daughters of the working-class population, it is not a queston of this at all—they have to go somewhere, and that seems to bring us back to our great social problem. In the past we have not had sufficient regard as to how our industries should be organised, neither have we had sufficient regard as to how our children shall be employed. For the most part it is not a question of choice; and therefore the professor's explanation does not satisfy me.

With regard to the question of the decline of agriculture: I am rather inclined to agree with the lecturer that the people who say we shall rejuvenate agriculture by bringing more people on to the land, are labouring under a delusion. Nothing of the sort will happen, and I quite agree that under a proper system of scientific agriculture you will probably have proportionately less people employed: you always have more people working in badly organised, uneconomic industry. When we talk of decline we must consider it not so much from a national but rather from an international or world point of view. In this respect the decline of agriculture is a relative term, and closely connected with the subject of the paper read yesterday. To my mind, the question to be answered is: Does it matter very much whether in any particular country you have a diminution of any particular industry—in this case agriculture—if at the same time in consequence of the development of other countries you are able to supply your needs? My answer is that it does not matter. If you are going to bolster up a particular industry or occupation at the price of national efficiency, then I for one am not going to subscribe to that method, because it will not stop at agriculture. If you are going to subsidise agriculture, why not engineering, pottery making, and the textile trades? —in short, why not subsidise everything, and if you do that you are simply bringing yourself back to the position of living by taking in each other's washing, and that is not sound policy. Professor Cannan says that the increase of one industry involves the decline in some other; he seems to be quite certain that he is right, and I am equally certain that he is wrong, even if you take it as an abstract proposition. I think it is quite conceivable that an increase in one industry may go on at a greater rate than in another; but to say that if you take any number of people out of industry A, that they will go into industry B, seems altogether too easy a way to get rid of the problem. It is quite possible you might have a development of all your industries, and that the extension of one need not go on at the expense of another, or a number of others.

I am very glad that two or three people tried to get the Professor to elucidate what he said at the bottom of page 41, and I must return to the charge. If there is one thing we expect from a Professor it is that he should give us a little light and leading, but on this question he left us severely alone. No commercial policy organised by government is going to be of any use unless it is useful to the industrial situation of the country itself, and the industrial situation must obviously involve a consideration of this very question of versatility. Let me say right away that I would not be prepared to accept the principle of versatility for one moment unless I knew what was going to happen as a result of it. Nor unless I knew that the attitude of those who organise the productive system of this country was going to be very different towards trade unions in the future from what it has been hitherto. If you want the organised workers to accept the principle of versatility you must bring the trade unions into consultation as to the organisation of

industry more than ever ; if you do not, you are sacrificing the whole of the working classes ; and any trade union official who allowed himself to give the smallest amount of support to this principle of change from one industry to another without knowing exactly how it was going to be used, would be false to his charge. The trade union position with regard to versatility is absolutely fundamental in regard to any change in commercial policy. Unless the attitude of the trade union is made quite clear, you are going to have industrial trouble ; and you do not get over this trouble by simply saying that it is in the nature of things.

I now come to the question as to what effect, if any, this war will have upon the policy which the nations have pursued in the past in regard to exchanging their surplus produce. This is important ; and I thoroughly agree with one of the speakers that, after all, it would probably work itself down to this : when all the excitement and antagonism and bitterness between the nations is over, whether they be belligerents or allies, commercial policy will probably go on exactly as before. All this talk about brotherhood does not enter into the question of international trade : John Brown of Manchester does not exchange his cotton goods with Mr. Scheidemann in Berlin because he loves him, but simply because he can give him a good exchange at a profit—it is simply a question of £. s. d. If this is so, we have this fact to face : the geographical position of the belligerents and the allies will be precisely the same when the war is over as it was before. As the Professor points out, and as we all know, there will be a terrific debt which will hang around the necks of the nations engaged in this war, and one of the first things we are going to look out for is how cheaply we can get the things we need. That is only natural in view of the enormous bill we have to meet when this business is over. If this is so, can one conceive for a moment that the Russian people, for example, are going to send over to England for certain of their necessaries of life because England has been an ally, when they have at their very doors a nation, who at the present moment is by accident an enemy, which is in a position to supply them with some of those things ten times better than we are ? That is not going to be done. Neither the working man nor his wife will want to pay more than is necessary. All the wives will be interested about will be how much can they get for their 30s. or £2 a week housekeeping money, and they will not worry much about who was the enemy or who was the ally. It is quite clear that you are going to have much the same commercial policy in the exchange of commodities as you had before. On the whole it is an advantageous position.

One more point which relates to this question. I think we can brush aside as really impracticable the resolutions which were agreed to at the Paris Conference not so very long ago. If ever there was an absurdity, and particularly in a war, those Paris resolutions are about the limit. You cannot build up your future relations on any economic basis such as they propose

to lay down. I think we shall find, as Professor Cannan points out, that national areas are not the proper basis for an economic unit; there, I think, we have the kernel of the whole situation; and, if this is so, we shall have at the end of the war to look, roughly speaking, for the same set of circumstances and the same principles regarding the exchange of surplus commodities between nations, which prevailed before the war.

GENERAL DISCUSSION.

Mr. Hirst (Tramway and Vehicle Workers): When I tried to draw the lecturer to give a little more explanation about the bottom of page 41, I had in mind the same idea as Mr. Newlove—that we in the trade union movement are sometimes accused of looking on our side of the question from a prejudiced point of view—and I was anxious to get the Professor's point of view on some of the things he mentioned. He makes two assertions which I should like to have his reasons for. (1) That Trade Unions will have to accommodate themselves in some way to the change which will have taken place as to versatility. I entirely agree, but I would like to know how it is to be done. (2) That Trade Unions which represent a trade no longer necessary to society should cease to exist. How shall we arrive at that position? Most unions find themselves in the position some time or another that a certain section of their members are no longer necessary, while other sections are necessary. How are we going to arrive at the exact position where a union represents a trade which is no longer necessary. A discussion took place in the Trade Union Congress on the question of Industrial Unionism between the Miners' organisation and the Colliery and Enginemen's society, and undoubtedly if we take up the view of industrial unionism pure and simple, the miners have right on their side in trying to get all men connected with mines to be members of their organisation; but the Colliery and Enginemen's society have also right in saying that these men are not part of the miners' organisation, and are not always working in mines, and may want sooner or later to go back into their own organisation. I should like to know whether the lecturer has not in mind that industrial unionism, rather than trade unionism, is the thing we ought to aim at, and whether we ought not to sacrifice these smaller unions in order to attain that object?

Mr. Dewsbury (Walsall Co-operative Society): I am in agreement with the Professor in regard to versatility, but I am only in agreement if we also capture the organisations which the Professor tells us it is no use us capturing. We can only agree with the versatility idea if we also capture the State organisation which can so organise trade according to the requirements of the people, that it will not matter a button to the men engaged in industry whatever industry they may be in—their living will be assured, and that is all that anybody wishes

for. On page 45 he tells us that the "Labour movement will come to . . . . . ignore national boundaries." That may be all very well in the far-off future, but we have to take things as they are to-day, and we know that national boundaries will continue for a considerable period yet. It is therefore our only course to capture the government of the particular State to which we belong, in order that we can so adjust commerce and trade within our own area that there will be no hardship to anybody engaged in industry. With that proviso, I think, we should all be prepared to accept the Professor's theory of versatility. I quite agree with the Professor in regard to the spirit that will come, after the war is over. We are all taught to suppose that we shall regard our allies as friends and our enemies as enemies for all time. History proves that our enemies of yesterday may be our allies to-morrow. In regard to the war debt, I would like to know to whom this debt is owing. The Professor spoke of bankruptcy: a great proportion of this national debt is really owing to ourselves, and I do not see that we are very much poorer to-day than we were before the war. People talk about our heaping up a great load of debt, but if the debt were wiped out, would any of us be the poorer ?

Mr. Rudland (President, Birmingham Trades Council): I think the real enemies are those at home who exploit every situation and act in such a way as to make wars probable. The working class of this country will have to see that such things are prevented when the right time comes. We shall have to make sure, by a different and securer system of government and a proper understanding by the people, that the capitalists are not in a position to exploit our children, and that our commercial policy is framed on lines which will make for the peace and happiness of the common people of the whole of the world. It seems to me that we have to realise the state of trade and organisation that exists at the present time, and not only what position it will be in when the war ends. We have to realise the revolutionary change which has come about in industry and commerce, and that we shall have an entirely different set of facts to deal with. It appears to me that we have to take a new line of policy as to trade unionism altogether. The doctrine that we shall get what we are strong enough to enforce will have to be supplemented by a wider and securer policy: we shall have to realise that we have to take a hand in the game, that we ourselves have got to come in and help to control and manage industry. The idea of production for profit and not for use must stop if we are going to get very far. If we are going to adopt this view, however, Labour itself has got to be not only more efficient, but it has to study the science of management and control. But what attitude are we going to adopt towards international trade ? Are you going to adopt tariffs ? What is going to be your policy with regard to Germany, for example ? Are you going to insist that she shall make things under fair conditions—is that going to be your commercial policy ? Are you going to put up a high tariff wall if they are not made under fair conditions ? Another

problem is, if we have to control industry, how are we going to put up the capital to run it? That will require all our thought and attention. I believe that the problem of commercial policy after the war can be solved on co-partnership or co-operative lines.

Mr. Halstead (Co-operative Productive Federation): I think the Professor is clearly up against those of us who represent the producers' interest. We had that challenge in his introduction this morning: he said that we wanted agriculture for food—did it matter where we got it from? If we simply wanted food, the condition of production and the result of different forms of production did not matter. I challenge the Professor there. We might as well go back to slavery because slavery produced food. The paper, to my mind, does not take sufficient note of those other factors which Mr. Furniss pointed out yesterday—the political and ethical factors. And I think the discussion yesterday proved that another factor should be taken into account—that is, physiology. If we approach it from that standpoint it matters very much for us as consumers whether the conditions of production, both of food and clothing, with a sufficient amount of employment, tend to make the producers healthy, happy human beings. With regard to agriculture: I do not agree with protection in the ordinary sense, or with the Corn Production Act. I would not do it by subsidies; but I think we can do it by promoting agricultural education as much as possible. Let your subsidies be used to make agriculture more efficient. You will be subsidising in a certain sense, but it will be a subsidy that will pay.

Mr. Mabbs (Coventry Trades Council): It seems to me that if this war is going to be of any use to the working classes of this country we shall have to shake up our views as much as we possibly can, because it has revealed a good many things we have never dreamt of before. Before the war, the advanced labour leader thought he said quite sufficient when he told us that what we wanted was the nationalisation and the State management and control of everything. Personally I think that if this war has revealed nothing else, it has revealed the fallacy of nationalisation and control of everything; but that does not mean that capitalism and individual ownership is not a bad thing. We all agree that is absolutely bad from the working-class point of view, because it for ever condemns the workers to be controlled by somebody else; but we have to realise there is a possibility that with national ownership and control we are going to set up government by bureaucracy, which would be worse for the working class. That question was gone into somewhat fully at the Oxford Conference. We have to look in the direction of national ownership and control by the people working in the industries. I am very much at one with the Professor with regard to what he says about versatility of workers in industry, although I think it wants stating rather differently. We have to shake up our ideas; we have to forget, and to cease to think

in terms of craft, and to begin to think as members in industry. You have to forget that because you were born a compositor you are going to be one for the rest of your life and because you are born a printing works labourer you are not to be allowed to become a compositor. You of the craft industries, who believe that you are going to keep everybody out, must break down your restrictions. You are in the same position as the squire who says you were born a labourer and must stop there. You are debarring those with possibly the same ability from taking advantage of the opportunity of using their higher intelligence. This is exactly the same as the squire did of old and the capitalist class are doing now. When I talk about control I do not mean the setting up of a joint control of industry with the capitalist on the one hand and the working class on the other. That is a very popular cry at the present time—and a very dangerous tendency too. We have got to recognise that while the enmity of the people of England and Germany is ephemeral and will pass, the enmity between the capitalist class and the workers is eternal, or for as long as the present system lasts. We have not to patch up here and there, but we have to make fundamental alterations in the construction of society or else all our efforts will simply leave us in the same position as we were before the war.

Mr. C. P. Parkin (York Equitable Co-operative Society, Ltd.): On page 42 the lecturer says " A generation or two must pass before the sufferings and indignities endured by the people of areas occupied by hostile armies will be forgotten." That kind of bitterness is apparent outside the areas where hostile armies are in occupation ; but I believe that the influence of the war on people's minds will be largely what we make it or what we allow other people to make it. For some considerable time the Press of this country have been telling the public that we must have nothing more to do with Germany, and some Chambers of Commerce are taking the same line. If the workers are not on the look out, other people will dictate the after-the-war policy : it is up to the workers to see that they have a say in it.

Dr. Carlyle : One or two speakers suggested it would be well if we were to fix our attention clearly upon one point. I take it Mr. Cannan's paper is really intended to warn us against allowing ourselves to drift into the conception of the desirability of national economic self-sufficiency. He recognises the fact that in the country at large there are very strong tendencies in the industrial commercial world, which rather make for the idea that after the war we are to be self-supporting—to grow food and live upon ourselves through our own exertions. I think there has been no more unfortunate speech made during the last two years than that by Mr. Hodge, and I am rather glad to think that Mr. Hodge's attitude is not shared by the representatives of Labour in the country. We can easily repudiate the idea at first sight, but there are no doubt certain conceptions involved

which may prove to be dangerously attractive to all members in the community, and the point I should venture to urge is this: the idea of self-sufficiency is one which does appeal in a measure to the idea of stability in trade—the idea that we can secure a permanence of conditions in trade, industry, and employment, and that a man who is engaged upon a certain industry to-day will be able to remain in that industry to-morrow. We must make up our minds that industry is not going to secure a permanence of the particular kind of employment in which men are occupied to-day. I think we ought to repudiate the idea of self-sufficiency—it is the most mischievous of all doctrines. We must make up our minds that industrial occupation will be perpetually shifting and changing, and we must reckon upon the continuous changing of conditions in industry. The Professor, having gone as far as he did, ought to have gone a little further and suggested what society ought to do with reference to the fact that we are going to have free interchange of commodities, and the shifting of occupations. Are we really going to leave the industrial population of this country to bear the burden of this continual shifting? That is what we have done in the past. Shall we allow this weight to be borne by the people least able to bear the burden? I think the Professor's premises ought to carry him rather further; we are compelled to recognise that the precarious uncertainty and the continuous movement and shifting of industry which necessarily accompanies international exchange of commodities will compel us to move towards some other organisation of the industrial world than that which we have known in the past. This left us in face of a condition of things of which we are reaping the result to-day—the result of class against class and man against man; if we are going to face the new world, we must face it not only with free interchange of commodities but with enterprise. We must take upon ourselves the burden of the conditions of the whole community. I was very much interested in Mr. Newlove's and Mr. Mabbs' speeches. I venture to say that what is, after all, clear enough is that, however the old-fashioned older socialist doctrines may be, and however true it may be that our experience in the war has not tended to raise our opinion of the capacity of the State, one thing is clear, viz., that in the extreme case the community as a whole can intervene, and that in order to meet the exigencies of the future the community itself will have to intervene. Mr. Cannan has pointed out that the possibility of the life of society depends upon the recognition of the necessary mutual interchange of commodities between the whole world, but that brings with it also the conclusion that within our particular national society the character and the conditions of industrial life will have to be accepted as being the responsibility of the whole community. We want change, but not mere chaotic revolution; we want change, and must have it, but a rational and considered change can only come if the community as a whole recognises its responsibility to make the conditions of life for the industrial world tolerable, while this continual shifting and movement of industry is taking place.

Professor Cannan's Reply.

Mr. Newlove spoke about changes of occupation. Of course it is very difficult to say exactly how much freedom there is as to the choice or change of occupation at the present time. I think we are perhaps a little apt to assume the amount from what we have read, and our rhetorical statements about the matter are not from our own experience. In the first place, children must be directed, and surely that will always be the case to a great extent whatever organisation you have—you cannot expect a child to be able to decide for itself. The choice must depend upon somebody else, and at present it depends mostly on the parents. What really is true is that somehow or other the occupations which want more labour in the interests of society do somehow get it, subject to certain deductions owing to inequalities of distribution. If you had the control of things you would not get a much different result. There is a very considerable measure of truth in the old idea that people generally are in the occupations where they are required. With regard to change of employment, you say that certain trades are done away with by improvements in production, and that the people who specialised in these employments are thrown out of work. There have been great hardships in the past, and there are some at the present time ; but from your own experience ask yourself whether they are as great as you would imagine them to be from an abstract point of view, and then ask yourself whether you do not think from what you have read of the past that things have been considerably improved in that way, and that, as a matter of fact, these things do not happen with quite such disastrous effect as they used to do. Our hope of the future in this matter, it seems to me, is that the arrangements of the industrial world should make for further progress in that direction, and that brings me to the bottom of page 41, which, as I expected, proved to be rather dangerous ground. I am not prepared to say what exactly ought to be done, or how far you ought to go. Why not ? I am a Professor of Economics and not a Labour Leader. When other professors make practical suggestions, I usually don't think much of them ; I do not wish to join that band, and I am not going to be further drawn on the matter. In regard to the war debt: several speakers referred to its disadvantage, and then one speaker said we owed the money to ourselves, another speaker regarded it as very objectionable and was prepared to sweep it all away in rather a drastic fashion. It is true that most of it is owed to ourselves (not the whole of it), and therefore the interest on it would mostly be paid to some among us ; but is it no loss to the people in the country as a whole that they should have to raise between two and three hundred millions a year by some form of taxation or perpetual exaction in order to pay it to other people in the country ? If you think that is no encumbrance, all I can say is that I disagree with you. It is not only a great encumbrance, but a great difficulty, and the whole thing is very undesirable. While I should deprecate any suggestion of repudiation, it is quite conceivable that some fairly drastic measure of redemption

might well be adopted, so as to get rid of the thing quickly. I agree with Mr. Newlove in speaking of the possibility of supposing that the ties created by the present war are not strong enough to divert the course of commerce for any considerable period after it. He said that Russia would not trade with a distant country when there was a country (now an enemy) close at hand, ready to supply them with goods. This can be carried a little further. We are often told that blood is thicker than water, but my impression is that contiguity is thicker than blood. History has proved that it is contiguity that has triumphed. The national boundaries of 1914 have not always been in existence; they have continually been changing, but on the whole the areas under one flag have been enlarging, and that of course suggests an answer to the people who are so pessimistic as to think that we can never get out of the present international situation. As a matter of fact, the areas within which wars are conducted have altered so much that we can reasonably hope wars will come to an end in the course of time. In the olden times there were wars between different parts of England; later, different parts of Europe; and we may expect the areas to gradually extend, even if they do not extend suddenly, because if you have two large areas comprising the whole world, there would be a sudden end when they became one. It therefore seems to me possible that we may get beyond this period of international jealousy in the future as we have partially in the past, by the extension of the smaller areas. Therefore I think we are justified in looking at the question of commercial policy from the standpoint which I tried to put before you: what I tried to do was to suggest that you must look upon it not from a petty parochial point of view, but from the point of view of the great working-class which is not confined to one country but covers the world. I hope to see your organisations, of whatever kind they are, spread over and beyond national boundaries.

THIRD SESSION.

CAPITALISM AND INTERNATIONAL RELATIONS.

By A. E. ZIMMERN, M.A.

Some months ago, before the United States entered the war, a distinguished and benevolent Jewish-American millionaire, Mr. Jacob Schiff, was invited to give his opinion on the project of a League of Nations to prevent future wars. His reply was short and to the point, as befits a successful business man. "*Your league does not meet the difficulty: the root of the trouble is economic.*" As every sermon must have a text, this utterance by Dives may serve as an introduction to the subject which I want to bring before you.

How far are economic causes at the root of the present war? What is the connection, if any, between the existing economic system and the international antagonisms out of which the war has sprung? What exactly is meant by the phrase which is not uncommonly heard that the war is a "capitalist" war, or, as the Russian Extremists put it, a war waged by bourgeois governments in which the working class as such has no concern? And, if we can answer these questions, what bearing has our answer on the problem of the better organisation of international relations after the war?

These are thorny subjects, which cannot be disposed of in a short paper; but so much confusion of thought and perplexity of spirit prevail about them that an attempt to clear the issue may be worth the attention of a conference concerned with the problem of reconstruction. For we cannot apply remedies till we have ascertained the disease; and if Mr. Schiff's words are strictly true, some of the remedies which are just now being most confidently proposed do not "touch the spot" at all.

Let us begin by defining our terms. I think we had better drop the term "bourgeois." It is a Continental expression which defies exact definition, but I fear that if one looked into it too closely, a fair proportion of those present might have to plead guilty to the soft impeachment. Do not some of us live in villas, and do not most of us wear dark coats and stiff collars? But what is meant by a "capitalist"? I suppose it means someone who has resources, in money or its equivalent, in addition to his natural labour-power, whether of hand or brain. A penniless artist is not a capitalist; nor is a landless agricultural labourer; but the capitalist class, in this sense, would include

the whole body of people from the millionaire to the workman with a few pounds in war loan or in the "Co-op." who have something "put by," whether in securities or in land, or in a little business, or in bricks and mortar.

I do not think anyone can honestly pretend that this body of people, in this or any other country, either provoked the war or stand to derive any benefit from its continuance. To begin with, they are not organised in such a way as to have any common will or policy, or any means of enforcing it; and, in the second place, if they had, they would certainly be in favour of peace, retrenchment, and prosperity, with low prices and low taxes, just as, when they organise municipally, they are invariably in favour of low rates.

An able American Socialist writer, Mr. L. B. Boudin, in *Socialism and War*,* puts this point very clearly: "I know it is the fashion among Socialists," he writes, "to assume and assert that the burdens and miseries of war are borne wholly by the working class, and that for the capitalist class it is a sort of picnic, abounding in fun and excitement, besides being a good business. . . As to the present war, I must say the idea is utterly baseless. This war is certainly no picnic for any social class. Certainly not to the capitalist class, either in the Alliance or in the Entente countries. It is even doubtful whether it is good business—the destruction of property is altogether too great for that. As to the destruction of life, it is so appalling and so indiscriminate as to class as to make the sacrifices of the capitalist class very real and very substantial."

These words were written early in the war, but its prolongation has only confirmed them. In another American publication I find a definite estimate as to the effect of the war upon the capital values of the possessing class: The *New Republic*, of June 2, 1917, quotes the "British Bankers' Magazine" as saying that the average value of 387 representative securities has declined 20 per cent. since the outbreak of war. In other words, the capitalists who hold these securities are, on the average, 20 per cent. poorer with respect to them than on the outbreak of war. This is not nearly such a disastrous slump, after three years of war, as Mr. Norman Angell taught us to expect, but it fully bears out his general contention that "war is bad business."

This war, then, is certainly not in the interests of the capitalist class in general; and I think the same can be said of any war or scare of war which either causes a slump in capital values or involves governments in large expenditure on armaments and mobilisation.

But, it will be said, there are sections of the capitalist class which have benefited, and benefited greatly, by the war. Undoubtedly this is true: the figures of the Excess Profits Tax returns reveal it for all to see. Large numbers of traders and manufacturers have taken advantage of the temporary scarcity of something which they had to

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*New York: New Review Publishing Association, 1916, p. 32. The lectures reprinted in it were delivered in the first winter of the war.

sell, whether it be cargo-space or wooden huts, or potatoes, or various kinds of munitions and equipment, and have exacted their pound of flesh from the purchaser according to the recognised rules of the commercial game. The war has undoubtedly brought about a great transference of wealth among the property-owning and investing class, not only in this country, but in all countries, belligerent and neutral alike. Most capitalists are considerably poorer, some are much richer, and some people who were not capitalists at all have recently become so. A correspondent in Italy writes to me, in words which have a familiar ring: "Here, too, there is a great deal of profiteering, and all sorts of common people are getting rich, and even say 'Long live the war'"; whilst a very well-informed neutral with whom I recently had a talk declared that if the war led to social upheavals, as he considered very likely, they would most likely break out first in the neutral countries, where the intense class-bitterness aroused by the working of the capitalist system under the present abnormal conditions is not held in check by any of the influences which may make for national unity in the belligerent countries.

That any one at all should become richer or more comfortable at a time when hundreds of thousands of his fellow men are making the supreme sacrifice has struck public opinion in all countries as incongruous, and indeed deplorable. It illustrates in a flash the measure of the difference between the appeal of duty and the appeal of self-interest—a difference of which we were all dimly aware in pre-war days, but which it has taken the experience of the war to burn in upon our minds. But it would, nevertheless, be very difficult to prove that all or any section of those who have improved their material position as a result of the war either helped to bring the war about, or even desired it. Many of them have suffered personal losses which they would have given their new-gotten wealth many times over to escape; and of the great majority I think it may be said with truth that they made money because they could hardly avoid it. Merchants and manufacturers, like most Englishmen, are very conservative in their habits, especially when they are getting on in years. When such a man has been accustomed all his life to working along certain lines, he cannot easily adapt himself to new standards. Mr. Runciman, for instance, is reputed to be a man of unusual ability, yet he saw nothing to be ashamed at in saying from his place in the House of Commons, when he was President of the Board of Trade, that it was more than one could expect of human nature for a coalowner not to exact the highest possible price for his coal.* Mr. Runciman has not even the saving grace of being elderly, and he has had an experience of public life which

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*Mr. Runciman's words were: "The coalowners are pretty shrewd business men, and if they find offers coming along week by week at increased prices, it is more than one can expect of human nature that they should refuse these offers made to them." In reply to an interruption he added: "All business men are anxious to get the largest amount they can for what they have to sell."—House of Commons debates, July 19, 1915.

might have made him familiar with other standards. If a Liberal Cabinet Minister speaks and thinks in this way, it may be presumed that thousands of ordinary people who live according to habit, without trying to put their policy into words, are acting along the lines he indicated. Their actions may set a deplorable and demoralising example; but they are not necessarily bad people. They are only the victims of habit—the followers of a vicious tradition. It is true that they might have risen superior to the tradition, as many of them have done; but if we look at the matter in the broadest light and judge them as we should desire to be judged ourselves, we must conclude that it is not they who are at fault, but the system in which they are working—the system which has made it second nature for them to make the highest possible profit on a commercial transaction.

But, I shall be told, to say that the individual capitalist is the victim of a bad system does not prove that the war is not a "capitalist war." In fact, it is rather an argument the other way. This or that capitalist, or group of capitalists, may not have brought about or desired the war. The American Socialist editor who, in August, 1914, explained what was going on in Europe as "a frame-up by Rothschild" may have been somewhat out of his depth; we may grant that Sir John Jackson, or Sir William Beardmore, or Sir Thomas Lipton, or Sir Walter Runciman, who are alleged to have made money out of the war—with what justice Somerset House, I hope, knows better than I do—had nothing whatever to do with the "ten years of secret diplomacy" which preceded the outbreak of hostilities; but was not the capitalist system itself the canker at the root of our civilisation which is responsible for its sudden collapse? Is it not, to say the least, profoundly disquieting that a crisis in the nation's history should reveal so profound a discrepancy between the spirit of national service which animates its soldiers and sailors and the motive of profit by which its merchants and manufacturers are expected, almost as a matter of course, to be actuated? If war brings out so much unselfish heroism among the fighting men, and so much selfish greed among the business men, is not the spirit of business—the spirit which animates the existing economic order—an even greater enemy to human progress than the menace of German domination against which we are contending? Is not the real enemy, perhaps, not the spirit of militarism, as embodied in the Kaiser's armies, but the spirit of profiteering as embodied in the normal life of all the contending parties? If we want to secure a truly just and stable peace, had we not better follow Mr. Schiff's advice and look beyond the League of Nations, with its machinery—so familiar to workmen from its operation in other spheres—for the upholding of public right and the enforcement of international agreements? Will it not be quicker, in the long run, to touch the evil at its source, and abolish an economic system which is admittedly on a lower plane than the majority of those who are enmeshed in its toils?

Three years ago I should have answered these questions with an emphatic "No!"—not because I did not desire to see extensive

changes in the existing economic system, but because I believed in doing one job at a time and doing it thoroughly. War may or may not be the most dangerous and deep-rooted disease of modern civilisation, but it is certainly the most absorbing in its claim on the attention and the energies of peoples. It demands stern, continuous, and undivided concentration. And as I believed, and believe still, that the decisive defeat of German militarism is indispensable to the future progress and happiness of the peoples of Europe, I was inclined to lay aside speculations as to the reform of our industrial system till "after the war." There were many who thought with me on the same lines, who, as one soldier put it, went out to France to finish the work of the French Revolution in Europe, meaning to come back to help on the social revolution at home.

But as love laughs at locksmiths, so the course of events stultifies the speculations of students. In thinking we could thus separate the two great problems which rack the peoples of Europe, we were wrong. Students and statesmen cannot choose the order in which great and long-standing issues will allow themselves to be dealt with, and to expect the problems created by the Industrial Revolution to be frozen into immobility while Europe devoted itself with a single mind to solving those created by the French Revolution was to demand a second miracle of Joshua—to ask the sun, which rises afresh every morning above the smoke-cloud of our industrial centres, to stand still in its course. Capitalism did not cause the war, it is true; it was the Kaiser, not Rothschild, who pulled the trigger; but capitalism and the philosophy of self-interest on which it reposes were intimately connected with the atmosphere of selfishness and domination which made the war possible. The two sets of causes, political and economic, lay smouldering together beneath the crust of European society. When one erupted, it should have been possible to foresee that it would bring the other with it to the surface.

But perhaps not even the most clear-sighted observer of the problems of modern society could have predicted the closeness of the relationship which the course of the military operations would establish between political and economic issues and forces. Blinded by precedent, statesmen and economists alike thought of war in terms of armies; or, if they saw a little further, of finance. A few months of war, waged on a modern scale, showed that victory depended neither on courage in the field, nor on gold and credit, but on industrial power. The struggle was transferred, or rather extended, from the trenches to the workshop and the shipyard; and the clash of the fighting men became a mere section of a vaster conflict between the entire working force of the contending peoples. Thus the problems connected with the working of the economic system, instead of lying dormant "for the duration of the war," were everywhere discussed and considered afresh, not only by the workers but by Governments, and all over Europe able administrative brains began to consider them from a standpoint which had

never before, in this country at any rate, been adopted in public policy—the standpoint not of profit but of use—how best to enable our industries to supply the immediate and pressing needs of the community.

After three years of destruction the interrelation of the two sets of problems—the political and the economic—has become more intimate than ever. The British and German blockades which threaten to denude both countries—happily not in equal degree—of their stock of raw material and imported foodstuffs, together with the withdrawal of labour from peace-time activities over a large part of the world, are bringing statesmen face to face with a situation in which all the old landmarks of capitalist economics and fiscal controversy are submerged. The end of the war will find Europe—especially Central Europe—poor, exhausted, and largely deprived of its means of support and supply. As a recent writer puts it, in an article bearing the ominous title 'A World Famine': 'Unless some very drastic and very far-reaching measures are taken in time, and taken on a sufficiently large scale, there will be many millions of families in parts of Europe and South-Eastern Asia without employment and without means to buy the scanty supplies of extremely dear food that will be locally accessible to them. . . . It is not too much to say that there will be places within a day's journey of European capitals where society, with an extremity of want not paralleled in Europe since the Thirty Years' War, may be near dissolution.'* Already we can see that among the questions with which the Peace Congress will have to deal will not only be the establishment of public right and the redrawing of the map of Europe, but the more urgent problem of how to provide food, clothing, and other necessaries to the distressed peoples of Europe, a task which the existing economic system has not performed with conspicuous success in peace time, and is certainly not qualified to cope with in the unprecedented conditions of the immediate post-war period.

So far from setting back industrial change, then, the war has brought it in its stride; and the discussion of economic problems is not only not irrelevant to the problems of the war and the settlement, but is vitally bound up with them. The war has shown that modern life is all of one piece: that its separate problems cannot be isolated and taken one at a time for special treatment; and that when statesmen inscribe liberty and justice on their banners and bid their fellow citizens die for them, they are stirring up feelings and drawing attention to contrasts for which, sooner or later, they are certain to be called to account.

Now perhaps we are in a position to sum up this rather abstract discussion as to the relation between capitalism and the war. To those who say: "Leave the economic issue aside and concentrate all on winning the war," the answer is: The war itself will not allow us to leave the economic issue aside; and, that being so, winning the war necessarily takes on a wider significance. It means the triumph of liberty and justice, not only on the battlefield but at home: the

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**New Statesman*, August 25th, 1917.

extension to the economic sphere of the principles which the Allies have proclaimed in the political. It means accepting Mr. Schiff's challenge, and grappling with the deep-seated industrial problem which, if not, as Mr. Schiff declares, *the* root of the trouble, is certainly one of its twin roots. To the smaller group on the other hand who say: "Leave the war to take its own course and concentrate all on abolishing the existing economic order," the answer is: You are no more free than the politicians to select one problem for treatment and ignore the rest. You may ignore the war, but the war will not ignore you. Moreover, the existing economic order which you are out to "abolish," is in process of transformation before your eyes. Much better watch what is happening and try to learn from it, rather than stand aside and denounce profiteering whilst you allow militarism to take its course.

How can the ideals of the Allies be applied to our industrial system at home? To attempt an answer to this question lies beyond the scope of this paper. I will only say this: that the war has effectually disposed of the idea that a simple and sufficient remedy for our industrial ills is to be found in abolishing the system of privately owned enterprise and replacing it by a system of State ownership. The war has certainly dealt a heavy blow at the capitalist system: the system which relied on the self-interest of competing producers and middlemen to supply the needs of the community. But the State, which has been enthroned in their stead, has not proved itself able unaided to organise our industrial life on a better basis. State officials are not actuated, it is true, by motives of pecuniary gain; but humanity has other failings besides those which used to be attributed as virtues to "the economic man," and some of these can put grit into the machine quite as effectually as the greed of the most thoroughgoing capitalist. The war has, in fact, modified, if not transformed, the attitude of British Socialists towards bureaucracy; and I suspect that, when the curtain is lifted, we shall find the same to be the case on the Continent. The result of the intervention of the State has been not altogether unlike what happens when a bystander interferes in a street brawl between a drunken couple. Workmen and employers have discovered that their familiarity with their own trade and their long association together, even on cat and dog lines, have given them a certain common stock of sympathy as against an intruder from outside. The intruder, on the other hand, is beginning to wonder whether he has not shown a certain want of tact in his interference. The resulting situation may be judged from the nature of the proposals put forward with official sanction in the Whitley Report, and from the favourable reception accorded to them. Between State Socialism and private capitalism we have discovered that there is an intermediate region: industrial self-government. The association of the two parties who understand their own business, in an equal partnership, in a common service, will itself go far to redeem the organised industries from the domination of pecuniary motives. There is no space to pursue this line of thought further. Moreover, many of those present, who know the working of

some of the Boards of Control already set up for certain industries, can speak with more knowledge than an outsider. But if, when war-time pressure is removed and the State has once more retired to a discreet distance, the self-governing institutions—national, local, and in the workshop—which are now being officially advocated become a living reality, it will be true to say that one of the results of the war has been to promote our declared national aims of justice and liberty among important sections of our own people.

But the most urgent economic task which the settlement will impose will not be domestic, but international: it will be concerned, as we have already suggested, with the securing of supplies upon which the recuperation of the peoples, and, more especially, of the industrial peoples, depends. How can this problem best be dealt with? It is worth while trying to answer this question; for upon its successful solution in the months following the signing of peace the international "atmosphere" of the post-war period will very largely depend.

Private capitalism, as we have seen, must prove unequal to the task. Nor will "industrial self-government" help us; for we are dealing with what is essentially a problem of foreign trade and foreign policy. The responsibility for supplying the needs of their exhausted populations must, in one form or another, be borne by the various Governments.

What form should this action take? The natural course might seem to be for the various Governments concerned to deal with the matter themselves; and, in point of fact, enough is known for the conjecture to be hazarded that every Government in Europe, belligerents and neutrals alike, is already setting on foot an official organisation to deal with the problem of post-war supplies. Self-preservation alone demands it. No belligerent Government dare demobilise its armies till it can provide employment for its workers; and employment depends in its turn upon industrial raw material, and raw material upon shipping. There is therefore urgent need for all the governments to organise what resources they can lay their hands on with at least the same thoroughness as they have devoted to the business of mobilisation or making war. In spite of the perilous uncertainty of many of the factors involved, dependant as they are on the terms of peace, Government "Reconstruction Departments" are probably everywhere at work on the twin problems of demobilisation and supplies.

But, here again, can we rely upon the replacement of private capitalism by State action to solve the problem satisfactorily? The individual officials acting on behalf of the various Governments may not be "profiteers," but what assurance is there that the Governments for whom they will be acting will not be actuated by motives at least as unworthy as those of the capitalist? Is competition between Government and Government, whether for wealth or for territory or for power, any less dangerous to the world's welfare than the competition between trader and trader or syndicate and syndicate?

Is it not, in fact, far *more* dangerous, owing to the far greater concentration of power in the hands of the Governments that are competing and, owing to the whole armoury of weapons, military, and diplomatic as well as commercial, which they can bring to bear on the attainment of their purposes ? Is not, indeed, the association between Governments and economic enterprises one of the most sinister features of the diplomatic history of the years before the war ? In so far as the war was the product of the capitalist spirit, was it not the economic projects and ambitions of Governments rather than of individual capitalists which brought it about ? In Morocco, for instance, though the private firm of Mannesmann Brothers had something to do with the international troubles that arose, could Mannesmann Brothers by themselves have created an international crisis or brought about a European war ? It is said that certain American interests in Mexico have tried on numerous occasions to involve the United States in war with Mexico. They have hitherto failed, owing to the attitude of the United States Government. Similarly neither in Morocco nor in Persia nor in Turkey nor in China would the penetration of European capitalists have been a contributory cause of the present war had not the governments taken up their stand behind the private trading interests and associated themselves and their prestige with their enterprises. Left to themselves, capitalists may be selfish and grasping ; but they cannot bring about war, for they do not wield the power of the State.

It is for this reason that private capitalism, so far from being recognised as a war-making force, was for many years regarded, and is still regarded in many quarters, as pre-eminently pacific in its influence on international relations. Cobden, for instance, was a capitalist to the backbone ; no man in his day held a firmer belief in the virtues of the existing economic order. But he was also a staunch and livelong advocate of peace at a time when pacifism was a far less popular creed than now. And he was an advocate of peace *because* he was a man of business : his pacifism and his internationalism sprang directly out of his belief in the harmonious and satisfactory working of the capitalist system. Just as he believed in unrestricted private enterprise at home and resented the interference of the State with the natural working of economic laws, so he believed in the mission of the private trader, unassisted and unhampered by his own or other governments, to spread prosperity and harmony throughout the world. Hands off, Governments ! was his perpetual cry ; leave international politics to the private trader, and he will keep you clear of war. What he dreaded above all else, and surely, as the event has shown, not without reason, was the concentration of political and economic power in the same hands—the hands, moreover, which hold in their keeping the keys of war and peace. As the motto of his earliest political writing he adopted a famous sentence from Washington's farewell address to the American people : " The great rule of conduct for us in regard to foreign nations is, in extending our commercial relations, to have with them as little political connection as possible." To the spirit of

that motto Cobden remained true all his life. Like Mr. Schiff, he doubted the value of international political machinery. He did not wish to see any sanction provided for international agreements or to see his own country involved in the quarrels of other nations. "Non-intervention" was his motto. Let each country keep to itself and keep its own peace. In case of quarrel, he favoured settlement by arbitration; but far better avoid a quarrel, if possible, by maintaining a placid and dignified isolation. Much the same view is held—or was held up to the eve of the war—by his latter-day successors, Mr. Norman Angell and his group. They sought to divert men's minds from thoughts of war by taking the businesslike attitude that war does not pay. They appealed to reason against passion, to self-interest against patriotism, to solid considerations of profit against romantic dreams of national greatness.

Alas! it is proved to demonstration that war does not pay; but the deduction which Cobden and Norman Angell drew from that fact—namely, that Governments should go on governing and leave trading to the traders, has been falsified once and for all. The war has shown that you cannot draw a sharp line between "government" and "politics" on the one hand, and "trade" on the other. That indeed might seem to be the moral, not simply of the war, but of the history of the commercial and colonial policy of the Great Powers during the half-century between Cobden's French Treaty and to-day. Considerations arising out of foreign trade, questions of fiscal policy at home and in overseas dependencies, cannot be kept out of the political arena. They do not simply concern the livelihood of traders. They vitally affect the life of nations. The same is true of the many commercial questions which the war has shown us to be bound up with the problem of national defence. The true moral to be drawn from the fact that war is bad business is not that governments should eschew business for fear of burning their fingers at it, but that governments should go into business in a spirit calculated to maintain the world's peace. This is equally true whether the "business" in question consists in devising a tariff or negotiating a commercial treaty, or subsidising a "key industry," or in actual commercial transactions in the world's markets.

What is the bearing of all this on the immediate question at issue—that of post-war supplies? It is that the war will have been fought in vain if it finds the various governments, in their mutual business relations, actuated by the same grasping and anti-social spirit as too often characterised their pre-war commercial activities. If the problem is left to be solved on competitive lines, with the governments outbidding one another, there will be a scrambling and pushing, and threatening, and bullying such as the world has never seen before, and the League of Nations will perish in its cradle amid the wrangles of the rival disputants. The problem is one that can only be handled successfully on co-operative lines, both in the interests of the world as a whole and of the populations concerned. And once it is realised that co-

operation between the various governments is the only policy compatible with a tolerable state of international relations after the war, it will not take long to draw the further conclusion that the wisest course would be to set the whole matter on an international basis; in other words, for the various governments to delegate powers to purchase, allocate, and convey supplies on their behalf to an international Commission. Such a Commission would then, in effect, become a Relief Commission for the world as a whole, similar to the Commission which looked after the needs of Belgium, under American guidance during the earlier period of the war.

This suggestion has already found a place in the Labour Party draft peace terms submitted to the Inter-Ally Socialist Conference.* I will not therefore waste words on advocating it. On abstract grounds it is sure to commend itself to many. It seemed better to emphasise the nature of the alternative policy with which Europe would be faced if it were not adopted; to draw attention to the effects of an orgy of competitive bargaining by governments, some of them, including the smaller neutrals, in desperate case, upon the prospects of the incipient League of Nations. However impracticable the proposal seems, it is worth while trying to make it practicable, for the sake of what it will avoid.

But the proposal is not inherently impracticable. If the machinery had to be created *de novo* within a few weeks or months, its world-wide scope might well prove beyond the powers of human organisation. But in fact the machinery is already there ready to hand: it exists in the shape of the blockade, and the Inter-Ally economic control which has been established in connection with it. The blockade, which was first established to keep goods out of Central Europe, slowly developed, through the pressure of events, into an organisation for allocating shipping and supplies to the different countries and services. The rationing of imports will not need to begin after the war. The Allies and neutrals are already living under a *regime* of rationing. All that will be required will be to adjust the form and scope of the organisation to meet the needs of the post-war situation. It is impossible to predict what changes will be needed in this direction till we know the conditions at the end of the war; nor is it profitable

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*For convenience of reference the recommendation in question is subjoined:

"That in view of the probable world-wide shortage, after the war, of exportable foodstuffs and raw materials, and of merchant shipping, it is imperative, in order to prevent the most serious hardship, and even possible famine, in one country or another, that systematic arrangements should be made on an international basis for the allocation and conveyance of the available exportable surpluses of these commodities to the different countries in proportion, not to their purchasing powers but to their several pressing needs; and that, within each country, the Government must for some time maintain its control of the most indispensable commodities, in order to secure their appropriation, not in a competitive market mainly to the richer classes in proportion to their means, but systematically, to meet the most urgent needs of the whole community on the principle of 'no cake for any one till all have bread.'"

to speculate on the treatment to be meted out, under such an arrangement, to the Central Powers. But the embargo recently proclaimed by President Wilson on American exports to neutral countries and the extensive powers granted to Mr. Hoover as Controller of American food supplies indicate that the United States Government has a clear vision of the part which the supply question must play both during the closing phase of the war and in the period of reconstruction. President Wilson is not only the controlling mind in one of the largest producing areas in the world, but he is also the leading exponent of the idea of the League of Nations. It is therefore not unreasonable to expect that the initiative in the matter of the international control of post-war supplies will come from Washington.

There is no space to carry the suggestion further. One other observation may, however, be made. One of the chief tasks of the Relief Commission, on which the Labour Party Memorandum lays stress, would be to determine the order in which commodities should be imported. It would have to decide which were the more and which the less important imports. On what principle would this be decided? In ordinary times, under the *regime* of private enterprise, it is decided by "demand." If more people are prepared to pay for pianos than for boots, more pianos will be imported than boots, though a piano is a luxury and there may be many thousands of people who badly need boots. But the Relief Commission would make its decision not according to individual demand, but according to social need—to each nation "according to its needs." That is the purpose for which it would be appointed. For some time after the war, at any rate, necessaries will take precedence over luxuries; and it is to be hoped that even after the control of imports has been relaxed, the object lesson in social economics provided by the working of the Commission's "priority scheme" may diffuse saner and healthier views about spending among the consuming public than prevailed before the war. "No cake until all have bread" is a sound maxim of social policy against which the existing economic system constantly offends. The remedy lies partly with governments, but partly also, as the war has revealed to us, with the conscience of the consuming public.

One more suggestion in conclusion: The organisation proposed above could not, from the nature of the case, last very long. Under the best of conditions it would not be popular, and it will need all the support of educated opinion in the countries affected if it is to carry through its task without discredit to the prestige of international organisation. There are, however, other more permanent pieces of work waiting to be done if the connection between international organisation and economic policy is to be maintained and the world saved from relapsing either into the laissez-faire capitalism advocated by Cobden or the anti-social inter-state competition which characterised the generation preceding the war. If the League of Nations comes into being, it would be wise to bear

Mr. Schiff's criticism in mind and extend its purview to the economic questions which have been the cause of so much international friction. The most practicable line of advance would seem to be through the setting up of permanent Standing Commissions to investigate and watch particular problems and make recommendations about them to the conference of the League to form the subject of resolutions which would then be carried down to the separate sovereign Parliaments. There is no space to go into these problems in detail; but the mention of such questions as Labour legislation, migration and conflicts of standard of life, conservation of the world's resources, the export of capital and foreign loans and concessions, the control and improvement of world-communications, is sufficient to show how inextricably economic problems are now bound up with foreign affairs and public policy all the world over, and how valuable a dispassionate and authoritative statement about them might be in influencing opinion and moulding the policy of governments. The days when economic internationalism spelled the negation of official action are gone past recall. If the world wishes to organise its life on a peaceful basis, it must habituate itself to the idea of international governmental organisation. It must learn to think of itself as a single society and to disentangle those of its social problems which are common to all its members and can only be dealt with by the common action of the governments concerned, from the larger body of questions, such as taxation and fiscal policy, which are primarily matters of local and national concern. Above all, mankind must have the courage to judge both economic and national issues from an ethical standpoint and to adjust its policies and institutions, whether in government or in business, to that wider point of view. In this great task of changing the *motives* which have hitherto been dominant in our economic policy and relationships, and of bringing them into harmony with the Golden Rule, the working-class movement which, whatever its other failures, has never bowed the knee to commercialism, may well find one of the mainsprings of its activity in the generation after the peace. If the great European working-class leaders rise to the height of the opportunity they will interpret the mind and conscience, not of their class only but of a world which is learning through suffering the true meaning of civilisation.

Mr. Zimmern, speaking on his paper, said that he had raised three points: (1) How far was this war a capitalist war, and what were the relations between our general economic system and the war? (2) The economic situation which would arise in the immediate post-war period—the transition period after the war; and (3) Economic questions of an international kind which ought to form the subject of deliberations in a future League of Nations. He suggested that most of the discussion should be devoted to the second point. There was a great deal of nonsense being talked about Morocco, and the bourgeoisie, and

the wicked capitalist; but there was a fundamental truth underlying these wild statements. He had tried in his paper to sum it up by saying that governments should go into business in a spirit calculated to maintain the world's peace. It was not wrong for Germany, or France, or this country to be interested in questions of foreign trade. Questions of foreign trade and fiscal policy were important to us as citizens—they could not be left to the merchants of Birmingham, and we could not say they were no concern of ours as individuals; we had to approach them in the spirit of our political ideals. Passing on to his third point—the economic side of the work of a League of Nations—Mr. Zimmern said it was tremendously important that we should form a fairly clear picture of the kind of way in which international organisation would work after the war. He imagined that there might be set up—perhaps at the Hague—a body which should meet every year—consisting of delegates from the Parliaments of the countries composing the League. They would not pass laws, but their function would be to pass resolutions and to form the public opinion of the whole civilised world. It would be necessary to have attached to this body a number of Standing Commissions to investigate and to report on the problems which should come up for consideration. The working class leaders of the democracies would have an enormous opportunity in such a gathering, as they would be working on behalf of the whole civilised world, and not merely with their own country at heart. In this way, he thought, the question of the conservation of the world's resources and the many other questions containing within themselves the possibility of wars, could be peacefully settled and carried to the legislatures of the various countries and there, it might be hoped, made the subject of legislation by the democratic parties in those countries.

Returning to his second point, he said that it was very important to get a clear picture of the international economic position in the immediate post-war period. When peace negotiations began, the economic problem of the needs of the world—food, clothing, shelter, etc.—would seem more urgent than any other. And even before the end of the war the shortage of necessary commodities would become the most prominent problem in the whole situation—not only here, but in Germany and Austria. He was certain that we should have neither Free Trade nor Protection in the immediate post-war period. With the shortage of shipping and of supplies of every kind it would be impossible to have unrestricted trade. We should have regulated trade, with some system of licenses such as we had at present. It was ludicrous to think of having a tariff on imports, which meant making it more difficult for goods to come in, at a time when, owing to the shortage, all countries would have to set up a system of magnets to draw supplies from all over the world; instead of having import *prohibitions* we should have import *inducements*. There were certain countries, such as Brazil, which produced monopolies. Those countries could levy export taxes, and make the whole world pay more. The

countries which produced primary commodities would be in a very favourable position. There would be no more talk about dumping—we should beg the foreigners to dump things on us. This, of course, applied to the immediate post-war period. During this period the shortage of supplies would absolutely necessitate some form of governmental action, and the matter must come up at the Peace Conference. Governmental action would almost necessarily lead to international action, for the shortage was a world shortage and the problem was a world problem. This was a field of work in which the international idea could take root for the first time, and thus a beginning could be made in international organisation.

In conclusion, he said that the whole future of a good settlement depended on the atmosphere of the various parties. The worst thing the Germans had done was to destroy confidence, and yet everything depended on confidence. The economic question would, by its urgency, be the first to come up, and on the way in which it was settled would depend the atmosphere in which the people who negotiated the other questions would approach their work. The problem of supplies must be handled in a way which was in tune with the aspirations for which we believed we were fighting in this war.

QUESTIONS.

Question: Does the speaker think that as soon as the war is over we shall tolerate buying anything from Germany?

Answer: So far as the private purchaser is concerned, Germany will in any case find it very difficult to sell her goods; so far as governments are concerned, it depends upon the peace negotiations, and the kind of Germany we have to deal with then.

Question: How are we to reconcile this position of no tariffs with the statements recently made by the Tariff Reform League, and with Mr. Hewins' position in the government.

Answer: People in this country are very much slower to change their opinions than facts are to change themselves. If you ask me about tariff reformers, I am inclined to think they are still talking in terms of the pre-war situation, and that some of the things they are asking for will be clearly impossible in face of the post-war situation. As regards Mr. Hewins and Colonial preference, the only official statement that we have about Colonial preference was a statement by the Prime Minister, suggesting that preference might be given otherwise than by tariff, *e.g.*, by improved communications. Sir Robert Borden has spoken in the same sense. It must be obvious that when we are subsidising the loaf to keep food cheap, we are not likely to put a tariff on foodstuffs—Mr. Lloyd George made that point himself.

Question : Are we reconciled to Government intervention in forming what are really trusts for the brass workers of Birmingham in offering them not only advice, but also money, in order to further their export trade ?

Answer : It may or may not be desirable that the brass workers or any other industry in the country should form an association and work together more closely, but that surely has nothing necessarily to do with tariffs. In fact, if closer association tends to more efficient production, to that extent it makes the tariff less necessary and reduces the outcry for it.

Question : Did I understand the lecturer to say that if the League of Nations was set up, that the representatives would be appointed from Parliament ? Does he not think that in view of the importance of preventing future wars it would be desirable to draw better people from elsewhere ?

Answer : The remedy is to get better people into Parliament.

Question : If in a League of Nations the representatives are only to be chosen from amongst the politicians (and the Labour Party do not seem likely to have a majority even in the next election), will the working-class leaders get much chance of being chosen ?

Answer : I suppose the delegates will be chosen in proportion to their numbers in the House, and, after all, the influence of a party or of a party leader does not depend entirely on numerical superiority. If you get such men as Branting, Bernstein, Renaudel, or Vandervelde, men who have very wide knowledge and have thought deeply on these questions, one man like that will carry more weight than fifty ordinary rank and file members of Parliament. On a proportional system some Labour leaders are certain to get there.

Question : Is it not almost impossible to hope that the Labour Party will return men of the character of Mr. Branting ?

Answer : That is why we have conferences like this !

Question : I understand that the lecturer argues that Capitalism had nothing, or very little, to do with this war. How far is this reconciled with the statement that the international armament firms have agents in different countries whose object is to foment the spirit of warfare.

Answer : I am quite of opinion that some capitalist interests have benefited by the war, but I should have thought that in this country at any rate we were strong enough to prevent these people influencing our national policy.

Question : In the minds of many this is a trade war. What does the lecturer think ?

Answer : If this war was started as a trade war, I believe it is the worst speculation the traders have ever embarked upon !

Question : What does the lecturer think would be the effect upon any industry of the total prohibition of imports for a given period after the cessation of hostilities. Several of the departments set up by the government have already advised total prohibition.

Answer : In this matter we have the example of Germany to guide us—several industries have been closed down altogether, and the workers have gone into the army or been put on to other work. The Board of Control for the industry, selected which firms should be shut up and which should survive for the rest of the war. It is obvious if an industry depends on certain imports, and the imports are not there, the industry sooner or later will suffer. Supposing you have only a certain amount of tonnage and can only import a certain number of things, you have to adopt the principle of priority, and choose which you will import—*e.g.*, the choice between wheat or pianos. After all, the social need is more important than the need of any particular industry.

Question : Does the lecturer not think that as the economic interests are the major ones, the people pursuing these have used the political machinery for questions of peace and war ?

Answer : To some extent, yes. To find out *what* extent we should have to discuss the whole European foreign policy for the last fifty years.

Question : As regards State control. Does Mr. Zimmern not believe that the only line of progress is the nationalisation of industry and State control ? And further, if his answer is in the affirmative, whether he believes that a protectionist policy would not tend to form monopolies and trusts, and if this be the case whether State control and nationalisation of industry is not the only line of progress ?

Answer : I am in favour of State control during the immediate post-war period, but I am not in favour of the complete nationalisation of all the industries in this country. I should be in favour of an increase in State responsibility in that way, but to ask the State now to take over all industries does not seem to me practicable.

Question : As regards Free Trade and Protection after the war. Does the lecturer believe that the only line of progress from the labour standpoint is to offer inducements by a protectionist policy in order to encourage monopolies and trusts because that would be the easiest way for the State to take control ?

Answer : It may be desirable to encourage monopolies under State control in certain industries, to have a greater amalgamation of firms and to put them under State control or ownership ; but, on the other hand, this is not necessarily bound up with Protection. In some industries—as for example, the building trade—you could not have Protection at all. I should separate these two questions entirely and treat the question of monopoly (or syndication or closer working, or whatever you call it) quite separately. I certainly think that a great deal of improvement could be effected by closer working together in various industries, and that raises questions with regard to Labour representation and control which ought to be very carefully gone into by Labour bodies. The question of Protection is quite different. My own opinion is that the war has been an extraordinary justification of Free Trade finance, but that we shall not get back to the Protection *v.* Free Trade controversy. What we are more likely to get is a very sharp division on the question of who is to pay the war debt—direct *v.* indirect taxation. If you look back on old Tariff Reform literature, and consider the amount of revenue which they hoped to get by a general tariff, you will see how infinitesimal that amount is, compared with the five or six hundred millions that we shall have to raise after the war for current expenditure and interest on war debt. The hopes of getting revenue from a tariff have vanished, and the prospects of direct taxation have been increased beyond anything we dreamt of. The whole question of Protection looked at from a revenue point of view will be quite different after the war.

Question : In regard to the increase of wealth. Should not the State take over banking and credit ?

Answer : That is very difficult. I do not know enough about it to answer the question properly. The fact that certain industries make large profits is not a sufficient reason for taking them over.

Question : Is it not necessary to grant some sort of preferential treatment to our Colonies and present Allies ?

Answer : I think we do grant preferential treatment. We are always being asked about Colonial preference, but we have given them far more than they have ever given us. It is true that Canada gives us a preference of 33⅓, but we have given them defence for over a century. I think we are on the right side of the balance, but I am quite prepared to consider whether it is a feasible thing to tax ourselves for the sake of benefiting producing interests in those countries, though I do not see any good reasons for doing so at present.

Question : To whom is the war debt owing ?

Answer : It is owing to the people of this country, and to the people of America, and on the other hand we have a good deal owing to us by Italy, Roumania, and other countries.

DISCUSSION.

Mr. Naylor (London Society of Compositors), in opening the discussion, read the following paper :—

I find myself in agreement with most of what Mr. Zimmern has said and written on this subject, although not seeing eye to eye with him in all his conclusions. Very wisely, he opened his paper with a few questions and definitions, with a view to keeping the discussion free from misunderstanding. I purpose to follow him in this direction, in order that our differences may not take anyone off the track of the argument.

Here are his leading questions :

How far are economic causes at the root of the present war ?

What is the connection between the existing economic system and the international antagonisms out of which the war has sprung ?

What is meant by the phrase " a capitalist war " ? Is it a war waged by bourgeois governments in which the working-class as such has no concern ?

What bearing has the answer to these questions on the problem of the better organisation of international relations after the war ?

I will answer these questions in my own words, so that Mr. Zimmern and others may see that my point of view is very much the same as his. Let me say at once that it is almost impossible to escape the conclusion that the war is due to economic causes. I agree with Mr. Zimmern's view that the war is not in the interests of the capitalist class in general. No class, as a class, derives advantage from a state of war. War must reduce capital values, as it also reduces wage values. That certain sections of both capital and labour incidentally gain through war conditions does not destroy that contention, for the great mass of the people always stand to lose. In addition, all classes contribute largely to the sinking fund of human life and suffering that is being built up to liquidate the wrongdoings of a perverse civilisation. It may be said of war as of many other institutions—the few gain while the many lose. The economic causes at the root of the war are not specially related to capital or to capitalistic institutions. It is an economic war because it originates in a desire for national expansion —not for national aggrandisement but for national well-being (as that is understood, rightly or wrongly, by capitalistic governments). It is a war, nominally of governments, but through them of nations or peoples. And the nations or peoples must be prepared to accept the responsibility. Whatever may have been the causes of war centuries ago, to-day they are brought about by the necessity for national economic development, which is drawn along the lines of territorial expansion. Who would pretend that the murder of the heir to the

Austrian throne was the real cause of the war, except in so far as that murder may have arisen out of Servia's desire for the expansion, to which Austria was one of the main obstructions? Again, the violation of the neutrality of Belgium was merely a secondary cause of Great Britain's entry into the war. The underlying reason was that Belgium's position of neutrality offered a partial guarantee against aggression on the part of Germany—an aggression founded upon Germany's desire to remove the obstruction of Britain and France in the markets of the world, by military means if necessary. Likewise, we may assume that Germany went to war to preserve her economic independence as well as her integrity as a nation: Austria's quarrel was Germany's long-delayed opportunity for securing by force what she was otherwise in danger of losing. These conclusions appear to me to be incontrovertible. International relationships, despite the diplomatic tissue in which they are obscured, all tend in the same direction—namely, towards preserving and extending the nation's position in the economic struggle for existence. As with individuals so with nations, the strongest will survive—though Germany has yet to learn that the most unscrupulous are not necessarily the strongest.

I therefore agree with Mr. Zimmern when he says that Capitalism did not cause the war: whether it was the Kaiser or Rothschild who pulled the trigger seems to me immaterial: the explanation as to why the trigger was pulled and Europe plunged into the war is to be found as he suggests, in the philosophy of self-interest—that is to say, national self-interest. The fact that these conditions prevail under a capitalistic system of society does not prove that the capitalistic system is itself responsible for war. So long as the nations are separately governed, and maintain an absolute political and economic independence one from another, so long will war be possible, no matter how high may be their state of social and political development. Behind all outward expressions of force, whether it take the form of an ultimatum or a tariff—behind the hand of a peaceable but insistent diplomacy—is the international struggle to live under the best possible conditions. With present relationships, force is the only court of appeal for a disappointed nation. Nation allies with nation when geographical or commercial interests synchronise. Groups of nations are formed with interests in common. And thus, in place of a single combatant on each side, we have a world divided into two armed camps. For which unhappy condition of affairs a League of Nations is the only effective remedy. I may now be permitted to summarise my answers to Mr. Zimmern's four leading questions, by which it will be seen that there is little real difference between us:

Economic causes are at the root of the present war.

There is no direct connection between the existing economic system —if by that he means the capitalistic system—and the international antagonisms out of which the war has sprung.

It is not a war waged by bourgeois governments, in which the working class has no concern, but a war of nations, in which all classes are involved.

That is the position as I understand it : and Mr. Zimmern will agree that there is no fundamental difference between his analysis and my own. In regard to the solution of the problem he has set us, I find him more suggestive than determinative, and therefore not so easy to follow, while his impartiality leaves a frontal attack quite out of the question, supposing I were inclined to be pugnacious.

For instance, I fail to trace the connection between national industrial adjustments and international relationships. I do not agree with his view that the war has effectually disposed of the idea of State ownership in place of private enterprise. At the same time, I do not think this question should enter into the present discussion of capitalism and international relationships. The same remark applies to his intermediate region—industrial self-government. These are matters of national concern ; whereas war, as I have endeavoured to show, is independent of all questions of purely domestic administration. As Mr. Zimmern rightly points out in a later paragraph, the economic task which the settlement will impose will be the securing of supplies upon which the recuperation of the peoples depends. That, however, is a temporary difficulty only. The more important question is the setting-up of machinery to solve the permanent problems of international relationships. That machinery can be used for dealing with the situation immediately following the conclusion of peace as well as for the primary object of avoiding future wars. Mr. Zimmern rightly draws attention to the serious character of the question of post-war supplies. Of what use are capital, and labour, and orders to employ both, if the raw materials of industry are denied us ? Of what avail are all these if food supplies are unprocurable ? Blockades are not necessarily a condition of war. They may be enforced in times of peace also. Certain it is that there will not be sufficient raw material to satisfy the demands of the world's markets for many years after the conclusion of the war, while it is equally certain that food supplies will not be normally distributed until several successive harvests and an increase of shipping have enabled the necessary adjustments to be made. It is for the nations to say whether they will leave these adjustments to be made without any attempt at scientific international control or will set up some form of machinery that will secure justice to the smaller or weaker nations.

Admitting as we must that international relationships in the future must not be governed by sectional alliances, or be at the caprice of any single nation or ruler, we are forced to a decision on Mr. Zimmern's proposals for an International Commission or a League of Nations, whose functions shall include the settlement of the question of post-war supplies as well as the larger problem of international peace. The practical conclusion at which Mr. Zimmern arrives is that to avoid a promiscuous scramble after the war for food supplies and raw material, the nations must

be rationed. Certainly if something of the kind is not done there are grim tragedies to be enacted in the post-war period, when the weaker or poorer nations, or the least favoured nations, may be almost strangled in the struggle for existence. To meet this problem is our immediate task. An International Commission, on which every nation shall be represented, must be set up, in conjunction with, or independent of, a League of Nations. The question of admitting the Central Powers is one that cannot be left to the future to decide. There must be no outsiders—no non-unionists among the nations !

There will be two immediate objects before the International Commission : (1) To secure food supplies for necessitous countries ; and (2) To secure raw material and shipping for countries whose industrial position may be seriously jeopardised for lack of them. We shall, I think, have to distinguish between the shortage of food supplies and the shortage of materials. The supply of food to a country threatened with famine is subject to human considerations ; the shortage of materials, though its ultimate results may prove to be the same, is a question of trading. What means, then, is the International Commission to adopt to achieve the two objects in view ? In national business life one insures against risks of all kinds as a matter of course. Is it practicable to apply a similar principle of insurance to international risks of the two kinds mentioned, or to one of the two ? Let me suggest a basis for discussion of this point. The countries comprising the International Commission might contribute on an agreed basis to a common fund, to be used for the assistance of distressed nations in regard to food supply only. Any nation would be entitled to claim assistance, and, on proving its case, would be granted the necessary supplies. To obtain these supplies the Commission would have to be invested with compulsory powers of purchase in any market : that is to say, they would be given priority over all other purchasers, but would pay the market price for whatever is purchased. This condition of compulsory purchase would, of course, be a vital part of the scheme. For it should be borne in mind that the difficulty of some nations will not be a question of ability to pay, but of opportunity to purchase. Hence the necessity of granting the International Commission powers of compulsory purchase, enforced by the respective Governments. Food supplies should, I think, be regarded as a free gift to a nation in actual social distress ; and the supplies should take the form of immediately consumable foodstuffs, to be distributed among its own people by the receiving government. In the case of the raw materials of industry, I suggest that the functions of the International Commission should be confined to the issue of compulsory purchase certificates to nations whose claims have been favourably decided by the Commission. As already pointed out, the difficulty will be one of opportunity to obtain rather than of ability to pay ; and by the issue of these priority certificates that difficulty would be overcome. I do not suggest that any attempt to equalise the conditions among the nations will be practicable : the intention is to safeguard a nation from suffering a virtual blockade through

inability to obtain supplies or transport. With raw materials of industry I would bracket shipping and transport. These priority certificates would be used by the accepting government, who would pass on the material so obtained to their own traders at their own terms.

I will, in conclusion, summarise the proposals under consideration. The Labour Party's recommendation urges systematic arrangements on an international basis for the allocation and conveyance of the available exportable surpluses to the different countries in proportion to their needs. That recommendation includes foodstuffs, raw materials, and shipping. Mr. Zimmern takes us a step farther and proposes that the various governments shall delegate powers to purchase, allocate, and convey supplies on their behalf to an International Commission, which would become a Relief Commission for the world, rationing each country according to its need. My own suggestion carries us a little farther in the settlement of details: First, that the question of the supply of food should be separated from that of the supply of raw material and transport; and secondly, that the food supplies shall be in the nature of relief, provided at the expense of a common fund, while the division of raw material and shipping shall be arranged by the issue of priority certificates for compulsory purchase in the open market. The weakness of the Labour Party resolution is that it proposes to deal only with "available exportable surpluses," which limits the powers of the International Commission to that definition whatever it may imply and whatever they may decide it means. Mr. Zimmern's plan, by placing the obligation of purchase, allocation, and conveyance upon the Commission, is asking for a big draft upon the trustfulness of the nations in the business capacity of the Commission, and imposes far too onerous a task for any body of men, much more when they are the representatives of various nationalities and interests. The difficulties of the Stockholm Conference that was to be, the difficulties even of the Inter-Allied Labour Conference that was, would seem to prove the impossibility of any scheme of international rationing. The view I take is that the international business of the world shall, as far as possible, be left to itself and the International Commission called in only on the direct representations made either for food, for material, or for transport. Within each country, however, it will be necessary for the Government to retain such control as they have at present in the interests of social justice and in conformity with social needs. Probably no problem in the world's history has put such a tax upon the wit of man for solution as that which faces civilisation at the conclusion of the war. We shall have cause to be thankful that the exhaustion of war will make it necessary for the nations to seek the solution by other means than those of physical force, and by getting together and reasoning together, work out the salvation of humanity in accordance with the Golden Rule. The awakening democracies of the world East and West are determined that there shall be no more war; and neither Kaisers nor Tzars, nor Kings, nor Governments will be allowed to stand in the way of the realisation of that resolve.

GENERAL DISCUSSION.

Mr. Parkin (York Equitable Society) said on one or two points he had come to different conclusions from Mr. Zimmern. He would like Mr. Zimmern to deal with a point which he would try to explain. For the last fifty years Great Britain had been spreading out her tentacles all over the globe, and to a great extent had allowed the capitalist somewhat of a free hand. A pamphlet came into his hands some time ago which proved that France and Great Britain had made an alliance with Morocco to the exclusion of Germany, and that other arrangements had been made so that eventually Germany was forced to see that she was being crowded out of a place in the sun. These were the real factors that had brought about the war which, if true, condemned us as a nation. He would like to ask if the lecturer does not think that instead of capital pulling the strings of our politicians, and forcing on this war, that the democracy of this country should have a voice in affairs, and demand that capitalism should not have a free hand? He was confident that, had a vote been taken in all the countries who were contemplating war, the democracies would have voted against it.

Mr. Straker (Northumberland Miners): On page 61 Mr. Zimmern quotes from "*Socialism and War*," in which the writer states that it is not a capitalistic war . . . . because war is not good business. If that frees capitalism from being the cause of war, I am inclined to think that it will free the worker and everybody else. I don't see that it has been good business for us, but the fact is that if the capitalists—or whoever were the cause of the war—had seen the present result of it, they probably would have hesitated. We know perfectly well that the Germans were going to be in Paris in a few months, and that before Christmas we were going to be in Berlin—that is the light-hearted way in which all parties entered the war. But on another page (68) he says that capitalism cannot make wars. If governments do not make wars, capitalists could not possibly make them; and one asks oneself the question: Who are the capitalists and who are the people who constitute the Government? Government competition at the present time is but the competition of individual capitalists expressing itself through the medium of the Government. The capitalist class complained to the Government of what they called unfair German competition which must be stopped, and appealed to the Government to do what they could to stop it. The inception may lie even further back. I sometimes think that at the bottom our Christian missionaries are to blame. They send home beautiful reports of the wealth of the countries to which they go, and at once the interest of the capitalist is stirred, and he gets some Commission sent out by the Government to make enquiries. After that, big guns follow to Christianise the people! Notwithstanding all that, Mr. Zimmern proposes that the Government should take over the whole business. I am a little afraid that the League of Nations will fall to

pieces when the countries composing the League fail to agree. There is nothing to stop war but the growing intelligence of the people and of democracy.

Mr. Thickett (Walsall Trades Council) said that the Boer war was a capitalist war, and when this war was over it would be found that it was on the same plane, but there was nevertheless a prospect of a better land for the people when peace came.

Mr. Smith (Machine Workers): Mr. Zimmern condemns State control, and it appears to me that the basis of his condemnation is the experience gained as a result of the war. That is hardly fair, as I think we have to admit that private enterprise failed to stand the test of war, with the result that the Government stepped in and proved conclusively that it was in the national interest it should take control. Surely then, if, as a war emergency, it is essential for the State to take control, in the interests of the well-being of the country, that control should be continued. I think the majority of the representatives who have spoken in this conference have agreed that State control is essential, and that Labour wants it. Labour all along the line, especially as regards the future, is fighting with that object in view, and Labour must itself decide what are the easiest and quickest methods by which Nationalisation and State control can be brought about. I believe that by a Protectionist policy (I am no advocate of Tariff Reform) we shall encourage monopolies and trusts, and when this has come about, I hold that it will be far easier to pass a scheme for State control and Nationalisation than it will be by a Free Trade policy. With nationalisation in all countries as a condition of peace, problems connected with commercial policy and controversies as to peace or war would cease to exist.

Mr. Millington (Birmingham Co-operative): In reply to the last speaker, would it not be better instead of encouraging monopolies, to develop voluntarily the co-operative ideas along the lines on which they are now working? There is no doubt in the mind of the worker, I think, that the seed of all war is greed and selfishness. This may find expression through Trade which may, in the future as it has done in the past, use the politicians in and out of Parliament. In this way quarrels have been engendered between the nations, and then the workers generally have a lot of high-flown stuff thrown at them about patriotism and all the rest, and we only know the causes that led to the war through what we are told, not by having a free voice in suggesting what or how things should be done. When we think of all the secret diplomacy, through whichever channel it comes—the trade organisations or the capitalist press—it amounts to the same thing, that quarrels are engendered that we have to pay and suffer for. How can we stop it in the future? Mr. Zimmern very pointedly said that the first and primary thing we have to see to when we get the League of Nations is to inspire confidence between those who meet on our and

other people's behalf. I am suggesting that if we and our Allies can be self-dependent, cannot we have a League of Nations without the Germans? I hope we shall. We have seen enough of them in this country. If we can be self-supporting, let us go on our own and leave them to take their own course. We need not be revengeful, but I think we have had enough of them.

MR. DEWSBURY (Walsall Co-operative): Mr. Zimmern states that the commercial policy under which we work is at fault, and that it is wise to abolish the system. We have his views on private ownership of capital, and yet when he is questioned as to whether he would nationalise it, he begins to hedge, and says he would in some industries, and not in others. It seems to me rather inconsistent that he should state very emphatically that the present system is wrong, and yet have no definite remedy for putting the matter right. To nationalise Finance will not be sufficient, because capital knows no country; nor will even the nationalisation of Industry be sufficient. The remedy is to internationalise the whole of labour, commerce, industry, and capital. Mr. Zimmern said that victory depends on industrial power. The industrial workers are the source of our industrial power; they are going to win the war for us, and will largely have to pay for it. I want to know who they have to pay? When Mr. Zimmern says that the commercial system is wrong, I should say that the financial system is wrong also. War is the result of selfishness, and the whole present system seems to me to engender selfishness. Wealth ought to be owned internationally.

MR. RUDLAND (President Birmingham Trades Council): I believe the Boer War was a capitalist war, and there is very little difference in the present war except in its widespread disastrous results. The Junker class are responsible for the present conflagration—they dominate the show and make the working-class pay the piper. At bottom this is a capitalist war, and to a large section of the country the war is profitable. You cannot serve God and Mammon: the one represents the highest form of service without greed, and those who serve the other are simply out to make money—they are the soulless capitalists who are the cause of this war. It is no use trying to put it on to the German. For the Central Powers it is an economic war for expansion, as they had no outlet for their shipping. The so-called alliances to preserve the balance of power are underhand businesses. The capitalists of Germany, France, Austria, Italy, and all the other countries are the real enemies we have to fight, for they engender war through the press.

MR. ARGYLE (Club and Institute Union): The causes of this war are economic. Germany needed expansion, or at any rate she thought she needed it. She was not satisfied with her great progress, and she set to work to get rid forcibly of hindrances to further expansion, and very carefully prepared herself over a long series of years for that

end. I happen to have been closely associated for many years with a man who was a deep thinker, widely respected, and a man of very great experience in international trade. He said to me fully ten years ago that we should have war with Germany sooner or later—that it was quite inevitable, because Germany could see no other way of getting what she wanted than by war. I think this has been very fully borne out. It is all nonsense to believe that Germany tried all she could to prevent this war: Germany was determined to have it. She was only waiting for a fitting opportunity, and when that opportunity came she thought she was strong enough to conquer the world, then she went at it. Of course she had to have an excuse, and she had no great difficulty in finding it. It is not true, in my opinion, to think that it was only the richer classes in Germany who were behind the war. I believe the whole German people were permeated with the idea—I do not say it was so originally, but that by years and years of teaching they were in that frame of mind that they believed they must come out triumphant after their enormous preparations. The whole course of the war and what has happened has fully borne that out. I do not agree that we—either capitalists or workpeople—in any way wished for the war or are responsible for it: I think that we tried our best to avoid it, and as it was only when we were absolutely in the position that we could not keep out of it without sacrificing every vestige of honour and sense of decency that we resolved that we must come in to protect the interests of the world against the grasping spirit that was embodied in Germany. I think we ought to clear that up. I do want to take my stand as a Britisher. I do believe that we are in the right in regard to this war, and that we were thoroughly justified in going into it.

Mr. Zimmern's Reply.

I agree pretty well with all that Mr. Naylor has said, except on one or two points of detail. He drew a distinction with which I do not agree between the control of foodstuffs and industrial raw material. He said one was a question of humanity, the other merely a question of trade. When people have not got boots or clothes that will keep them warm you have got beyond trade. I think if you were in Belgium or Poland to-day you would feel that the question of clothing people was just as much a matter of humanity as the question of feeding them; you cannot draw any distinction between these things. If you have an international body to meet the social needs of the populations, that body will have to decide frankly on the grounds of humanity what things shall be imported in order to promote recuperation most quickly.

Here is another point which indicates the extraordinary difficulty of setting up an international body of this character. You speak of giving it compulsory powers of purchase in all the markets of the

world at fair prices. That sounds very easy, but it is not going to be easy at all. Do you think the people in Argentine who have a great deal of wheat and wool to sell, and who are in the fortunate position of having half the world wanting to buy from them, will put up with very much less than the highest price they can get? I have seen a statement in the paper that the British Government has had some difficulty in persuading the Boer farmers to sell the South African wool clip to the British Government: they were able to persuade Australia. During the past 50 years the capitalists in manufacturing countries have had a pretty good time; now, by a curious turn of the wheel, the raw-material producing countries like South Africa, Argentine, and Brazil are in a very favourable position. Everybody is coming and asking for their stuff, and it will not be at all easy to make an arrangement with them. Let me draw attention to another fact: We talk about the British Empire as a unity, but on matters of fiscal policy it is not a unity. For instance, in matters like the South African wool clip; as we are not Prussians, and do not govern in their way, the purchase has to be arranged by persuasion. I do not wish to say that these difficulties will make the problem of the world's supplies of these articles insoluble, but you see what delicate negotiations are involved, and how much easier it is to settle them here than to carry them out. Japan is getting an enormous chance now: they are very anxious to get a foothold in new markets. If you went, say, to South America, you would find Japanese goods sold in places where you never saw them before—*e.g.*, textiles. You are up against a great number of conflicting interests. This may make an international commission very much more difficult than it looks on paper, but because it is difficult, there is no reason for despairing; it is for us to try to see the thing as the other chap sees it. Someone raised a question of Morocco: I did not want to go into the question of capitalist policy before the war, but I would say that the German desire for a place in the sun was very largely due to the fact that they were afraid that the British policy of the open door would not be followed in the future. It has been followed up to date, and though no one knows what would have happened, as a matter of fact, the German merchants were quite free to come into British markets. I will quote an example—a very remarkable fact which I have seen quoted both in a German and an American book*; the proportion of British capital invested in Egypt—which was the *quid pro quo* for Morocco—has not increased since the British occupation of Egypt. It is not true to say that, by occupying Egypt, we have made it the happy hunting ground of our capitalists: other nations had equal rights, and have exercised them. If you ask me whether any Powers in this war were guiltless, with respect to some of the matters raised this afternoon—whether they had no blot on their escutcheon at all, I would say they are all to blame in a greater or lesser degree. Mr. Straker made a remark that "government competition

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* See Appendix.

is but the competition of individual capitalists expressing themselves through the Government." This is much too harshly stated. A Government has a great many interests: it is not merely a Government of calculating, grasping capitalists; and Mr Straker really refuted his own argument by mentioning tariffs, for the Government which entered on this war was a Free Trade Government. We are much too apt to use a bludgeon in these matters where the truth is very difficult to arrive at. Similarly with regard to missionaries. They have done a great amount of good in Africa and other places, and have formed a great counteracting influence to the capitalist who sells gin, whiskey, and muskets. In some cases missionaries have been a bad influence, and may involuntarily have led to undesirable governmental exploitation, but we must not be unjust to a body of men who have done an enormous amount of good—*e.g.*, Livingstone. Mr. Smith raised a point in connection with the question of State Socialism. I did not in my paper deal directly with Nationalisation; what I said was that the war had shown that undiluted State ownership and undiluted State control such as has been exerted through the Munitions Department has been the cause of a good deal of resentment. That is why we have cases of agitation. I am not in favour of a relaxation of State control. I do not want to abolish the Factory Acts, but I want a greater measure of autonomy for the workers themselves who know the conditions, but the State must retain its overriding power, because otherwise you might get workers and employers combining to defraud the rest of the community. Mr. Dewsbury says I have hedged about my attitude on the economic system. I have not; what I want first and foremost is a change of motive—such a change you can get if you set up an international body. As Mr. Dewsbury says, if you get National Socialism there will still be competition between one State and another, and for this reason he would internationalise the whole of industry, commerce, and finance. This is a very large order. The inter-Allied Conference showed you how very difficult international organisation is. We have to proceed towards further nationalisation and to alter the motive in all industries, and that will have this rather curious result: it will promote direct taxation, because the great argument against direct taxation is that you cannot tax people high because you destroy the incentive which leads them to make money; if you change the nature of the incentive from profit to service they will not so much mind being taxed. With regard to my attitude on the war, I agree whole-heartedly with everything President Wilson has said since his address to the Senate last January.

APPENDIX.

Since the Conference met, Mr. Zimmern has kindly supplied the following extracts from the books mentioned on page 87.—EDITOR.

" England's share in the trade of Egypt before the occupation was 57 per cent.; in 1891 it was only 54 per cent.; in 1913 it had fallen to 37 per cent."—BEER: *The English-speaking Peoples* " (New York, 1917), p. 304.

" If one looks at the figures of the trade of Great Britain with her Colonies they by no means bear out the contention that it is simply due to the fact that they are British Possessions and that they were occupied as Colonies in order to promote British trade. Take, for instance, Egypt, which has, since 1883, been under the exclusive control of England. Has England's trade with Egypt increased in the same proportion as it would have done had Egypt remained independent? It is of course impossible to give an absolutely certain answer to this question, but the following figures are at least suggestive:

British Trade with Egypt in Million £'s.

	Imports from Egypt.		Total Imports.
1872	16.5	..	354.7
1912	25.9	..	744.9
Increase	9.3=56%		396.2=111%

	Exports to Egypt.		Total Exports.
1872	7.3	..	314.6
912	9.6	..	599.6
Increase	2.3=31%		285.0=90%

England's trade with Egypt has thus increased in a lesser proportion than her total trade. We have no reason to assume that had Egypt not been occupied the normal operation of economic factors would have caused it to increase any less."—KAUTSKY: *The National State, The Imperialist State, and The Federal State* (Nuremberg, 1915), pp.71-72.

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