

THE
STATE
THE ENEMY

Sir Ernest Benn has also written

HAPPIER DAYS

THE CONFESSIONS OF A CAPITALIST

IF I WERE A LABOUR LEADER

TRADE

THE LETTERS OF AN INDIVIDUALIST

THE RETURN TO LAISSER-FAIRE

PRODUCER *v.* CONSUMER

UNEMPLOYMENT AND WORK

ABOUT RUSSIA

ACCOUNT RENDERED (1900-1930)

HONEST DOUBT

THIS SOFT AGE

MODERN GOVERNMENT

DEBT

THE MURMURINGS OF AN INDIVIDUALIST

BENN'S PROTEST

THE CASE OF BENN *v.* MAXTON

*A brave man struggling in the storms of fate,
And greatly falling, with a falling State.
While Cato gives his little senate laws,
What bosom beats not in his country's cause?*

ALEXANDER POPE

*A State which dwarfs its men, in order that
they may be more docile instruments in its
hands even for beneficial purposes—will find
that with small men no great thing can really
be accomplished.*

JOHN STUART MILL

THE STATE THE ENEMY

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APOLOGIA

THE Socialists are searching for a new faith and say so, almost in those words, in the *New Fabian Essays* recently published by eight of their leading thinkers. Nationalisation has not brought the expected smile to the face of the worker, full employment has not encouraged production, the management of money has not improved its quality; in fact all the anticipations of the original *Fabian Essays*, the bases of modern Socialism, have proved disappointing, if not entirely fallacious. But Socialists move with the times and having ruined much of the work of the nineteenth century are now preparing to deal with the wreckage of the twentieth.

The new Fabians lack much of the confidence and conceit of their forbears, but remain true to the Bernard Shaw tradition and are prepared to go on with the search for "change and decay" even though the article to be changed and discarded is the earlier work of their own hands.

Whether or not these repentant Fabians have been reading the preface to *The Book of Common Prayer*, they are beginning to discover that "where a change hath been made of things advisedly established (no evident necessity so requiring) sundry inconveniences have thereupon ensued; and those many times more and greater than the evils that were intended to be remedied by such change."

I make no pretence to move with the times in the sense in which the phrase is generally used. None

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of the wonders of science owes anything to Socialism; on the contrary, all have been hindered by political interference. Had the philosophic outlook of the Victorians been allowed to remain and direct and influence all these new delights, then the study of poverty would by now be classed with archaeology and have no more than an academic interest.

The following pages are concerned with the re-statement of old principles illustrated by examples selected from the happenings of the last forty years. In the Welfare State manufacturing delays contrast strangely with the speed of political movements, and it is well-nigh impossible for comment of the kind I offer to be in all respects up-to-date by the time that it reaches the reader. Much of my material was collected in the winter of 1951-52 and, with a change of Government some of it may not exactly fit the circumstances of 1953.

Two chapters are reprints inserted to show that, unlike Fabians, Individualists are consistent and have no need to abandon old truth, or attempt to change the foundations of civilisation.

"A Necessary Evil" was published a little more than twenty years ago in a book of mine *This Soft Age* and is here reprinted without alteration of dates or other detail, to show that the ideas then put forward have not needed the periodical recantation which is inherent in Fabianism in all its forms.

The last section—the Appendix—consists of excerpts from "The Coming Slavery," reprinted by permission from *The Man versus the State*, published in the Thinkers' Library by Messrs. Watts & Co. As "The Coming Slavery" first appeared in the *Contemporary Review* of April 1884, the material used by Mr. Spencer was necessarily gathered

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from the happenings of those days, but the principles remain. In so far as it is concerned with the growth of the bureaucracy, "The Coming Slavery" is one of the most remarkable pieces of prophecy in the language.

It should be clearly understood that this book is an *ex-parte* statement in the case of *The Man v. The State*, and makes no pretence to examine the other side of the subject.

Every government department is provided with a staff of public relations officers whose business it is to "sell" State activities to an uninformed public. They do not, for instance, tell us of the 100 tons of cheese stored in air-raid shelters which had to be removed or destroyed. They are assisted by a Central Office of Information, more appropriately called 'The Planners' Advertising Agency. A few years ago all these novel activities cost £11,000,000; the cost today is difficult to ascertain because some of it has been transferred from the Treasury account to the debit of nationalised industries. But whatever they cost, all these people threaten our democratic foundations by presenting one side only of highly debatable matters. I make, therefore, no apology for confining myself in the following pages to the other side, of which far too little is heard.

When things go wrong with the human body, or the body politic, the chances of successful treatment depend upon correct diagnosis of the trouble. John Burns, the first Labour Minister of the Crown, used to talk to me of "putting plasters on boils" or "splinters on wooden legs" as illustrations of ill-considered political action. My case is that no diagnosis of our economic ills can be adequate or reliable unless it takes full notice of the point of view here advanced.

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CHAPTER I

THE STATE THE ENEMY

To the Individualist the State is the Enemy. Herbert Spencer put the whole matter into five words in the title of his book *The Man Versus the State*. Talk of the people, the country, or the nation stirs the emotions, but the word State has a hard steely ruthless suggestion, and the notion of a State with a soul or a heart does not occur because it cannot exist.

We are so much involved in detail, which for the most part is no proper concern of the State, that we are reduced to almost total inability to see the wood for the trees. The individual citizen is lost in a jungle of benefits, doles, subsidies and pensions from which he can do no other than grab what he can; and of rules, restraints and charges from which he strives to escape. He is no longer governed by the natural laws of political economy but is reduced to scheming to secure from the common pool more than he puts into it. The weekly talk of the latest crisis is mere waste of breath if it ignores the existence of an overall scheme or plan from which nothing but crises can result. Such disasters as Dollar Gaps, Ground-nuts or Gambian Eggs are not accidents. They are the inevitable consequences of looking to the State for that which no State can ever provide. They will in time be listed with "Full Employment," "Social Security" and all the other efforts to substitute a political Frankenstein for natural human endeavour.

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We now hear more of the State than we used to do; we have Ministers of State and of course the Welfare State. The Ministers were wartime novelties and the Welfare State is an extension of the "Fruits of Victory" which we earned but never enjoyed from the First World War. The use of the word State in such connections is not only new but highly significant. Lenin, Mussolini and Hitler all erected altars to the State, the service of which, to them, transcended every other purpose of life. In the long list of titles of our government departments the word State does not occur. All of which lends force to the suggestion that the nature, functions, powers and possibilities of the State should now be re-examined in the light of modern experience. Such discussion would disclose differences of opinion, ranging from Gladstone, who would undoubtedly describe the Welfare State as "the negation of God erected into a system of Government," to those who admit no limit to the power of the State for good. The actual fact to which this little book endeavours to call attention is the absence of, and the necessity for, a general public interest in a matter which concerns the foundations of our being, whether as individuals or as a nation.

At the present time the State is spending half the national income, although the State as such is incapable of economy. Necessity is the mother of economy and is outside the range of the State machine. As it represents the whole the State must deal uniformly with each; for example, whatever applies to Exeter must also be imposed on York. The State, as such, cannot know that the man of Devon and the Yorkshireman have each their own peculiar contributions to make to the general store, and all must listen to the native tongue as nationalised

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by the B.B.C. The tendency to uniformity and the suppression of the urge to be different and better is now spreading to all the corners of the earth, because the forms and movements of the machinery of State as invented and practised, first by Germany and then by us, are easily copied by any group of politicians who can secure the reins of government in any country. As a matter of war convenience we adopted bulk buying and exchange control, and presented Peron with the power to rule the Argentine. The dictatorship of our Ministry of Food is now influenced almost as much by the views of the foreigner as by consideration for our national needs. Our own difficulties in overseas trade have become international difficulties, and because bureaucratic ways and methods are independent of race or language the trade of the whole world is frustrated. People grumble, and quite properly, about the injustice or inconvenience of some detail in the general scheme, but must be content to grumble, for, to most, there is nothing else they can do about it. A tax, a rule, a regulation or a plan inflicting hardship on particular cases is condemned, and it is forgotten that any act of a government must apply to the whole while bringing benefit or causing hardship to some of the parts. The modern grumble, however, differs from the grumble of earlier times in that it generally proceeds to demand that "something must be done," a demand which brings joy to the hearts of those who live by doing things in the name of the government.

When a worker receives a wage of £6 on a Friday, he should know that in the same week another £6, or rather more, has been spent for him, and on his behalf, by the State. Drains, roads, justice and defence can only be supplied by the State and must be paid for, but in recent

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times the State has assumed many other functions ranging from rat-catching to Festival Halls, and these, all added together and spread over 12,000,000 families, account for more than the average wage earner himself receives. The £6 paid to the worker is spent by his wife with great care; the other £6, his share of the total public expenditure, would most of it not be spent at all if the wife had her way. It is the purpose of this little book to attack this other £6. Some receive it directly in various subsidies, a few get a good deal more, while the great majority get a very little and have to pay for the waste and extravagance involved in all that the State undertakes.

In the last few years the rate of State expenditure has accelerated beyond any figure thought previously to be possible; side by side with this movement, there has been a pathetic attempt to increase wages sufficiently to cover the consequent effect upon all prices. But as wages are the first item in the cost of everything, prices must rise more steeply than wages. The satisfaction the worker desires is only to be found in greater production, whether by man or machine. A reduction in State expenditure will reduce prices and give the worker's wife a measure of satisfaction which she can never obtain by present inflationary methods.

Grumbling should be directed not to the detail of some particular hardship, but to the general plan or policy out of which the hardship arises. It is, for example, stupid to object to a £25 limit on foreign travel while accepting the notion that governments can and should control exchange. The £25 limit is a paltry example of the monetary limitations now imposed upon all international trade and transactions and should be welcomed

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as a simple illustration by which the public can be made to understand the infinitely greater damage of the whole idea of exchange control. When the Bank of England was an independent institution concerned with economics and not with politics, and the bankers were free to serve their customers, as any tradesmen should be free to do, there was not the slightest difficulty in transferring money from anywhere to anywhere.

With a world suffering from fear and frustration where no man can feel himself to be the master of anything but all are conscious of dependence upon forces beyond control, the need for some simple objective, target, aim or purpose is felt by all. The word State in the sense used in these pages may perchance provide that need. Such words as Whitehall, Washington, Bureaucracy, Council or Authority might serve the same purpose, but are liable to lead into detailed argument and in particular to attract the force of organised vested interests. For instance, food officers could put forward a good case, in the circumstances of today, but "Whitehall" or "Washington", as institutions apart from the latest crisis, would find greater difficulty in convincing the public of their usefulness.

The modern State has no traditions, no history, no standards of conduct. As recently as forty years ago it was unthinkable that the machinery of government could be used to fix the price of rhubarb, to put rabbits into cold store, dole out three-year-dead pigmeat, or ordain that the value of a dollar was a fiction propounded by an Order in Council.

Every strengthening of the State machine means a weakening of the individual, but every improvement in the individual means a strengthening of the nation. We

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were at our strongest when we put the onus on the man and are now weak because the initiative has passed to the dead hand of the State.

The words State, Nation, Empire, Country are used as if they were synonyms, and indeed the time is not so very distant when the pattern and quality of the State was such as to attract the pride and admiration of those it served or governed.

Such, however, has been the revolution in thought about governments and states that no one on this earth forty years ago ever imagined that such a transformation could have been accomplished with such lightning rapidity. In the forty years from Lloyd George to Attlee the mechanism of the State has multiplied by forty times in cost, and probably by more in terms of power to thwart the opportunities of a free people. Lloyd George inherited a Budget of £100 millions and Attlee left one of £4,000 millions. Our American cousins have been quick to follow our example. Franklin Roosevelt's New Deal went a good way along the Lloyd George road, but the American genius for speed and mass production has, since the New Deal days, left us far behind. Truman in his first seven years of office collected in taxes and spent more money than all previous Presidents of the United States put together. The same sort of thing with varying degrees of violence has been happening almost everywhere, which may seem to justify the theory that we are merely the helpless victims of world forces and must accept the position that life itself is a sort of lease or licence granted to the individual by the superhuman organism called government or State.

Modern practice and accomplishment have put upon the scrap heap all the thought and wisdom of the ages,

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for although the State has been the topic of philosophers for thousands of years, all their views and arguments have only the slightest connection with the modern machinery of government. When Benjamin Disraeli in *Lothair* wrote "the divine right of government is the keystone of human progress" his experience was limited to fourpence or sixpence in the pound. He never imagined a condition of affairs when the measurement of women's undergarments or the condition of taps in kitchen sinks were to be ordered and regulated by the same divine right. It must indeed be confessed that from Socrates and Plato to the arrival of the Fabians in the 1890's most of the arguments about States and governments were concerned with affairs that have since ceased to interest any but a very few students of these matters. An exception must be made in the case of Herbert Spencer, whose chapter on the Coming Slavery is perhaps the most astonishing example of economic prophecy.

The endeavour of this book will be misconstrued if it is regarded as an attack upon any particular political party. It is rather an appeal to all to think in terms of arithmetic, logic, or cause and effect, to take a long-term view and to recognise the folly of the passing satisfaction at the expense of future good.

The present prospect is of a sort of Box and Cox existence in which our lives will be subjected to two opposing policies each applied for short alternating periods, and the anxiety and sense of frustration resulting from such a prospect is shared by men and women of all political parties. Such anxiety is more troublesome than it need be, because the parties themselves have handed over much of the power which formerly belonged

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to Parliament to the bureaucracy which is assuming an ever-growing share of responsibility for our affairs.

The bureaucracy must be brought back into the arena of public debate, and when thinking of some practical problem such as steel, export, currency, houses, or a hundred other matters of vital importance, the capability and suitability of the machinery of State to do what is necessary to bring about the desired result must first be discussed. I shall endeavour to show that this machinery has failed. I have the advantage over Herbert Spencer, who through pure reason came to this conclusion, for the story of the last half-century is so full of waste and failure as to justify a complete revolution in public thought on these matters.

It is the fact that while we used to think in terms of the people, the country, the nation or the Empire, our thoughts are now almost monopolised by the Council, the Food Office, the Tax Inspector and the inevitable "form." Patriotism is at a discount; it is impossible to be patriotic about a Board of Trade. We who were the acknowledged leaders in the art of governing have quite naturally been copied, and there are now boards of trade scattered over the surface of the globe. Many of these places are centres of graft and corruption, but for ourselves we are still in the "wangling" stage, the first step to the greater evils. As the machinery of State is built up everywhere to the same designs, the scope for patriotism tends to shrink and the new fashion for international organisation is encouraged and facilitated. The British Ministry of Supply meets its counterpart for Panama or Israel on level terms and the quality, as in all collectivist arrangements, tends towards that of the lowest.

The modern State is a mechanical device having no

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place in our history and must be considered as something having nothing whatever to do with "My own, my native land." There are no precedents to govern or guide official dealings in food, the issue of a B licence to a lorry, or the regulation of exchanges. And of course all these things, from their nature, are flat denials of the freedom we still profess to prize. After nearly half a century of experience of this phenomenon it is time to recognise the inherent error and to realise that while the State can manufacture and circulate paper money the rest of its new powers operate to discourage every other sort of production.

Simplification of ideas is perhaps the most urgent of the needs of the age, and really big ideas are often quite simple. Instead of thinking of the State as the fairy god-mother, it should be considered as a mere machine for the employment of the people who work it. "Government," said Carlyle, "is emphatically a machine"; the American poet did not overstate the case as "The incredible cunning of the monstrous plan whereby the spider State has set its web for Man."

Normal conversation on this matter discloses a pathetic inability to think. People will demand that the State should assume some new responsibility, as, for instance, the provision of Home Helps. They will go on without a pause to complain of the burden of P.A.Y.E. and fail to notice how the State machine, in response to the first demand, has put hundreds of highly-paid women into motor cars to organise and regulate help that does not in fact exist. And P.A.Y.E. foots the bill.

In the following pages the endeavour will be to examine some of the functions assumed by the State and to show, as will be easy, that in all these cases the

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results of State activity have been to impoverish the country and demoralise the citizen.

A POSTSCRIPT

I AM not unhopeful that these arguments may be of interest, and indeed use, to those in America who are concerned at the growth of governmental power and influence—and I must therefore justify my use of the word State to signify the evil which it is my aim to describe and mitigate. This book could be named *The Bureaucracy*, but that would only put the blame upon the hirelings who have undertaken for a price to do the will of an evil spirit which resides above them.

From a purely British point of view I conclude that the word State signifies more correctly the troubles with which I am concerned; but to the American reader still jealous of the rights and privileges of each of the forty-eight States my meaning may be obscured by the label I put on to it. Had I used the title *Whitehall the Enemy* the American sympathiser with my view could easily read "Washington" for "Whitehall." I hope, however, that my use of the word State will not deter my American cousins, who look to the forty-eight separate self-governing States as instruments for restraining the Super-State at Washington, from examining arguments which apply to them as much as to us in Britain.

CHAPTER II

THE SUPREMACY OF THE WEAKLING

THE social conscience, or more correctly the social heart, has come to regard the survival of the fittest as a barbarian conception, and applied itself with great vigour to the removal of the natural hardship implied in the Darwinian theory. The revolution in thought, or more correctly sentiment, has gone the full circle until there are large and growing categories in which it is a positive material advantage to be unfit.

"Each according to his worth" was the basis of Victorian economics, resulting in a general endeavour to be worth while. The substitution of the idea of "each according to his needs," encourages the cultivation of needs without the corresponding obligation to make provision for them. We have passed from one extreme to the other and indulged in a revolution more violent than any in our island history. Provision for the care of the children, the old people, the sick and the needy can only be found from the surplus of those who suffer none of these disadvantages, are able to do a full day's work, and produce enough for these weaker brethren as well as for their own requirements. The error of a past which held that the troubles of the poor could be removed by dipping into the pockets of the rich is by now self-evident.

The simple proposition that those who cannot work must depend upon the surplus of those who can remains

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unchanged. But the State, in the modern mind, is far above mere arithmetic, and economic miracles require no more than a vote to produce them. Those who cannot work are encouraged to expect more, and those who can are discouraged by a variety of devices from doing what is necessary; there being no rich to make up the consequent deficiency, the money is borrowed from unborn generations and called Gilt (which should surely be guilt) Edged Security.

The State is not content with the pretence of provision for the needy, but having no soul of its own has arrogated to itself the power and will to reform the moral character of the delinquent and even of the criminal. This final arrogance has already exposed its own emptiness. The figures are conclusive and disastrous; they show that the function of the State is to punish, and that reformation and reform are matters for the voluntary principle only to be found in human movements, missions, love of one's fellow man—spiritual things which cannot thrive when mechanised by the State.

Most of us used to think of crime as something with which we were not personally concerned, and were content to leave its suppression in the competent hands of the police. In 1910, before the People's Budget, one in every 3,000 of us was convicted of an indictable offence and the other 2,999 were justified in taking no more than an academic interest in the matter; but today one in every ninety is entered in the criminal calendar for having committed a breach of the law, and our traditional respect for law and order has suffered a serious and obvious deterioration.

The earliest records of convictions for crime to be

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found in *Whitaker's Almanack* are for the year 1840, when, with a population of 16,000,000, there were 20,000 convictions or one in every 800 of the population. In 1910, before "*Laisser Faire*," "The Law of the Jungle," "The Devil take the hindmost," and all the other supposed evils of Individualism were removed by the politicians, the population numbered 36,000,000, but the convictions for crime of all kinds diminished to the lowest figure on record and only 12,000, or one in every 3,000, suffered the indignity of fine or punishment. The 12,000 criminals included those who stole food because they were hungry, a class of case which has long ceased to take more than the smallest fraction of the time of magistrates or police.

Then the Welfare State began, and here are the figures reckoned in round thousands:

CONVICTIONS FOR ALL TYPES OF OFFENCE.

	<i>Population</i>	<i>Convictions</i>	<i>One in</i>
1840	16,000,000	20,000	800
1910	36,000,000	12,000	3,000
1938	46,000,000	280,000	165
1948	50,000,000	520,000	96

It must be remembered that we now have hundreds of laws and thousands of regulations which nobody had ever thought of before 1910. Nobody was required to fill up forms and stick on stamps; no tradesman was fined for charging what he liked if he could get it; nobody was punished for buying a pair of stockings abroad; there were no such things as licences to buy a few feet of timber; and the above figures must be considered in the light of these new conditions. If, however, we think only of our traditional respect for law and order, a

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typical bit of British quality not to be found in any other race or country, the figures disclose a change of attitude, a decline in personal standards, a weakening in *amour propre* and a lessening of respect for ourselves and our country, all of which must have some bearing upon the quality of our citizenship. We have left behind the days when one who got into the hands of the police was punished by a strict social ostracism with dire consequences to personal happiness.

The working of the Welfare State is perhaps seen in its most striking form when through the machinery of the Children's Court the black sheep of the family can enjoy, in some public institution, living conditions far better than those available to his law-abiding brothers and sisters. It is almost true to say that there is no need for personal character or individual conscience in the Welfare State, but on the contrary in many respects honesty is a positive handicap.

This unpleasant state of affairs is in the very nature of things. A big central pool, containing half the national income, is surrounded by 50,000,000 people striving to establish claims upon it and at the same time searching for excuses to relieve them of the need to contribute to it. To describe us as a nation of dole-drawers and tax-dodgers is merely to face the horrid facts. From the moment of its birth the infant is a source of more pressure for orange juice and allowances, although the parent may be declining to work overtime because it will increase the tax upon his income. The wealthiest cannot escape the receipt of a dole—by way of subsidy on his food, and is in duty bound to arrange his affairs in such a way as to attract no taxation that can legally be avoided. Looked at in this way the Welfare State is in a hopeless

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position; it may be compared to a bank with no willing depositors and every customer anxious for an overdraft. Nothing lower than a nation of angels could make a success of a society with such a constitution; perhaps the best that can be said of us is that we have become a nation of escapist, and escapism does not make for morality or strength of character.

The argument is supported by the distressing story of divorce and illegitimacy, disclosing a very rapid and remarkable change in general attitude of mind. Before the days of the Welfare State neither of these social troubles was considered by Whitaker to be of sufficient importance to warrant the publication of figures. In 1913 there were 577 divorces in England and Wales; the numbers steadily increased to 6,250 by 1938 and to the staggering figure of 60,190 in 1947. However much allowance may be made for new legislation and wars, the evidence of 1,200 broken families every week proclaims a lessening of respect for the personal vow and a lowering of the standards of individual responsibility, of which unhappily the divorce figures are no more than a sample. A contract which says "for better or worse, for richer or poorer, in sickness and in health . . . to have and to hold till death us do part" is torn up a thousand times a week, often with free legal aid provided by the State. And this in a country built upon the solid rock of the sanctity of contract. Illegitimacy has increased until today one in every twenty of the new born is bereft of the advantages of regular parentage.

It is difficult, perhaps impossible, to establish by argument any direct connection between the serious change of mind towards moral laxity and the silver-spooning of a Welfare State, but few will fail to feel that

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the two things have a definite relationship one to the other.

The State is a mechanical apparatus not to be confused with a nation or society; it is of necessity a calculating machine, a thing of forms and figures. It can be used by a nation but cannot supply the pride, patriotism and urge to help oneself and others by personal endeavour; on the contrary, it must act as a deterrent to these old-fashioned characteristics. The State machine in some other countries calculates population in terms of cannon fodder, and while we have, as yet, no such blot upon our escutcheon, it must be admitted that the State machine, like any other mechanical device, having no soul to be damned, is only concerned with population as raw material for official activity or experiment.

Since the State began to interest itself in the reformation of our characters, there has arisen a wholly new practice, claiming to be a science, by means of which psychiatrists profess to be able to alter the brain and remove the tendency to wrongdoing. Such practices have been used as instruments of injustice on the other side of the Iron Curtain with so much success as to cause the innocent to admit guilt when that course suits the purposes of police or politicians. The thin end of this infernal wedge has been driven into Britain with a minimum of discussion, an almost total absence of protest, and a general indifference which of itself is an illustration of the gradual weakening of the national fibre.

The encouragement of the unfit in human material has its corollary in the loss of fitness in things in general. A sheet or a blanket or a carpet is no longer expected to have the wear, or give the satisfaction, previously

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required. Butter is merely butter and such interest as was found in personal preference among the several varieties has simply vanished from the list of finishing touches once regarded as evidence of advancing civilisation. If the deterioration in quality were accompanied by an increase in quantity the change might be considered to be good, but that is not what has happened.

The disappearance of the butler, footman and parlourmaid, the need for the duke to collect admission money and act as guide in his own castle; the necessity for the banker, or the cabinet minister to make his own bed and do his own washing-up; the general absence of table napkins and finger-bowls and the fact that nobody any longer answers a bell—could be regarded as movements in the right direction if, in fact, they were balanced by comforts and conveniences to others who had been less fortunate. But the working woman whose bread and groceries were the subjects of regular deliveries is palpably going down under the weight of the shopping basket in a queue. We are learning in the school of bitter experience that the poor cannot be made rich by depriving the rich of their riches.

CHAPTER III

THE STATE AND THE CHILD

My life was planned and most of my work was arranged before most of the present population were old enough to know anything about public affairs and before any government ever thought of interfering with anything I cared to do, short of crime. In those days, church- or chapel-going was the proof of respectability, and we sang with unquestioned sincerity of "brief sorrow, short-lived care," "The trials that beset you, the sorrows ye endure, the manifold temptations that death alone can cure," and looked upward to the skies "where such a light affliction shall win so great a prize." Children were to be seen and not heard, they had no little egos, and ear-boxing and bottom-slapping were designed to mollify the slings and arrows of a life which was expected to provide its own welfare.

I have in later years seen Mussolini and Hitler produce finer physical forms by the use of the Welfare State, and I cannot deny the evidence of better babies and longer life in Britain, although the credit may be due to other agencies as well as to Whitehall. There is fairly general agreement as to a decline—or perhaps only a difference in character, manners and morals—which supports the suggestion that a glance at the present position through the spectacles of a Rip Van Winkle may be helpful to a better understanding of the subject.

In a couple of generations the position and status of

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the child in society have been transformed in theory, though not completely in fact. When the child was the responsibility of the parent and in later life accepted responsibility for the old people, each family was a self-contained, self-supporting economic unit, receiving little, and as a rule desiring less, at the expense of the public purse. The extent of the economic transformation is not in question; but it is far too early to attempt to assess the character of the psychological transformation in the mind of the child itself.

A theoretical and sentimental importance still attaches to the notions of family and parental responsibility, but the economic basis of these ideas is no longer an impelling reason for their existence. The modern child will know and sometimes use the term "thank you," but to millions of them it is a mere *façon de parler* for there is no "you" to thank. It is not practical to thank the County Council and, if it were, the Council would explain that the thanks were really due to half-a-dozen ministries for which it merely acted as obedient agents. The child itself still retains the remnants of a sense of thankfulness to its parents, but without the basis of necessity and fact with which such old-fashioned sentiments were supported. Medical science has removed the obligation, which with older generations lasted throughout life, to the mother who suffered the pains and penalties of child-birth; and while none will deny the worth of such improvement, the consequent weakening of the mother and child relationship should also be taken into account.

The obligation to the father who provided shelter, food and raiment is modified when half the proper rent is provided from the rates, and when food and raiment

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are available without payment. It may be argued on the other hand that as the old obligation was a legal responsibility, the new obligation to the parent who, from motives of self-respect, insists on paying his own way, is all the greater. How long such motives will survive in the parent who, in any case, must pay the State for amenities he prefers to provide for himself and his family, is a matter of conjecture. It seems very likely that the demands of the State may so deplete the resources of the parent as to drive him to accept that which he can no longer himself provide. The following stage in the shifting of responsibility comes when the citizen, child or parent, ceases to worry about paying his own way and even thinks it right to accept that which is so freely available to all. The use of the free Health Services by comparatively wealthy people is perhaps the most shocking example of the growth of the notion that the State can provide for the citizen.

If the sense of personal responsibility could be retained by the parent and transferred from the child to the State the economics of the matter would be altered only in form. If, however, the parent feels that the State relieves him of the necessity to provide his full share of the general need, it is obvious that the Welfare State becomes an instrument for lowering the general standard of living.

The attitude of the normal child to its parents and to the State alters, as with each generation there is a lessening reliance upon inheritance and a greater dependence upon public resources. Very few children are now born with silver spoons in their mouths; the family home which descended from one generation to another,

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whether a mansion or a cottage, has disappeared and with it the regular family gatherings once regarded as a duty by some but a joy by most. A growing proportion of young people have seldom, if ever, seen their cousins, and such changes as these, whether regarded as good or bad, have inevitably weakened the family sense.

Any view of an official or State activity, is incomplete unless it notices the vested interest created by such action. The Probation Service is a case in point, and now consists of an army of men and women whose living depends upon juvenile and other delinquency. This class of trouble has increased enormously since the days when the voluntary police court missionary had the responsibility of dealing with it, and must go on increasing, always requiring more officials, so long as the idea persists that the State can take the place of the parent or the parish priest. Only the strongest of old-fashioned parental instincts will resist the temptation to avoid what was a duty but is now merely optional or voluntary.

The only facts and statistics available in this difficult field must be supplied by those who, however good their personal characters and however pure their intentions, depend for their living upon a continuation of delinquency, and for the prospect of promotion upon its increase. Just as the gambler talks only of his winnings, so reports on probation are apt to put the emphasis upon successes, and, without the least desire to reflect upon the officials concerned, adequate consideration of the problem must take into account the natural bias of a vested interest.

The transference of responsibility from the parent to the State is complete in education (so called) and in

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health; it is proceeding in many other ways and good conduct, character and general welfare are ripening for nationalisation with its consequent levelling and lowering. The consent of the parents to the marriage of a daughter has ceased to be regarded as more than a formality, and, whether or not as one of the consequences of this new freedom, the number of divorces has multiplied. There were ten a week in 1900 and over a thousand a week today. The persons involved in the ten a week had to suffer a social ostracism which is no longer thought to be necessary or proper, and without debating the rights and wrongs of the matter the relative positions of the State, the parent and the child have undergone a revolutionary transformation.

To a thousand illegitimate children now born every week, there must be added an unknown number whose parents have been separated or divorced, and who are thus deprived of the advantages and restraints ordinarily imposed upon the child. Half a century ago such children were left to the tender mercies of the charitable and, without disparaging those mercies, it was the fact that they discouraged the ways of life which produced them, and the number of those in need of care and attention for matrimonial reasons was only a fraction of modern figures.

The law of supply and demand is not limited to material things and can be clearly discerned in the matter of child welfare. The welfare being supplied by the State, the necessary children follow as a matter of scientific certainty. Provision for the illegitimate tends to remove a natural restraint upon sexual promiscuity, and the consequences of divorce are also modified.

The work of an official charged with the welfare of

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a child is often eased and simplified by the absence of parents who may have notions of their own. From the scientific point of view the illegitimate or abandoned child is better material for experiment and research; and as welfare becomes more of a science the need to worry about wedlock is less insistent. Nurses, teachers, doctors suffer no restraint from parental ideas out of keeping with the latest dietary or psychological fashions. The bastard and the bureaucrat work together towards the life of planned perfection. The psychiatrist is a recent addition to the growing army of those who make a living out of other people's children. Incidentally, he presents a problem to the student of democracy, for in a single decade he has fastened himself on the lives of a people supposedly self-governing, who have never been consulted about him or invited to discuss his claim to perform upon them. He now occupies a dominating position in schools, hospitals, police courts, labour exchanges and in all the fighting services. The course of many a life is plotted in his reports, although his existence is, in itself, a threat to independence of thought and spirit. It is not pleasant to reflect that so many of our children and our workers are already docketed and classified on lines which have been laid and used in lands where freedom is an anti-social crime. The magistrate, the minister of religion, the schoolmaster as well as the parent are encouraged to neglect their responsibilities by the ease with which they can be handed over to those who profess to be able to mend the mind.

Modern opinion accepts almost without question a complete range of ideas to which the Victorians would never have subscribed. It pays, almost with pleasure,

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for the maintenance of massive machinery to give effect to these ideas. Pre-natal treatment is followed by maternity benefit and children's allowance; municipal nurseries fill the gap until at five years of age the child is required to go to school and receive all the many forms of service designed for its good; for the next ten years the influence of the parent is a voluntary matter, supplemental to all the compulsory influences to which the child must submit; at the end of the scholastic year in which the child attains the age of fifteen the juvenile department of the Ministry of Labour comes into action and proceeds to advise and arrange as to what shall be done with the three years before the military authorities appear upon the scene. The completeness of the service is shown by what happens if the child or its parents have displayed sufficient independence to find a job without official aid.

The Ministry of Labour is writing to our children, and doing it in such a way as to disarm the unsuspecting parent. A working woman told me that her Jessie had had a "lovely letter from them." The following case is within my personal knowledge. A splendid little girl of fifteen—a member of a very happy family—secured a post in the City to do routine office work, filing and assisting on the telephone. Her father, anxious that the child should have a good start, took pains to interview the employer and satisfy himself that Polly was doing the right thing. All went merrily for a matter of three weeks, when there arrived at Polly's private address a letter from the juvenile department of the Labour Exchange. This deceitful document was couched in confidential terms, well calculated to appeal to the average child of fifteen summers:

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"How are you getting on with your job? I would like you to come and tell me about it. If I can give you any help I should be very pleased; in any case I should like to know all about it."

Dragged in by the hind legs are the unfortunate parents, for Polly is informed that:

"If your mother and father would like to come with you they will be welcome,"

and then follow the highly significant words, "or a friend—" friend being, in the Ministry of Labour's vocabulary, an abbreviation for a trade union official. The letter goes on to suggest alternative days and times in the hope that one of them may be convenient to Polly, and does not say, except of course between the lines:

"Are you satisfied with your employer? If not I'll see about it."

I am glad to report that Polly took umbrage. She had, at first, sufficient independence of spirit to resent the form of address, for the letter started "Dear Polly," and she rightly regarded that as an unwarrantable impertinence. She showed the letter to her employer and declared her intention to ignore it; on reflection later, however, Polly began to doubt; a vision of the Gestapo crossed her mind. She was fifteen, and the Ministry of Labour had no right to probe into her personal affairs; but it then occurred to her that a little later the Ministry would have the right to order her about, and she wondered whether, by neglecting to comply with the request to come and see them, she might

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not be prejudiced when presently she was ordered, under pains and penalties, to enter the same gate.

If this iniquitous impertinence is perpetrated under powers of the Defence of the Realm Act it is a constitutional outrage. But powers or no powers, it is a damnable deceit. The budding Ogpu who signs this letter can, from the very nature of things, have no qualifications, for he is unlikely to have any prolonged personal experience of work in private employment, or to have acquired an adequate sense of the social service to be rendered that way. His knowledge of these matters will, most likely, have been acquired from a study of the works of the Webbs and the Hammonds, and will consist, therefore, of a mass of misapprehension.

I conclude with a frank confession that all this is special pleading, and must not be read as a complete condemnation of all that is now done in the name of child welfare. It is, however, a reminder that in this matter the State can never be other than a poor substitute for a better agency. That the State should have to do these things should be regarded as a slur upon the citizen, and not as in any sense an advance or advantage.

From the pulpit and platform we continue to hear about the value of the family, and if that view is sincere we should cease to arrange affairs in such a way as to make the family a sort of sentimental supplement to a planned existence. Seeing that a planned existence will prove incapable of supporting fifty million people with an acre apiece in an unreliable climate the argument is strengthened by very hard facts.

CHAPTER IV

THE STATE AND HOUSING

I KNOW of no trade that calls out more urgently for freedom than the building trade, neither do I know of any human need which can be supplied more expeditiously through freedom than housing and building. If, instead of going on piling up ministerial machinery, Mr. Churchill's pledge had been redeemed, and war controls had vanished with the advent of victory, there would have been no housing shortage seven or eight years later.

The profiteers would have had the first advantage, that is understood; a few fortunes would have been made by anti-social people rushing in to be the first in the market. Such gains, taken altogether, would be paltry compared with the expense of the official incubus, still riding on the back of building enterprise. The chances for the profiteers are far fewer than they might have been. There is, for example, little likelihood of making big profits by building mansions for the rich. Some commercial concerns, anxious to get back trade which is vital to themselves and to the nation, might have been able to raise the money to pay extravagant prices for offices or factories. Local authorities would still have been anxious to carry on with extravagant municipal schemes, but, in view of the depletion of the public purse, it might have been just as well

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that they should be discouraged by a high-priced market.

Building is a key industry; upon it numbers of other trades depend. There is no business which by its activity promotes activity in other businesses so rapidly or to the same extent. To remove control completely would admittedly involve some confusion, some loss, and even, in various quarters, something in the nature of a crisis. But these things, however inconvenient, would settle themselves within a matter of months and, as with the motor trade after the First World War, a short period of high prices and confusion would lead without a shadow of doubt straight to low prices, full employment and full supply.

The obvious need in building is to give the local authorities the final word in control, to relieve them and the trade of the circumlocutory redundancies of Whitehall.*

All the efforts of the State to solve the housing problem have culminated in County Council building at a cost of more than £1,000 for every man, woman and child for whom official accommodation is provided. Even so the rate of building has been too slow to overtake the natural deterioration of all buildings from age. If a century may be regarded as the proper life of a house, then a hundred thousand of the 10,000,000 houses now standing fall out of use every year, and the natural wear and tear of the remainder will account for at least

** This chapter was written in the autumn of 1951 and is already out of date in some of its details. A summary of the situation just before a change of policy brought about by the General Election of that year is concerned with the facts as then established and may be more useful than a discussion on the changed position, about which the facts cannot yet be known.*

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an equal shrinkage in supply. The market for houses is much bigger than official schemes and targets suggest, for probably half of all householders would be glad to change to something better. The fundamental folly of the political method is that it starts at the bottom instead of at the top of the market. The early housing politicians concerned themselves with the housing of the working classes and, no doubt without the intention, visualised a permanent state of affairs in which half the population would never need a bath.

Until Hitler's bombs destroyed or rendered useless millions of homes there had not been a shortage of houses; the need was for improvement, for the substitution of slums by better accommodation. A villa for the cottager, a "residence" for the aspiring villa dweller, and a carriage drive and conservatory for the progressively minded members of the middle-class, did not form the subject of political speeches or Acts of Parliament, but were merely natural human urges to be found in healthy breasts. And be it noted the satisfaction of such desires has never been attempted or even promised by politicians of any party. Votes have been won on the theory that by destroying the conservatory and the carriage drive, the slum could be abolished. In the end, while some of the oldest of the slums have fallen into disuse the future is already provided with slums in such numbers as never before known. Rent restriction has made adequate maintenance impossible and although the annual depreciation can never be calculated it may well be the largest single factor in the national housing account. Unless private enterprise in building is able to influence the level of rents and restrain the rapacity of authority, there is the plain prospect of a

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general raising of council rents; just as postal, railway and other charges by State enterprises have been steadily and systematically increased.

The waiting lists for council houses, according to a recent report, have now passed the million mark. The figure is unreliable, for there is nothing to stop registration in several places at once, but it can be accepted that something in the neighbourhood of a million houses are very urgently required.

People registered with a local council because there was no other source from which most of them could hope to obtain a home. Of the million applicants it is probable that half are well able to make other arrangements were they permitted to do so. It is also likely that another half a million middle-class people who have been forced into council houses will now turn to the building societies to get better homes. The argument is, of course, far too simple for a situation that is a network of official complication, but stated in that broad way it is evident that, given freedom to build, the million waiters on official incompetence will automatically disappear. Unless the State abandons the notion that it can house the people the prospects are plain for all to see. The family "residence" of the recent past has gone; such of the smaller houses as remain will, under inflationary pressure, increase in value, but not in number. We have already reached the curious position where the five-bedroomed house is worth more than one of ten bedrooms; and all but a small minority of the population must accommodate themselves to the notion of standardised, subsidised, lower-class mediocrity. These council houses being outside the range of Rent Restriction Acts are quite certain in course of time, like coal and every other

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nationalised undertaking, to squeeze the consumer—the tenant—for more and more rent. Such is indeed already happening. The next move in this destructive political process is already planned. It was indicated by the questions in the recent Census. An Order to limit personal accommodation to one bedroom and a share of kitchen, sitting and bathroom, would, by a stroke of the pen, make room for hundreds of thousands of lodgers or tenants, and destroy the last remnants of what was understood by the word home.

All talk of the Englishman's Castle is now nonsense, and the million workers who would like to provide a home of their own for their widows and children must abandon what was once a widely held and highly-prized ambition. "Fair Shares" needs to be newly defined in view of the emergence of a new class of poor profiteers; the "rent restricted" tenant is often in a position to buy his house for perhaps half its market value and then cash in on the other half by selling with vacant possession; and many have already found this easy road to personal capitalism.

It has yet to be discovered whether a democracy can learn from experience, but this housing story is so modern and so complete, and the need for a house so very personal a matter, that hope, at least in this respect, should not be abandoned.

It began with Lloyd George and his Limehouse language about dukes and landlords, making it easy when the First World War came upon us to put through the first legislation fixing rents at the pre-war figures. This was at the time a mere political device without the backing of practical economic necessity; for the official *Statistical Abstract* gives the number of then

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unoccupied houses as 566,722. While prices and wages were allowed to rise by two and a half times, inflation being then, as now, a political device for spreading a false sense of security, rents alone were pegged down. "Limehouse" had done its work, and landlords served the Welsh Wizard in much the same way as, years later, the Jews were made to serve Hitler.

The demand for houses in 1919 was based upon the promise of "Homes for Heroes." There was no problem of blitzed areas, but a great deal more talk about slums. Today, to be a hero is no qualification for a better place in the queue and even the slum dweller, having at least some sort of shelter, must stand back for those whose needs are of a higher "social" order. Police, schoolmasters and council employees all enjoy priority, and trade union officials in some areas rank above people who merely earn their own living.

In 1919 the Ministry of Reconstruction made the plans, Dr. Addison became the first Minister of Health and set the pace and, in the years immediately following the war, local authorities displayed unprecedented enthusiasm for housing schemes, spending in all a thousand millions of borrowed money.

A better understanding of some of the experiences through which we have passed can hardly fail to help our plans and arrangements for the immediate future. Exact statistics are difficult if only for the reason that the annual Government *Statistical Abstract*, after eighty-two years of uninterrupted publication, had to be discontinued in 1939. Figures must, therefore—some of them at least—be round and rough. For example, in 1919 there were eight million houses in the country; by 1939 that number had increased by half as much again to

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twelve million. When war started, notwithstanding obvious shortages in some places, the country did possess one house of a sort for every three-and-a-half living souls. The increase of four million houses in the years between the wars was achieved as to less than one and a half million by local authorities and as to two and a half million by private enterprise. A great deal has been said about jerry-building and ribbon development, abuses with which everybody is familiar, but with so vast an enterprise as two and a half million houses it would be surprising if some small percentage failed to reach a satisfactory standard. Against this it should be remembered that more than two million citizens in the brief space of twenty years were transformed into owner-occupiers, each of them having what we used to call "a stake in the country" and each of them presumably, for that reason, better and more responsible members of the community. Against the objection to jerry-building must also be set the advantage of personal ownership. Many a family has found greater happiness in a second-class house which was their very own, than is always to be found in a rented and therefore impersonal residence.

One general criticism of the last thirty years is worth more than passing consideration. The political fashion has been to talk of houses, and the talk has meant, to most people, new houses. We have allowed the brand-new house, built to a current specification, which has not always proved satisfactory, to fill our minds, and too little attention has been given to the reconditioning and adaptation of existing buildings. The building work of the eighties and nineties was, as a whole, far better, certainly more substantial, than that of recent years.

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A few figures should be more widely known. In England and Wales alone, according to the *Statistical Abstract* of 1939, there were 7,500,000 houses in 1911 and 9,400,000 in 1931. That was one house for every five of the population in 1911, one for every four persons twenty years later; and by 1939 we had reached the stage of one for every three-and-a-half persons. The same authority shows that the largest number of houses ever built by local authorities in one year before the war was 104,000 in 1929, and the largest number of houses ever built by private enterprise in any one year was 287,000 in 1935. In England and Wales, the total of all houses built between 1924 and 1938 inclusive was 850,000 by local authorities and 2,600,000 by private enterprise.

No figures are available to show how much of the thousand millions borrowed for Addison housing has been repaid. Some cities, such as Edinburgh, have done well and the amortisation of their loans has proceeded in the terms of the original prospectuses. Other cities, as, for instance, Birmingham, make a less satisfactory showing.

In 1920 the Midland metropolis issued six per cent, 1936-46, Housing Bonds to the amount of £4,882,700. In April, 1936, the money market being more favourable, the whole of this loan was reissued on a three per cent basis and it does not appear that any of it had been repaid. It is doubtful whether, taken as a whole, the Addison housing loans have been reduced by as much as ten per cent. The latest figure in the *Statistical Abstract*, 1935-6, gives £13,872,819 as the amount of that year's subsidy to local authorities on account of housing. In the same year the housing receipts of local authorities amounted

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in total to £22,115,700. It is not clear from the *Statistical Abstract* whether the larger figure includes the lesser, but if it is so, then the State is, even now, paying one and a half times as much in respect of council houses as is contributed by the tenants.

Immediately before the outbreak of war in 1939 the Building Societies had £636,000,000 of outstanding mortgages, a vast investment making no charge upon public funds, but on the contrary bringing large revenues to local authorities and to the Treasury. When war ended Sir Harold Bellman, on behalf of the Societies, announced their readiness to advance at once £150,000,000 per annum and these Building Societies do not by any means cover the whole of the possibilities of private enterprise in building.

So that, reviewing the results of thirty years of invaluable experience, the wisdom of the Macmillan policy is made manifest. While undertaking such housing schemes as cannot be avoided, everything possible should be done to encourage private building, for private enterprise has demonstrated beyond dispute its superior qualifications for solving the problem.

The following figures from the official records exclude all houses with a rateable value exceeding £78, or £105 in London. They exclude everything above a lower middle-class level of luxury, and dispel any suggestions that private enterprise builds only for the well-to-do. The figures in the second column are of houses built with borrowed money and constituting a heavy continuing burden on the public revenues; those in the third column have cost the public nothing, but make their full contribution through rates and taxes to the public needs.

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TOTAL NUMBER OF SMALL HOUSES BUILT

<i>Years ended March 31st</i>	<i>Houses built by Local Authorities</i>	<i>Houses built by Private Enterprise</i>
1924	14,353	71,857
1925	20,624	116,265
1926	44,218	129,208
1927	74,093	143,536
1928	104,034	134,880
1929	55,723	113,809
1930	60,245	141,815
1931	55,874	127,933
1932	70,061	130,751
1933	55,991	144,505
1934	55,840	210,782
1935	41,593	287,413
1936	52,357	272,503
1937	71,740	274,313
1938	77,976	259,634
1939	101,744	230,616
(War 1939 - 1945)		
1946	741	2,570
1947	27,159	32,044
1948	105,980	28,430
1949	160,752	15,958
1950	134,552	22,299

More should be known of the results of official housing schemes already undertaken. Some of the earliest efforts of the London County Council have already produced slums, which after all is only in the nature of things, for unless, eventually, a house falls into the category of the slum, there would be no progress: what suited our great-grandfathers ought not to suit us. But whereas some of the building of a century ago has not yet reached

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the slum condition, these big council schemes deteriorate at a much faster pace. Only the very shortsighted can fail to be concerned with the worst ever of all the slum problems which will trouble the next generation when the stop-gap prefabs will no longer be fit for human habitation.

In considering the above figures it should be noted that one of the first results of official endeavour was to double and sometimes treble the cost of a cottage, a result which in itself proved an effective bar to private enterprise. Subsidies simply increased the cost of a house by the amount of the subvention. The high peak in house building was coincident with the lowest official activity and was not reached until all State subsidies had been abandoned.

A new complication of the housing problem has been caused by the Uthwatt Report and the development charge now imposed upon building enterprise. The story is simple but the consequences are as yet, to say the least, obscure. Local authorities have for years been encouraged to plan and have each proceeded to earmark sites for residential, industrial, recreational and other purposes. Little Puddlecomb, as is proper, has visualised the future from its own point of view and has marked out areas where houses may be allowed at sixteen or twenty-four to the acre or whatever figure it thinks appropriate. In this way the owners of land everywhere have been encouraged to think themselves to be the possessors of profitable development possibilities. The Uthwatt Report arranged that these possibilities should all be assessed and that half the values so ascertained should be bought by the State out of a global sum of £300,000,000. It now transpires that, in their enthusiasm

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for planning and progress, all the Little Puddlecombs put together have in fact provided on paper for no less than thirty million new houses, or two and a half times the total of all houses now existing, and the owners of these thirty million sites, most of which will never be used for housing, have a claim for compensation which will never be earned. Here is a specimen of planning at its very best, and it is hard to conceive of a better way of discouraging building. The development charge has in fact been paid by a small number of persons whose need of houses has made it necessary and whose personal means have made it possible to build, whatever the cost. These people will have a grievance, if not a claim, when this quite absurd arrangement is brought to an end.

Having regard to the vast resources known to be available for private building, it is a tragedy that official schemes have for so long robbed us of the simple right to house ourselves. Given a fair field and no favour, private enterprise is still in a position to beat every record in the number of houses ever built by public and private endeavours together. There are many difficulties, but all of them would be minimised and many of them removed if the State would get out of this business.

Believers in private enterprise and the personal ownership of property are not, as a rule, experts in the arts of propaganda, which for our sins is a very important part of the modern scheme of things. There is an unanswerable moral case for private property and yet, except for a few stalwarts, notable among them Dean Inge, very little is heard of that case; it goes, in fact, almost by default. But when it comes to housing,

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perhaps the most urgent of all post-war questions, it is really surprising how little effort is made to inform the public of the facts. It is far too commonly assumed that if houses are wanted the State is the proper agent to provide them, and seldom recognised that not only is the Government the most dilatory and expensive way of approaching the problem, but it has not and never will achieve the desired results.

As the facts become more generally known, the prospect of relief from the present housing shortage will be greatly improved. Although we know the lessons of history are seldom, if ever, learnt, the happenings of a mere thirty or forty years can hardly claim to be classified as history. Half the population has, if it will only take the trouble to refresh its memory, personal experience of how this problem has been handled, of the mistakes that have been made, and of the unsatisfactory results achieved.

CHAPTER V

UPSIDE DOWN

THE *raison d'être* of industry is to deliver the goods; there is no other excuse for its existence.

The first considerations in the minds of those responsible for, say, the mining industry, should be the quality and capability of coal in all its many varieties to suit the multifarious purposes for which it can be used. Yet if political speeches and newspapers provide the whole story, these matters have lost their importance, become side issues, or even ceased to be worth worrying about at all, and discussion is almost entirely confined to the notions of the producers as to what will suit them and them alone. In the effort to satisfy these secondary considerations, the State has used its powers, first to limit production, then to pool coal into one low quality and finally to increase output. The first two purposes were well within the powers of the State, which can always prohibit, limit or restrict; the increase of output is proving to be outside the scope of any State machine, however powerful. In this disastrous twentieth century, we have approached the problem of coal and of many other things from the wrong end. Modern economics is upside down.

We were producing 280,000,000 tons a year—of which we exported 80,000,000—with an almost total absence of mechanisation. The introduction of machinery was opposed by the unions, who remained true to the

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Luddite traditions, and insisted upon more wages without the only means by which they could properly be secured. One concession has followed another, but none of them has produced the coal; the abolition of royalties, forced amalgamations, bulk selling and, finally, nationalisation, have all left the consumer out of consideration.

Sir Herbert Merrett, the chairman of Powell Duffryn, writing in the *National Provincial Bank Review* for August 1952, reaches this conclusion:

“Having spent more than half a century in the coal trade, largely engaged in fostering coal exports, I might be forgiven for viewing the future with complete despair. . . .”

He looks not at this winter or next. He weighs adverse factors with favourable over the long term and finds a growing deficit.

Sir Herbert calculates that the output of deep-mined coal can hardly exceed 226 million tons in 1956. Consumption in that year he puts at about 227 million. More cautiously he estimates consumption in 1961 at 237 million. He concludes:

“On my estimates of output and consumption, our coal export trade, sharply declining, will shrink to a mere shadow by 1955 and will be completely extinguished by 1956.”

Since no Government can contemplate the extinction of this export trade, “it seems inevitable . . . that we shall reach a situation in 1955, and perhaps before, where we shall be compelled to import coal from overseas.”

“Indeed, it seems inevitable that the import of coal from overseas on an ascending scale, side by side with the export of

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British coal, will become a permanent feature of our economy for some years, but the volume of coal exports will be restricted to the very lowest level."

And yet this island may be said to be almost made of coal.

And at the end of it all comes a report, from the Acton Society Trust, that a general state of suspicion and dissatisfaction among the miners remains as deep and strong as ever, the old bias against the coal owners having merely been transferred to the National Coal Board.

"The miner," says the report, "is dominated by three fixed attitudes, the force and rigidity of which is little suspected. They are:

1. A persistent fear of the return of unemployment.
2. A deep suspicion of all those in authority who are thought to be idle or venal, when not cruel or malicious.
3. A belief that the public regards the miner as an inferior type of human being and almost a social outcast."

The report then goes on to say:

"The intensity of the hatred and scorn which is felt for the administration is perhaps conveyed by some of the names which are freely given to them—glamour boys, fantailed peacocks, little Cæsars. There seems little doubt that the miners have a general impression that they are carrying on their backs a horde of unproductive officials.

The miners conclude that posts have been given solely to provide 'jobs for the boys'."

Coal is a long and difficult story, but the same "plot" can be observed running through the story of many other industries. In its very simplest form it appears for all to see and study on the common street lamp-

UPSIDE DOWN

post. The daubing or smearing which is replacing the old "three good coats in workmanlike manner" is a symptom of a creeping paralysis affecting other industries, which, unless arrested, will not only be serious to our comfort at home, but will hand over foreign markets to nations who still care to work. If the painters employed upon this work are qualified craftsmen they should be prosecuted for fraud, but the probability is that their minds have been so monopolised by union rules and wage demands as to leave no room for knowledge of the art of wielding a paint-brush. These and many others have yet to learn that fifty million people cannot live on this island without a highly developed sense of personal responsibility.

Whenever the State enters upon the economic field it operates to reduce the crop or output—a generalisation which holds good notwithstanding particular scraps of evidence to the contrary. A tariff, for instance, may encourage an increased production in a particular place, but will operate to reduce world production. A subsidy will stimulate house building or export trade for a while, but the ultimate effect is always to limit production as a whole.

The State can say "thou shalt not" and enforce its view, but enforcement does not so easily work the other way round; taking the horse to the water is no less doubtful because it has been planned.

The real excuse for work is the need of others for goods and services, and maximum production at minimum cost is the only way to ensure a continuous and progressive rise in the standard of living for all. Up to the birth of the modern economics, the general acceptance of that point of view lifted society from neo-barbarism

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to *bourgeoisie*. Steadily and ceaselessly more and more of everything became available to all and the process still goes on in respect of those needs, and things which have escaped the attention of the politicians and the interference of authority. It is, and always must be, a gradual process, starting at the top and working downwards—the first ladies' bicycles were sold at £35 (gold) apiece, but within a couple of decades were available in thousands at fifty to sixty shillings. In those days the buyer was the master. We recognised that he settled the price, as indeed he will always do, although that awkward fact is now so hedged around by false considerations as to be obscured. The dictatorship of the consumer or buyer produced the theory of wage-slavery on which trade unionism was founded. The complaint was directed, with only partial justice, against employers, who were themselves in the bondage of the buyers. In the end we have achieved a purely nominal escape from wage-slavery and passed into a condition of consumer servitude with the prospect of a continuous diminution in real values for everybody.

The dictatorship of the buyer has been replaced by the dictatorship of organised authority, whether of the State or the trade union. Employment and work are no longer synonymous, a technical right to paper-money wages has supplanted the necessity to work or serve, and a "job" is the height of the ambition of far too many.

Up to the end of the nineteenth century no one imagined that "cost" could justify a "price." The price of everything was "what it would fetch," and the producer pocketed his profits or shouldered his losses to the order of the buyer. Now a rise in wages

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is held to justify a rise in prices, which in its turn requires a further rise in wages, and the consumer—who is everybody—is for practical purposes ignored. Quality is a matter of interest to the consumer alone, but with “full employment” and political “security” there is no reason in logic why any worker should bother himself about it. The producer is in command of the situation and the consumer must wait in the queue. A new liberty or privilege has emerged from all this topsy-turvyism, for all consider themselves qualified to discuss everybody’s business and are no longer expected to mind their own. Indeed it is well-nigh impossible to mind one’s own business, as did our grandfathers, for at every point or turn there is a State official without whose grace and favour no business can be done.

Things are indeed upside down; we give our thoughts to the bottom instead of aiming at the top; we put our money on those who “also ran” and double the stakes on the non-starter who is scratched. The rewards of craftsmanship are not worth the pains of qualification; when the mechanic and his labourer are equal there is no need to bother to be a mechanic. The interest in employment centres in hours, conditions, holidays, “elevenses” and tea intervals, and the employer has to put more time and attention into the study of the workers’ whims than of the customers’ wants.

While no apology is needed for these sweeping generalities, a distinction must be drawn between theory and fact. The theory of “full employment,” carried to its logical conclusion, absolves everyone from the need to make any effort; but in fact we still retain sufficient moral sense to save us from the full dire consequences of believing in our own politics. Our future depends upon

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how far we have realised and understood the folly of our recent ways.

Since we are more than half-way through the twentieth century it is possible to discern tendencies and trends which separate this period from any other in history. We are sufficiently removed from the date of the death of Queen Victoria to be able to see clearly how the passing of a great figure synchronised with the passing of a general point of view—a definite philosophy—with which her name was properly associated in our minds, and also in the minds of all mankind.

A reactionary (so-called) minority has always entertained and voiced doubts about “progress,” but only now is doubt about the continuance of the supply of our daily bread uppermost in the minds of the whole of our people. Napoleons, Kaisers and Hitlers have never for a moment shaken our faith in our power to win through, but the daily announcement of some further cut in our meagre necessities emphasises the imminent possibility of collapse. Whether we want food from abroad, or fuel from at home, the prospect of satisfaction is equally doubtful. The whole of the political pharmacopœia has been applied to our unhealthy situation and the daily bulletins, so far, only show us to be nearer than ever to the danger list.

Half a century of unprecedented scientific discovery and advance, the new electric power (almost unknown to Queen Victoria), education for all, and latterly the “Four Freedoms,” “Social Security,” and “Full Employment”—and at the end a proud nation is reduced to desperate anxiety. It may be the crisis before the convalescence, but it is certainly the crisis.

The difference between nineteenth and twentieth

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century philosophy, or the general public point of view, or common opinion, has not received the attention it requires. It represents a revolution more complete, indeed more violent, than any of the physical upheavals to which the term has usually been applied. It is not a matter of parties but of basic principles, it is the old problem of the Man and the State. Does the Man keep the State or can the State keep the Man? All Victorian parties accepted the first solution and rejected the second absolutely; all twentieth century parties have denied or doubted the first, and all, in varying degrees, have accepted the second. At the start it was thought that the State could keep the Man out of the surplus of the landlords and the wealth-possessing classes, but as that surplus has been gradually collected and exhausted it is now widely believed that the good work can be continued out of the resources of the State itself. The old conception of the State as a proud liability on the self-supporting individual has given way to the absurd supposition that by planning and control the State is able to relieve the citizen of his responsibilities.

The Festival of Britain of 1951, compared with the Great Exhibition of 1851, provided clear evidence of the upside down state of affairs today.

In Hyde Park the individual manufacturers bought space in which to display their new patterns, designs and inventions. From a thousand different sources of inspiration and initiative there was collected, as in any marketplace, a wide variety of old and new ideas submitted to the unerring judgment of a free public for acceptance, rejection, approval or disdain. There was in fact that freedom of choice without which Professor Hayek has shown that life is mere serfdom.

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At the South Bank, instead of anxious producers seeking to win the favour of an intelligent and discriminating public, the visitor was confronted with chosen samples selected and arranged by hole-in-the-corner Councils, who together constitute a sort of T.U.C. of thought, art, and endeavour. The general attitude towards a submissive and well-planned public was—not “How do you like this?” “What is your opinion?”—but “This is good for you,” “This is what you ought to see,” “The experts know what you should think!”

The two '51's were not only in different centuries but in different worlds, the first designed to encourage and inspire, the second to plan, dragoon, and inculcate the idle comfort of the theory that our intellectual betters will provide for us.

In 1851, the foreign buyer was received at each individual exhibit by a representative of the exhibitor, ready—perhaps over-anxious—to answer every question and explain every detail. Above all he was impressed by the names which put themselves forward as the guarantors of service and quality. In 1951 the foreign buyer whose attention was attracted by a particular exhibit was not worried with solicitations which may or may not have been welcome; on the contrary, he was required to work his way through a ten-shilling catalogue and by following the cross-references find out for himself the name and address of the firm or person to whom he could apply for any information he desired. The stigma of the commercial, the impiety of profit and all the supposed horrors of a period of progress were deliberately rooted out of this Festival of co-ordinated “culture” by our brains' trust bosses.

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Some seventy years ago, an uncle of mine, a popular Scottish divine—and as I have good reason to know a real saint—walked into the garden where my cousins and I were playing to announce, “You have had enough pleasure for today, you must come in to prayers.” That good man and his like can hardly have realised the nature of the seed they were sowing. It has produced a complete reversion, transformed our attitude to life and at long last put our living itself into grave jeopardy. The best we can hope for is that we have reached the end of the longest swing of a pendulum and that on its return journey it will stop a little short of my uncle’s position.

CHAPTER VI.

THE DRY-AS-DUST SCIENCE

THERE are those who imagine that the general public could be educated to understand the workings of the forces by which they are enriched, impoverished or only kept alive. Such a suggestion conjures up the awful prospect of a society composed of graduates in economics whose minds are stuffed with what is rightly called the dry-as-dust science. There would be tea parties discussing the possibilities of a falling birthrate or the wisdom of capital investment rather than the production of consumer goods and many similar topics. The consequent demand for the works of Alfred Marshall, Sydney Webb or Karl Marx would no doubt be welcome to some of the publishers, but merely to make the suggestion is to expose its folly and indeed its horrors.

Public interest in all these matters must necessarily be limited to wants and wishes about prices, wages, imports, houses, queueing, the feeding of school children or the care of the aged. The chances are that the mention of any of these, or hundreds of other things, will produce the demand that "something must be done," to which the simplest answer on record was given by a sailor on a Channel steamer and reported by Mr. George Schwartz in one of his inimitable articles in the *Sunday Times*. A lady was crossing from Dover to Calais for the first time and asked one of the crew, "If I feel ill what do I do?"

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"Nothing, ma'am," was the prompt reply, "it does itself."

That attitude of mind is completely outmoded and the fashion is for everyone to offer opinion, even advice, upon the cure for all complaints without thought of adequate diagnosis. A demand that "something must be done" pre-supposes that it will be done by somebody else, at the public (and therefore nobody's) expense, and the "something" will remove the trouble or supply the need. In that very common circumstance is to be found the embryo of yet another Government department.

It is unreasonable and indeed undesirable that the general public should be masters of economic science; the theory of rent, the law of diminishing returns, the working of the price mechanism, the functions of markets, the value of competition and other such technical matters are not amenable to public opinion. No politician has yet gained votes by advocating the amendment of the multiplication table, but many a seat in parliament has been won on an implied promise—equally fantastic—to repeal the law of supply and demand. The sanctity of contract, the supremacy of the consumer's interest, the vital importance of the right to own, are perhaps a little less technical, while the vitalising quality of freedom is forgotten, because every kind of despotism and tyranny is put forward in its name.

The old science of political economy concerned with the study of the results arising from the ordinary actions of ordinary people has been submerged in a new science of public expenditure strangely known as economics. A new profession has emerged concerned with the collection and distribution of rates and taxes, and while the old science remains in its natural home, the cloisters,

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there are no longer any ordinary actions by ordinary people, for these have nothing to do but to pay and obey.

Less than justice will be done to my present purpose if it is regarded as merely another attack upon Socialism. I have spilt much ink and used much breath in the effort to expose the errors of the Socialist philosophy, but I am not without hope that many a good Socialist may find in the present argument a line of thought worth following. It is possible to demand that all shall be decently housed without limiting oneself to a Ministry as the only means of attaining that ideal. The desire for social security need not be abandoned merely because the machinery of State has proved to be able to supply unlimited currency but quite unable to supply the worth without which currency becomes a snare and delusion. The theory that the means are justified by the ends is only good if the end comes up to expectation. When the political method has for two or three generations been used as the means, and the end proves to be fear, frustration and growing scarcity, it is surely obvious that the means or method must be changed or the ideals abandoned.

It is not wise to employ a bulldozer in a small back garden or to hire an elephant to crush a fly, but that is what we do when we employ the machinery of State. The voluntary principle has for practical purposes been destroyed and with it the moral motive has been suppressed. The attempt to do good with other people's money leaves no room for charity—"the greatest of these"—and, other people's money having been spent, we are reduced to government money and dollar gaps. It is really just as simple as that.

The practitioners of the dry-as-dust science must

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not altogether be absolved from a share of responsibility for the universal distress. The masters of what used to be known as the science of political economy were almost unanimous in their condemnation of State action and in their advocacy of freedom. They examined and explained the working of natural forces which, playing upon the actions of the ordinary man, would produce the greatest good of the greatest number, not only in terms of money but in meat and malt. Their successors, the modern economists have, for the most part, become the servants of the politicians and devote themselves to the study and development of political arrangements designed to control and regulate the ordinary work of the ordinary man. A powerful and all-pervading vested interest has thus arisen, for today there are many thousands of well-paid posts available to "experts," who have given up the study of nature's ways and presume to tell us how nature itself should be made to behave.

Instead of explaining the law of supply and demand they endeavour to enforce a cart-before-the-horse arrangement putting demand first and failing, as any such plan is bound to do, to encourage the desired supply. We have seen how this school of thought has thwarted progress in matters like housing, but the damage done to overseas trade, without which 50,000,000 people cannot live in Britain, is even more serious. When we were on the top of our form, in an impregnable trading position, we spent £37,000 per annum on the salaries and fees of British Consuls abroad; that was the extent and measure of State interest and interference in foreign trade. Everything else was left to the makers, the merchants and the bankers. There is now attached to every Embassy and Legation a staff of experts in

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economics. These are the people who arrange conferences and make confusion worse confounded. On the slightest excuse they fly to the ends of the earth to confer with one another on the latest crisis and lay the foundations of the next.

A War Office advertisement invites young men to join the army and "see the world"—in troopships and camps and barracks. The Board of Trade puts forward no such inducement, but its officials have the first call on luxury travel and take full advantage of the privilege. The dry-as-dust science now offers a riot of free entertainment in all the capitals of the world. If the State takes an interest in anything it must do it thoroughly, and that makes it needful to have great office blocks of buildings to house big staffs engaged upon detail that is neither necessary nor desirable from any practical point of view.

In one of my "Murmurings of an Individualist" in *Truth* of November 8, 1946, I discussed simple samples of this redundant detail which came to my notice eighteen months after the end of the war-time "emergency" from which was derived the powers to hamper the normal course of progress. Two young women representing the Board of Trade called upon a friend of mine, to ascertain her views upon our export and import trade. A little puzzled that she should be consulted upon matters completely outside her experience, but a little flattered by the opportunity to discuss such interesting questions, my friend was informed that her name had been picked at random from the electoral register, and that she was a cross-section, whatever that may be, of average feminine opinion. The employment of two of these official snoopers, where one would

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have done, was explained by the fact that one was a qualified (*sic*) senior and the other merely learning how to earn a bigger salary in this curious new-fangled way. Both were disappointed when my friend declined to disclose either her age or her income, for it appeared that information gleaned from those under forty was to be tabulated and considered separately from the views of women who were nearing the sere and yellow. Similarly, without a knowledge of her income range, the likes and dislikes of a victim could not be properly evaluated. The Board of Trade was, it appeared, anxious to have the opinions or impressions of my friend on the markets to which we should export, and those from which we should import. They wanted to know whether she thought we were exporting articles that would be better kept at home, and if our imports could be varied with advantage. These two young women, quite charming in their way, were wholly unaware—why should they be otherwise?—that they were assisting in the murder of trade, and, I must add, my friend and informant was distressed when I suggested that by her acquiescence she was an accessory to the building up of our own Gestapo.

This disturbing information reached me on the day when the Public Relations Department of the Board of Trade released a piece of news that might just as well have come from the Kremlin:

GERMAN EXPORTS TO BRITAIN

A British Purchasing Agency has been set up at Minden under the Sundry Materials Branch of the Board of Trade with the object of centralising all exports from Germany to the United Kingdom, except timber and scrap metal. This

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organisation will maintain the closest liaison with the Control Commission.

All purchases are on Government account and distribution will be made through the Sundry Materials Branch of the Board of Trade. Inquiries, which should be in writing and should relate to specific goods, should be addressed to Sundry Materials Branch, 10 Old Jewry, London, E.C.2.

Here then, are the two ends of the same story. When the snoopers have discovered that women under forty want enamelled hollow-ware and women over sixty show a preference for gloves, umbrellas or blankets, and when the political department has analysed the respective voting power of both age groups, then the Sundry Materials Branch will instruct the Purchasing Agency that saucepans, gloves and blankets must be purchased in the proportions of, say, 17, 41 and 52. The Purchasing Agency will then inquire whether the percentages so prescribed refer to value or volume, and a joint committee will proceed to consider, with a view to, and in the light of, currency, shipping, and other supposedly relevant considerations, what other authorities should be called into consultation. Eventually the young lady snoopers will be given priority passages to a conference in Rome to co-ordinate or compare our supposed requirements with those of Italians and Greeks. It may be argued, for instance, that by exporting hollow-ware to Athens in exchange for currants, the calories available to our own population would be increased. However freely the reader allows his imagination to play, he is quite unlikely to produce more than a fraction of such complications as now keep the boys and girls of our Board of Trade in a state of feverish activity.

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The healthy boy with an inquiring mind was able, at one time, to keep himself occupied taking his new watch to pieces to see how it worked. That was when every High Street had at least one window full of watches from 3s. 6d. upwards, and was one of the regular ways of learning the wisdom of leaving things alone. I do not know what takes the place of the watch in these expensive austerity days, nor am I aware of its feminine counterpart, but the healthy boys and girls have migrated in their thousands to government offices and are now occupied in pulling other things to pieces in the vain hope of understanding how they work. From any practical point of view the minds of the senior practitioners in economics who control this sort of imbecility are just as juvenile as the youngest recruit with a smattering of economics from the secondary school. They spend their time debating the rival merits of capital expenditure and consumption demand, the effects of both upon the rate of interest, mass unemployment, social security, savings or the balance of payments; all these problems being considered in the light of (*a*) policy, (*b*) short term, (*c*) long term, and, of course, in accordance with the schedule of priorities as amended by the last of some hundreds of Cabinet memoranda.

The pigeon-holes of every State Department in the world are stuffed with trade agreements made by this new type of civil servant. These documents have largely supplanted the business contracts which governed overseas trade. There is, however, this difference, that while the latter were fulfilled to the letter under pain of bankruptcy, there is no case on record of an official agreement between States that has been implemented in every particular. These modern economists buy and

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sell for very different reasons from those which governed business: Italian cheese, Jugo-Slavian turkeys, Algerian wine are forced upon them by the political pressure of sectional interests abroad. Prices are minor considerations, because when the date for settlement arrives these people have only to revalue their currency or freeze bank balances, while only a small minority of foreign states has any claim to be considered credit-worthy. Every country is engaged in these quite new activities and there are now hundreds of thousands of *soi-disant* economists earning good livings by dealing with difficulties that would never have arisen if they had not been there. A diploma in economics has thus become a passport to fortune, the demand from authorities for "expert" advice increases as authority extends its hold and there are now many thousands of well-paid positions, in Britain alone, available to those who are qualified to complicate official action by introducing the new economic aspect.

The trouble has been creeping upon us for forty years, but it was during the war that these people multiplied like rabbits, under the skilful direction of Mr. Arthur Greenwood, a minister whose function was to make the world safe for planners. It is to his industry and genius that we owe a long series of White Papers of which the Beveridge report is best remembered. When, later on, it became possible to nationalise industries and socialise services there were ready to hand official wartime reports and plans, issued in the name of a National Government and used with effect, and indeed with justice, to silence Conservative opposition. Greenwood mobilised the planners and was able to put the label of a non-party Government on to work of a definite one-party character.

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Sir William (now Viscount) Jowitt was attached to Greenwood to expedite this "under the counter" work which, while having nothing to do with the war, would obviously be much more difficult if perchance the war should end. He was put into the office of Paymaster General, a recognised sinecure, and given the additional title of Minister in charge of Reconstruction Studies. In a speech at Swansea in July 1942 he announced his determination to abolish the "unregulated scramble for exports, cutting prices, reducing wages, lowering the standard of living, one country after another debasing its currency to try and steal an advantage in the export market"—sentiments which now have a touch of nostalgia about them.

In the same oration he observed that "in the absence of world collaboration before the war, trade was becoming more and more restricted, resulting in action tending more and more to curtail trade and impoverish the world." "Industry could not be properly planned and full employment maintained if the prices of primary commodities were allowed to rocket about as they did before the war." Lord Jowitt made no mention, for he did not then know, of domestic coal of poor quality at six times the "rent restriction" level. Ten years later it is interesting to notice how every ill for which Lord Jowitt then possessed the perfect panacea, has positively thrived and multiplied as the result of his "Reconstruction Studies." And the end of the story is as simple as the moral of an *Æsop* Fable. A dozen economists selected from the Treasury, the Board of Trade, the Food Ministry, the Foreign Office, with attendant secretaries and typists, parties of perhaps five and twenty all told spending three months in, say, Mexico to arrange the

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price of, say, bananas: a matter which, if the State would only mind its own business, would be settled in a couple of minutes by a couple of hucksters in Covent Garden Market. And remember the hucksters delivered the goods.

One further typical example of the economic antics of the State must suffice. Whitehall and Ottawa made an agreement, widely publicised at the time, for the delivery of 300,000,000 eggs to our underfed island. Whether it is timber, tomatoes or eggs, when the State machine gets to work these things lose their individual interest and are automatically subjected to the numbing monotony of bureaucratic ways now so familiar to all of us; the machine is all-important and must be absolute master of the man; every detail must be subjugated to the system; what is left of life is a matter of lists, and the supreme satisfaction of it all is in statistics. So we can quite safely put on record some of the normal happenings between Whitehall and Ottawa in the name of the humble egg. The preliminary exploratory processes of exchange of memoranda having been completed, the transport authorities on both sides will have been called upon to provide priceless space, probably in bombers, to convey the planners and their brainy satellites to conferences first in London and then in Ottawa. I must run over the ground quickly and can only touch upon the main points of a game with which the world is by now all too familiar. The Canadian Government has to arrange to be fair as between Quebec, Vancouver and Manitoba, and much fine brain-work has no doubt devised a system of quotas, so that every Canadian hen can do her duty in the comfort of a sense of justice and equality. There will be, of course, a register of producers and, as with us, a system of espionage to make sure

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that no production occurs until the papers are in order. Young ladies seeking employment will be provided with motor cars to tour the country and submit the eggs to inspection, for each must qualify in size, shape and weight; elaborate and unfamiliar plans for collecting the eggs into depots are obviously needed; another difficult system of rationing corn to feed the hens must, as with us, be devised. Finally, of course, some curb must be put upon the consumption of eggs in Canada, and another page added to a new series of ration books, all of which we understand, for we have been through it at home and know what it means. In these and other ways hundreds of jobs will be created, and if Canada gets through with the mere 1½d. on the income tax—the cost of the English egg bureaucracy—she will be fortunate indeed.

If, and when, Canadian eggs are ready for export they will be shipped for the most part in unsuitable bottoms, for the Ministries of Shipping in either country cannot fulfil their functions if they are handicapped with all the refinements of individual selection common to profit-making shipping services. The eggs will be brought to the port for which the ship is scheduled, rather than to the port which possesses the best facilities for the handling of this particular class of merchandise. Then there will follow all the corresponding palaver here, and the pensionable undergraduates of the Public Relations Department of the Ministry of Food, assisted by their colleagues at the Ministry of Information, will issue to a subservient Press delicious stories about these bureaucratic eggs. The B.B.C. will warn us that the first "allocation" will probably be in the north on Tuesday week, but some may be available in the Cardiff area and,

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perhaps, in South-East Kent. Holders of ration books in those places will be recommended to apply to their registered dealer, that is if the unused coupons on the pink page No. 15 are still available. And—and this is the most, far the most, disturbing part of the story—an easy-going, apathetic, half-Germanised people, still nominally British, will go on quietly chewing their soya-bean sausages and decline to disturb their minds from the comfortable belief that it will all come out right. Three-hundred-million eggs sounds so good; these control arrangements must be wonderful! How stupid are individualists and other such mugwumps to raise doubt and objection!

Very well—such is the story, the story, if you please, of exactly *one week's work* for the pre-war egg trade. Most of us have a dim recollection of the legend in the shop window “eggs are cheap today.” Some will remember the great boxes displayed in the windows and marked at varying prices from ten a shilling. When, obedient to Mrs. Beeton, we took “the yolks of six eggs” as a detail in the work of preparing the family meal, we used to distinguish between new-laid, fresh and cooking eggs. In those bad old days the profit motive was supposed to be supreme; fortunes were made from eggs; there was indeed here and there the personal difficulty of constipation from eggs, but no week of the year passed without 300,000,000 eggs being sold and eaten in this little island.

The only known interest of the politician in the egg business consisted in the rotten ones, which at election meetings were thrown by the agitator, forbear of the planner, at the heads of candidates who favoured private enterprise and plenty.

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It is presumably impossible, perhaps properly impossible, that the people as a whole should be able to understand where their food comes from, how it is brought here, paid for, distributed and delivered. They must be allowed for the most part to enjoy it without mental strain, or the irritation to the glands controlling the flow of the digestive juices which would come with a full understanding of the complicated business machinery behind every grain of pepper or cut of beef.

CHAPTER VII

THE STATE AND MONEY

It is the duty of good government to see that the people have good money. Good government does not provide the money, it merely orders or directs the quality and validity of metal money made by the Mint or of paper money issued by the Bank. Under the Gold Standard a sovereign contained slightly less than a quarter of an ounce of fine gold, and Bank notes had to be backed by gold, foreign currencies or approved securities, kept in the Issue Department of the Bank. As a matter of convenience, the Bank was authorised to print fifty millions of paper money known as the Fiduciary Issue, the profit accruing to the State. Thus a single £ per head of the population was the only fly in the ointment and all the rest of the currency was represented by real values. A sovereign put into the Savings Bank, or into a stocking at home, could be relied upon to hold its value, and to buy years later as much as it would have bought at the time the sacrifice of saving was made. From all this good money the State collected in taxes what was required to conduct the proper business of government.

This question of money brings out clearly the difference between the State and the people, for it is the State alone which can manufacture money to suit its own requirements. The simplest illustration is the Fiduciary Issue mentioned above, which has grown from 50 to 1,500 millions, so that £30 per head of the

1056

100000

100000



100000

100000

Die Kaiserlich-königliche Bank.
 Österreichisch-ungarische Bank.
 Banknote bei ihrer Ausgabe in 300 Millionen Kronen

**Hunderttausend
 Kronen**

in goldenen Ziffern. Wien, 2. Januar 1922

Österreichisch-ungarische Bank

Karl Krenn
 Präsident

DER NACHMACHER
 DER BANKNOTE VON
 100.000 KRONEN

42289

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population has now no more intrinsic value than the worth of the paper on which it is printed.

Everybody knows that it now requires at least two, and perhaps three, pounds to buy what was obtainable before the war for a single £ and that money saved before 1939 would have been more wisely used in buying furniture or linen. Our people are blest with an innate wisdom and have avoided the panics and alarums such as have brought ruin to the currencies of most of Central Europe in the last forty years. The reproduction of an Austrian bank note received as part of the change from an English sovereign will serve to emphasise the danger in which we now stand. At the 1914 rate of exchange, this note was good for £12,000, and by 1922 would purchase only eight shillings worth of value. The reader may remember when German marks were sold by hawkers on the London streets, at a few pence a thousand, to people who declined to believe that there was no bottom to the market.

Our monetary system has always depended upon a mixture of logic and reason and confidence. Our Post Office depositors could bring down the whole thing by demanding all their money, but that does not happen. The Gold Standard, on which we flourished, rested on the confidence of the world; London had always paid, on demand, in gold, and because of that reputation, London was regarded as the safest repository, and did in fact receive more gold than she paid out. The inflation by the State in 1914-18 destroyed that confidence and with it one of the main pillars of our economic edifice.

The fashion which attributed all our troubles to wars is passing; there is a growing realisation of the horrors

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of inflation as a deliberate State policy to keep wars going. Both in 1914-18 and 1939-45 when men were dying by the million, ships were sunk by the thousand, property was bombed away, overseas investments were sacrificed and the foundations of material civilisation threatened, the power of the State to create bad money was used deliberately to deceive the people and to make them feel better off. The devilish cruelty of this deception is only now, after forty years, beginning to be suspected.

The power to create money is one of the ways in which the State holds the citizen in the grip of its dead hand. The consequences here at home are less difficult to understand than is the damage to the overseas trade, without which Britain cannot live.

It is curious that when thinking of government control of commodities such as nylons, bacon or soap, the mind works in terms of austerity, stringency and scarcity, the tendency being to restrain hope and prepare for greater sacrifice. Experience since the end of the war has shown the unwisdom of adopting an optimistic attitude. When, however, the matter in discussion is money, the ordinary mind works in the other direction, for experience, here at home, has shown the ease with which the money difficulty can be overcome. Notwithstanding the general desire to keep down the cost of living, the particular necessities of groups and sections keep a steady pressure upwards, and somehow or another money seems to accommodate itself to each new demand. There is thus more public anxiety about, say, the meat ration than about the supply of currency, and a false confidence is encouraged by the very dangerous fact that while no government can make meat, any government

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can manufacture any quantity of money, provided that quality does not matter.

It is a long way back to the Gold Standard, but little more than a dozen years since the circulation of money was left in the hands of the bankers and the present difficulties in foreign exchange were almost unknown. As we depend upon food and materials from abroad the quality of our money is of more importance to us than to most other countries; for while a domestic strike can be stopped or averted by the printing press, no such simple satisfaction can be given to the foreigner. With the Gold Standard we were perfectly safe, but are unlikely in any near future to see the scales back on every bank counter and watch the cashiers dig into the bins of gold coin with shovels in the manner of a corn chandler serving chicken feed. That was our regular happy experience, and we may hope that somehow, some day, it may be available again. But long before then we should be able to regain the facilities in foreign exchange enjoyed right up to the outbreak of the recent war.

The banks reduced scientific technicalities to such simple terms as to relieve the layman of any need to worry himself as to how it was done. Anyone with a banking account could obtain from any bank any sort of money anywhere and at any time. On windows of some branch banks there still remains the legend "Foreign Exchange Transacted," put there before there was any thought of the present difficulties. It was convenient and agreeable when starting on a continental tour to provide oneself with a small supply of the currencies of the countries to be visited, but such convenience was trifling by comparison with the trading facilities offered by the free money-market.

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The grocer or co-operative society buying butter from Finland, sardines from Portugal, or cheese from Holland or France, was never troubled with any difficulty in obtaining the necessary marks, escudos, guilders or francs. It was the banks' business to find a Portuguese who needed sterling to buy English cloth, and to set off the one transaction against the other. The banks never failed to do what was necessary, and no manufacturer or trader anywhere needed to bother with the money part of his foreign trade. If desired, money was telegraphed to or from any other part of the world, and imports and exports were never delayed for exchange reasons.

Further, the grocer, when buying sardines from Portugal, would normally contract for delivery months ahead and the escudos would not be required until the delivery date arrived, by which time the rate of exchange might have altered. That, however, made no difference to the grocer or to the bank; escudos were bought and sold for delivery three, four, five or six months later and the money market balanced that account with similar needs in the opposite direction. These processes were known as arbitrage, perhaps the most complicated but efficient and sensitive service ever provided by private enterprise. This truly wonderful machinery was put out of action by the war and has since been kept idle to the order of the State. Here was one of the most valuable of our invisible exports, for London did arbitrage business for the whole world. No ship from anywhere to anywhere was ever delayed for five minutes, no sale or purchase of anything by anybody was ever hindered for a moment, on account of the lack of, strictly, banking facilities. Such was the confidence of the foreigner in our banking system and

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so complete the service we were able to offer that, from China to Peru, all eyes turned to London. The loss to us and to the whole world by the nationalisation of our money should be more widely understood and appreciated and it should also be known that no other country can take our place. Space forbids more than a mention of our proud position in this matter. After the first world war it was thought that New York might do what London had always done, but America herself has long ago abandoned any such hope.

There is probably no other field quite so susceptible to the fertilising qualities of freedom as the money market, and if foreign exchange were thus made available, on almost any terms, every other field of industry and commerce would be better able to fructify. Of course there are difficulties. There would be confusion and uncertainty for a time; speculation would arouse criticism, and temporary gains and losses would be heavy until the old machinery recovered its pre-war perfection. The alternative is to continue as at present, with all exchange in government hands, at arbitrary rates, fixed for political rather than economic reasons, and involving such patent absurdity as now makes it illegal to bring English money into England. The position is so thoroughly artificial as to invite complete and sudden collapse.

CHAPTER VIII

DEBT

WHATEVER may be thought of the powers or abilities of the State to provide medicines or houses or coal, there cannot be the slightest doubt of the success of the State, in the first half of the twentieth century, in destroying the quality of money and credit, and in piling up mountains of debt.

A man with a wife and three children is supposed to own his share of all the nationalised property, but also has responsibility, or at least the moral responsibility, for £5,000 of the national and local public liabilities. That is roughly the position in Britain, while in the United States the citizen has been rushed in record time into a plight not quite as hazardous. Our debt in 1913 amounted to £90 per family and is now nearly sixty times as heavy.

“When national debts have once been accumulated to a certain degree,” wrote Adam Smith, “there is scarce, I believe, a single instance of their having been fairly and completely paid. The liberation of the public revenue, if it has ever been brought about at all, has always been brought about by a bankruptcy; sometimes by an avowed one, but always by a real one, though frequently by a pretended payment.”

That warning was taken to heart by the Victorians, for the National Debt which stood at £861 millions at the Peace of Paris in 1815 was reduced by nearly

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a quarter by 1913 when the total figure was £649 millions.

For all practical purposes public borrowing may be regarded as a war and post-war affair. The First World War taught us how it might be done, and, that lesson being learnt, we have applied ourselves with vigour and energy to the new-found delights. Up to 1913 the citizen was considered as the supporter of the State; since 1918 the State has been regarded as a milch cow which could provide the needs of the citizens. From social service to subsidy full provision is to be made for poor and rich alike.

It was not until 1914 that the politicians discovered the immense possibilities of the debt system. We have only to remind ourselves of the common conversation of the autumn of 1914 to make it quite clear that until that war governments had no conception of the possibilities of political finance. Newspaper leaders in September and October 1914 eased our anxieties with the certainty that, money being exhausted, the war would be over by Christmas. Lord Kitchener was considered by many, at that time, to be talking nonsense when he warned us to be ready for a three-years' war.

In thinking of public debt, therefore, we have two different and distinct periods to help us. A century of economy during which the trifling debts of the Napoleonic War were actually reduced. Notwithstanding the cost of the abolition of slavery in 1835, the Irish famine in '47, the Russian War in 1853, and all the expansion of the nineteenth century in such little matters as the purchase of the telegraphs or the building of town halls, the public money obligations were steadily liquidated. In the period from 1914 to 1939 we had twenty-five

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years of unprecedented borrowing, a quarter of a century in which public debts were multiplied, as some think by thirty times, but the lowest estimates amount to ten times. The War of 1939-45 and such items as nationalisation and the Welfare State have doubled the figure again.

The problem would be difficult even if it were merely a matter of the growth of debt. That, however, is a very superficial view. This debt raised on public credit is of a character different from that of the ordinary debt of trade and industry; the essential difference between the two sorts of debt is not sufficiently appreciated.

Before the 1914-18 War, there was £649 millions of public debt, and—nobody knows exactly—probably ten times as much private debt. Every penny of the latter was concerned with some real transaction. Every sovereign had behind it either the personal undertaking of some individual to pay, or the actual goods or services in respect of which it was incurred. Private debt is a process of pledging existing assets and undertaking to redeem the pledge out of visible income. With such a mass of good debt always in the market it was a matter of little moment that the Government should put into the mass, say, ten per cent of public debt. Instead of looking upon the public debt, with its absence of tangible backing, as something inferior to private debt, the habit grew of talking of "gilt-edged," and the £649 millions, depending on nothing better than the good faith of future generations, was universally considered to be a safer investment than the day by day working debts, each of which had behind it a personal guarantee of payment within a matter of days or weeks or months. This curious distinction between well-secured debt and

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unsecured hope was at least justified by the circumstance that the citizens standing behind the State were in a position to pay the public debt. It amounted to no more than £18 per head of the population. While £18 was properly regarded as a good loan to a citizen who recognised himself as one of the supporters of the State, it is absurd to speak in the same terms of the astronomical sums now lent on the credit of a citizen who looks upon the State as a source of income to himself.

The nineteenth-century record is one of steady reduction in debt and rapid expansion in trade. Between 1815 and 1873 debt was decreased by 9 per cent and imports and exports increased by 700 per cent. The comparison is more accurate if we relate it to the growth of population, for while the average debt per head in 1815 was £43 it had been reduced by 1873 to £24. On the other side of the account the average foreign trade per head increased from £3 15s. od. to £21. It is obvious that the ability to bear a weight of debt is closely related to the amount of trade, thus we arrive at the striking fact that the nineteenth century saw our import and export trade develop by nearly seven times per head, and our ability to stand a debt therefore increased, and yet such was the public opinion of the time in relation to debt that we nearly halved the individual liability.

While we have abandoned every rule which guided us in the past, we have never ceased to pay lip-service to the principles of which our Victorian forbears were so properly proud. Every Chancellor of the Exchequer in making his Budget statement always says something about our pre-war principles, and a shallow-thinking public accepts this annual dose of rhetoric as if it really

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meant what it says. Mr. Churchill would hardly be regarded as the most orthodox or rigid of our Chancellors, and so I select from one of his Budget statements the following short quotation:

“There are two ways in which a gigantic debt may be spread over new decades and future generations. There is the right and healthy way; and there is the wrong and morbid way. The wrong way is to fail to make the utmost provision for amortisation which prudence allows, to aggravate the burden of the debts by fresh borrowings, to live from hand to mouth and from year to year, and to exclaim with Louis XV, ‘After me, the deluge.’ In that way, posterity receives an ever-increasing load, and is year by year confronted with a more desperate choice between exhaustion and repudiation. Not only does the load increase, but the power of bearing the load diminishes as national credit deteriorates, and at every stage those who follow are confronted with a more grievous choice between intolerable sacrifices or failure to meet the obligations of the State.”

It is, of course, a misconception to regard the figures of the Funded Debt as an adequate representation of our liabilities. These figures are the totals of the various State funds dealt in on the Stock Exchange. There must be added numerous and varied liabilities not so easily reduced to exact figures. There is, for instance, a long catalogue of Government guarantees, some of them firm, others nebulous, but all of them adding to the weight of our responsibilities. This catalogue is of considerable historic interest, for it ranges all the way from £1,331,000 in respect of the expenses of Turkey during the Crimean War, down to £1,681,000 put upon us for the purposes of carrying out the provisions of the Welsh Church Act.

We have to face the considerable demands that will

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come in respect of our backing of various League of Nations' loans. It is the British Exchequer which will some day foot its full share of the bill for the money spent upon the fruitless restoration of Austria.

Before we could state the real total of the National Debt we should have to indulge in elaborate actuarial calculations to arrive at the value of hundreds of thousands of pensions, added to our obligations in recent years. Note must also be made of the vast local undertakings which depend upon promises of Government support by way of block grants, *pro rata* grants, *per capita* grants and other forms of subsidy, many of them being almost perpetual charges.

There is always the difficulty with a national debt that its figures are beyond the reasoning powers of the average individual. A million means nothing at all to most of us. Unlike good commercial or personal obligations, the public debt is owed by nobody in particular, is beyond the calculating powers of most people and is thus so completely impersonal in its nature as to be dangerously uninteresting to the average man. He is incapable of getting astronomical figures into his calculations unless he divides them up and relates them to the price of butter or the cost of a motor car, or something in his own personal experience. But we can get a little nearer to the substance of the matter by turning from the national to the local accounts.

Local debt, like National Debt, is different in its character from personal, trade, or commercial debt, and the point which we endeavoured to make in considering the National Debt comes out rather more clearly when we think of the debt of public authorities. The debt or capital of a motor-bus company dwindles,

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depreciates and disappears as the life of the motor bus comes to its end. The debt and the bus are linked together. When, however, the bus is owned by a public authority, the capital is attached, not to the bus, but to the credit of the ratepayers. As the ratepayers cannot dwindle, depreciate or disappear, the liability remains whether there is a bus or not. Or, take for example, the case of a gas or electricity works. Under a system of private enterprise, money was raised from shareholders on the security of the works, dividends were paid representing interest on capital and return of capital. As the works depreciated in value, the capital would also depreciate, and the two things would, side by side, in course of time disappear and give place to some later and better pattern or method, the works and the debt being all the time inseparable one from the other, and every pound of the debt having some little piece of the works actually attached to it. A very different conception has been applied first to the municipal and now to the national gas or electricity works. The money is raised, not on the security of the plant and machinery, but on the security of the rates and taxes. The debt remains while the works become senile and decay, and future generations will, in this way, be loaded with debt in respect not only of gas and electricity works, but of all sorts of experimental and passing notions that have found favour with a spendthrift public in the course of a veritable debt-raising orgy.

It is in the study of local debt that we see most clearly the revolutionary change in both opinion and method which has taken place since the politicians discovered the easy possibilities of borrowing. The Local Government Act of 1888 provided that:

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"Where the total debt of the County Council, after deducting the amount of any sinking fund, exceeds, or if the proposed loan is borrowed, will exceed, the amount of one-tenth of the annual rateable value of the rateable property in the County, ascertained according to the standard or basis for the county rate, the amount shall not be borrowed except in pursuance of a provisional order made by the Local Government Board and confirmed by Parliament."

That healthy provision is worth noting in days when some of our local authorities have debts totalling not one-tenth of, but several times the total of their rateable value.

The Public Health Act of 1875 laid it down that the sum borrowed

"shall not at any time exceed, with the balances of all the outstanding loans . . . the assessable value for two years of the premises assessable within the district in respect of which such money may be borrowed."

In section 74 of the Local Government Act of 1929 there is the omnibus clause which sweeps all this Victorian nonsense away. It reads:

"So much of any enactment as imposes any limit on the borrowing powers of any local authority by reference to the value for rating purposes of hereditaments within their area, shall cease to have effect."

That clause has been a godsend to many a spendthrift council since 1929. We find, for instance, loans for eighty years for the purposes of allotments, and for the same period for small-holdings. The Housing Acts of 1930 and 1931 also permitted local authorities to borrow for eighty years to build houses.

The Road Traffic Act of 1930 dispenses with a time

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limit altogether, and takes permission to borrow for any period which the Minister may prescribe.

The figures bring out very clearly the difference between the century or more before 1913 and the years since. When, as was the case in Victoria's time, the debt had to be borrowed from the monied classes, great caution was exercised—not altogether the caution of the monied classes themselves, but caution on the part of the authorities and the politicians who were interested to raise the debt. By contrast today, when the monied classes, as the term was understood, have almost ceased to exist and when the money is raised on the credit of the people themselves, caution is thrown away and the wildest extravagance appears on every hand.

Exactly like the ostrich with its head in the sand, we remain under the illusion that the public credit is good, in days when, by any system of reason or argument, that credit has completely altered both in character and quality. It is interesting to notice, if we try to bring the argument from the general to some little particular, the case of a trade union investing its funds in the securities of a local authority which can only pay its debts by further borrowing. We have, therefore, to recognise that we have multiplied the debt by ten times or by thirty times—the multiplication factor is really immaterial—but we have in addition to recognise, and this is very much more serious, that in doing so we have undermined the whole debt structure, public and private, and thus weakened the facilities which enabled us to live as civilised beings.

Two world wars are generally accepted as the reason and excuse for the perilous present position, but the actual cost of both wars was trebled by inflationary policies

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concerned much more with politics than with the business of fighting.

In personal affairs, the "note of hand" is used as an acknowledgement of indebtedness, the hand being the living hand of a credit-worthy individual. In public affairs, since Whitehall and Washington got going on the new economics the dead hand of the State has pledged the credit of all without the slightest suggestion of personal responsibility upon anyone.

CHAPTER IX

THE STATE AND FRAUD

THE NATIONAL DEBT has never aroused heated political controversy, and can be discussed without direct reference to any political party. It is a technical matter in the hands of officers acting on behalf of the State, and as the officials have no personal responsibility and the State has no conscience it is useless to look for those standards of conduct without which money transactions are bound to lead towards fraud. In commerce honesty is recognised as the best policy, a point of view a little below the moral level of most transactions between individuals. The State suffers no such irritating limitation and Machiavelli's classic defence of fraud and trickery by the Prince applies and must always apply to the doings of any State Machine.

To blame Mr. Dalton for rigging the market to float his $2\frac{1}{2}$ per cents, or Sir Stafford Cripps for a devaluation after seven denials that anything of the kind would be done, is to take a short and biased view of a weakness inherent in public finance. As long ago as 1888 Mr. Goschen, then Chancellor of the Exchequer, used a parliamentary majority to reduce the contractual rate of interest on Consols, but it was not until the introduction of paper money that the power of the State to camouflage confiscation could be fully developed.

To avoid any suggestion of an attack upon the recent Socialist Government, I confine my illustrations to two

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transactions from the period immediately before the War, and one from the year 1952.

A case in point is provided by the raising of £10,000,000 at $3\frac{1}{4}$ per cent by the Government of the Dominion of Canada. Part of the excuse for this flotation was the maturity of the $3\frac{1}{2}$ per cent Loan of 1888. Under the influence of a cheap money policy, the Government of Canada thought it necessary to do no more than mention the simple fact that the Loan of 1888 was about to mature.

On reference to the Prospectus of 1888 a curious story unfolds itself. Messrs. Baring Brothers arranged a Loan on Fifty Year Land Bonds of the Canadian Pacific Railway to be repaid out of the proceeds of the sales of land. The Government of Canada guaranteed interest on the Loan and accepted the position of trustees, the Prospectus stating that:

“The trustees for the bondholders will be the Minister of the Interior for the time being, or such other Minister as the Dominion Government shall name, and two other persons approved by the Dominion Government.”

It went on to say that:

“the net proceeds of the sales of the said lands shall from time to time be paid over to the Government . . . to constitute a fund to be set apart and held by the Government exclusively for the purpose of satisfying the principal of the said bonds.”

Those very rigid conditions were fulfilled to the letter by the borrowers, the Canadian Pacific Railway, and this money raised in 1888 was repaid in full to the Government of Canada, acting as trustees for the lenders who accepted Messrs. Baring's invitation in 1888.

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Under management, the public finances in Canada, as well as at home, are able to escape the obligations and safeguards common to ordinary business transactions, and so the Dominion Government, as trustees, having received the whole of the money on trust, and being under the most specific obligation to hand it over to the lenders, was able to come back to the same market and, without questions being asked, proceed to borrow fresh money, they having applied these trustee funds to other purposes in the meantime.

In justice to Canada it should be said that there is nothing exceptional about this particular loan. It is selected as a typical example of public borrowing, to show how the forcing of a borrowers' market tends to weaken the safeguards and standards formerly associated with British public finance.

There are certainly a thousand books in circulation telling us all about the evils of capitalism. We have no lack of information as to the cheating that went on under a system of private enterprise. It might, however, now be remarked that while some private capitalists may have cheated one another, the government capitalists cheat everybody, and that the business of cheating has indeed been completely nationalised. It is quite impossible within the limits of a short and popular discussion to attempt more than the broadest outline of the Pooh-Bah Treasury operations which characterised the years 1932-37.

The gilt-edged market, once the aristocracy of the whole society of money, has ceased to be a market at all, and is a mere playground for the experts in graphs and charts and theories and the jugglers in index numbers who have taken complete control of the situation.

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If we take the case of the Funding $2\frac{3}{4}$ per cent Loan 1952-57, £100,000,000 of which was issued on November 19th, 1936, at $98\frac{1}{2}$, we shall have sufficient evidence for the purposes of our argument. On November 19th, *The Times* in its City Notes purporting to express the view of the City, but really acting in its other capacity as the mouthpiece of the Government, said:

“... There was a general endorsement of the view that the Treasury were well-advised to undertake the operation at this juncture . . . the market nowadays promised stability rather than excitement. The fact that the new loan is offered at a discount will attract subscriptions . . . The new stock seems definitely preferable . . . for not only has it a life shorter by four years, but it gives a flat yield which is 2s. per cent. higher.”

That was *The Times* on the morning of issue, November 19th. Here is what the same newspaper said on the 20th, when the Treasury were faced with the necessity of beginning to hedge:

“The subscription lists for the issue of the £100,000,000. Two-and-Three-Quarters per cent Funding Loan, 1952-57, offered at the price of $98\frac{1}{2}$, which were opened yesterday morning, were closed at 11.15 a.m. We understand that, as expected, a good response was made to the issue, especially by those to whom it was specially designed to appeal—namely, institutional investors such as banks, discount houses, and the like—but there was also a large number of applications from private investors. Letters of allotment were posted last evening, and dealings in the new loan will begin today . . . In view of its attractions in relation to comparable securities in the Gilt-edged market, the new loan may be expected soon to rise to a small premium.”

That slight lowering of the tone of *The Times* on the 20th seemed by the morning of the 21st to need a little

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official correction, and so next day *The Times* made the following announcement, and this is the most important of them all:

“Dealings in the new £100,000,000 Two-and-Three-Quarters per cent Funding Loan began yesterday at about par. . . . Allotments showed that applications for amounts up to £5,000 received allotment in full, while applications for amounts in excess of that figure received about 88 per cent.”

We must jump from November 21st, 1936, to May 1st, 1937, when the next operation, the National Defence Bonds, $2\frac{1}{2}$ per cent, 1944-49, was undertaken. *The Times* published a long apologia for this loan, and in order to bring out its qualities felt itself free to tell the truth about the previous issue. Referring to the $2\frac{1}{2}$ per cent Funding, 1956-61, and the $2\frac{3}{4}$ per cent Funding, 1952-57, this is what appeared in the City Notes:

“The public departments, it is understood, had to take up a substantial amount of both these loans, and clearly they have also had to take up a substantial slice of the National Defence Bonds.”

To make the outrage of these proceedings clear to the mind of the reader unacquainted with the technicalities of Stock Market procedure a word of explanation must be given. When a new loan, for say a million, is issued, it never happens that applications for exactly a million are received. If the applications fall below the million then the newspapers report that underwriters were “left” with ten, twenty-seven, thirty-two, or whatever it may be, per cent. When, however, applications exceed the million offered, the issuing house has

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to decide how the applications shall be dealt with. It is commonly thought to be wise to spread an issue over as many investors as possible, and for that reason it is usual to allot in full to all the smaller applicants. If the demand for the loan is really heavy it may be decided to allot in full to all applications up to £500, to give fifty per cent to all those between £500 and £5,000, and to give, say, thirty per cent to those above that figure. In some such way as this justice will be done as between various applicants, and the loan will be safely placed in quarters where it is more or less likely to remain. That is the usual practice, and from it this irrefutable point emerges: when the public is told that "applications above £5,000 received about eighty-eight per cent," that statement is, for market purposes, a categorical assertion that the stock has been over-subscribed. Therefore on the morning of November 21st, 1936, the Stock Exchange, the public and the world at large were deliberately led to believe that in response to the British Government offer of £100,000,000 $2\frac{3}{4}$ per cent at $98\frac{1}{2}$, something more than £100,000,000 of money had been offered by the ordinary investor, and that the demand was, in fact, greater than the supply. Nothing more definite could be said about the matter. No one with knowledge of monetary procedure could draw any other conclusion from the announcement in *The Times* of November 21st, and yet such a conclusion had, in fact, no truth in it. If, and this can never be known, the Treasury had the impertinence or immoral courage to scale down the application of some private investor for more than £5,000 of the loan, in order to cover up the deceit of over-subscription, the scandal becomes all the greater.

What is more likely to have happened is this. The

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lists were opened on the morning of the 20th and were not closed until 11.15. A peep behind the scenes might have shown the Treasury officials ringing up their Post Office or Unemployment or Pension colleagues, and browbeating them into larger applications. That would be about 10 o'clock. These official applications were arranged on a scale calculated to provide the £100,000,000 in the course of the morning, for a Government loan could not remain open more than a few hours if appearances were to be maintained. These interlocking arrangements having been made, say by 11 o'clock, further applications from private victims arrived between 11 and 11.15, so that on the closing of the lists at 11.15 the Treasury may perhaps have been able to scale down the applications of its own sub-sections to eighty-eight per cent of the amounts which it had itself dictated, and which never were, in fact, applications in the genuine sense of the term.

Following the matter through its subsequent stages we find one of these Treasury associates, say the Trustee Savings Bank, subscribing for Funding $2\frac{3}{4}$ per cent at $98\frac{1}{2}$ in November 1936, and then steadily selling to the market at prices on a descending scale, until by the end of June 1937, it was rid of the stuff at 90. The old stories of corners in wheat and rings in other commodities are reduced to paltry insignificance by the new story of the British Treasury using £100,000,000 of Social Service funds to rig the market in its own securities.

There are those who are prepared to justify all these novel proceedings. They say that it is proper for the Government to put out a loan at $98\frac{1}{2}$, entice a few innocent investors to buy at this price, force the rest of

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it upon other Government departments and then sell to wiser investors at 90. These defenders of such curious proceedings see no wrong in the State taking advantage of such faith in it as may still remain in the breasts of those who do not know. When it is pointed out to these same management enthusiasts that the Post Office Savings Bank, or the Unemployment Fund, may be heavy losers by these operations, they declare that Government finance must be considered as a whole, that a loss to the Savings Bank is balanced by a gain to the Treasury, and that there is therefore nothing to worry about.

The argument assumes one big Government account, and leaves out of consideration the conflicting interests of Post Office depositors, pensioners, unemployed, tax collectors and the rest. It also ignores the wholesale demoralisation of the market brought about in this way: Pooh-Bah, lending to himself, pretends that the rate he fixes is the market rate. He plays these tricks with trustee money, and deliberately puts every other trustee in the world in difficulties. In addition he introduces, into the free and open natural world of money, a process which can best be described as inbreeding, and does in fact weaken the market as a whole and tend to destroy that confidence on which alone the market, and all of us who depend upon it, can continue to exist in comfort.

It is no wonder that these processes have to be conducted in secret. It took, as we have seen, nearly six months, from November 19th, 1936, to May 1st, 1937, for the truth about the $2\frac{3}{4}$ per cent to emerge; all this, it should be noted, in direct and striking contrast to the well-established traditions of a market that has always lived in the limelight.

It may be said, and said with truth, that we are not

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so bad as others. We carry on, and carry on in comparative comfort, because our degeneration has not been so rapid and our methods not so crafty, or grafty, as those of some foreigners—surely a poor satisfaction to a money market which the whole world trusted. We have not, for instance, reached the plight of the French, who in February, 1937, borrowed 4.2 milliards of francs in the London Market, paying £40,000,000 of sterling for it, and had in November to repay 5.9 milliards of francs to discharge the loan. A twenty-five per cent interest, in francs, was the heavy price which France had to pay for the services of its official money management.

Language adapts itself to human weakness; presently has come to mean later on! God be with you, good-bye, can mean good riddance, but the word fraud has not yet come to indicate technical correctitude.

In April 1952 the Central Electricity Board secured £150,000,000 by the methods first used by the Treasury in the middle thirties.

Nationalised industries have to be financed, and while the general public is able to judge of the quality of coal, the comfort of the railways or the appetising charms of Ministerial food, they should also notice the transformation from solvency, as a necessity, to a state of affairs where money is of secondary importance. Finance is no longer the master but the servant of all these monopolies. On the one hand the importance of economy has been removed and on the other the power to charge the public greatly strengthened. The issue of new stock in April 1952 by the Electricity Board illustrates the argument.

Even to a great many of the erstwhile business men who have perforce been “nationalised” by the taking

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over of the electricity supply industry, the issue of £150,000,000 of new stock must have been a matter of nostalgic regret. Having been accustomed to paying their own way, and justifying the service they rendered by the satisfaction of market morality, it must go hard with some of these good people to come down to the lower levels of official finance.

When, as private enterprise concerns, they required to raise more capital they were obliged to satisfy the investing public that they were giving such good service to their consumer customers as to make the investments safe and remunerative. The public interest was safeguarded at both ends and proper regard to economy assured.

Lord Citrine and his financial advisers, in common with all other nationalised potentates, had no need to bother with any such natural considerations. They had merely to telephone their friends and colleagues in other departments and discover how much surplus cash they could spare to support the new issue. The Post Office and the Unemployment Fund would be the first to oblige, but other Ministries, and even local authorities who had collected more than they need, would be willing to assist in a financial conjuring trick which if played by private enterprise would have meant dire consequences for directors. We have, in fact, come to a position when a bill backed by a bankrupt is considered to be good as security for a further loan.

There is here no reflection upon the Electricity Board, which merely played the modern political game in accordance with the rules; but when people talk of saving the currency and maintaining our credit, it is advisable to notice the continuing threat to those

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aspirations by the present methods of public finance. Nor is there any practical objection to the way in which this £150,000,000 was secured, for in so far as the public took any interest in it and relieved the banks of some of the weight of their loans it was deflationary in its effect.

The method or plan was invented by the money planners, the Keynesians, who first started the undermining of the national credit. As long ago as 1937 a thousand millions of Government securities were actually owned by Government Departments. Here is the list:

	£
Post Office Savings Bank	451,000,000
Trustee Savings Bank	130,000,000
National Health Insurance Fund	122,000,000
Unemployment Fund	43,000,000
Treasury Pension Fund	19,000,000
Fiduciary portion of Bank of England note issue	200,000,000

War and Welfare have made that figure seem paltry, since our national credit now rests upon the pleasant assumption that every man, woman and child amongst us is good for something in the neighbourhood of £500.

The technical success of the British Electricity loan was demonstrated by the closing of the lists and the scaling down of the larger applications, those for £100,000 or less, receiving a full allotment, and the rest getting about ninety per cent. To quote the *Daily Telegraph*:

“this is a formula which deceives nobody. In the City it is estimated that perhaps one-half of the new loan has been applied for by the investing public—in the widest sense—and the balance by various public departments who will peddle the stock to the market as opportunities occur.”

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That the greatest and perhaps the most successful of all public services—electricity supply—should be thus brought down to the level of peddling and politics, cannot fail to be a source of sorrow to those of its servants who retain the recollection of the prouder traditions of the past.

A national debt of reasonable proportions is a convenient medium between the savers and the rest. The interest is collected from all and distributed to some; the amount thus collected is now in the neighbourhood of 10s. per week per head of the population. While Adam Smith's historic warning is widely appreciated, and few expect the State to pay the principal, all the holders of Gilt-edged securities still rely upon the willingness of the whole population to suffer heavy taxation to provide the interest due to them. If the new debt were of the same character as the old, and held chiefly by the moneyed classes, repudiation would be a popular political move, but that is not the situation. The debt is now held by the great mass of the people in trade union funds, insurance policies, bank balances and small certificates, and everybody has a definite interest in propping up a wholly artificial structure.

No individual could borrow on the credit of his great-grandson, and yet the State machine has, so far, succeeded in doing exactly this—and all in the name of security.

CHAPTER X

“BUSINESS AS USUAL”

WHEN a young man sets his foot on the lowest rung of the ladder in a business or profession, chosen because of inclination or aptitude, he generally thinks of himself as starting upon a career, and his daily work is encouraged by the hope that he will be able to climb the particular ladder of his choice. As he becomes acquainted with the names of those at the top—the leaders—they become his guiding stars. However much he may deride old Samuel Smiles—if, indeed, he has ever heard of him—the spirit of Samuel is in him, and from the beginning there is a sense of continuity giving to his daily work a purpose and a meaning above and beyond the interest of the particular task and its passing importance.

The young maiden is only now beginning to experience the same urges and to share the same sentiments. She is, however, much more likely to be looking for a job, which is just a job, to be performed under direction, at a given rate of remuneration, with a reasonable security of tenure but with no serious long-term implications. The sense of conscious continuity is rare, as indeed is shown by labour statistics, the turnover of the feminine being much faster than that of the stronger sex; the number of men with a service record of say twenty years and upwards is in the millions, and that of women only to be counted yet in thousands. Here is part of

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the reason for the rush to the public service, the demand for official activity and the drive for nationalisation, for the public authority purports to offer worth-while employment, at good wages, with full security, but without any obligation upon youth or maiden to remain for a day longer than fancy dictates, to accept any serious responsibility, or, least of all, to consider continuity of interest.

The young architect or butcher by every day that he remains in his office or shop reduces his opportunity to earn a living as an accountant or a draper. The young official presents a striking contrast, for service in the Ministry of Food is regarded as a qualification for higher employment in the Ministry of Planning, and success in the Colonial Office may well lead to better-paid work in the Department of Industrial Design. Here is a part of the explanation for the unbroken record of failure of official attempts to undertake duties in industry and commerce, which can only be performed by those whose approach to their tasks is much more seriously concerned with the needs and nature of the tasks themselves. On the other side of the picture, the convenience and comfort of most of us hangs upon this selfsame conception of continuity. We hunt about until we have found a hairdresser or confectioner who can be relied upon to give us what we want, when we want it, with an experienced understanding of our personal point of view. On both sides of every transaction there is the desire to be sure that it can be repeated. From a fishing boat to a furniture factory the fundamentals of permanent service are the same; both rely upon the development of a particular type of demand which will last; both are concerned to cultivate and satisfy the demand, and thus

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obtain for the undertaking the security of continuity founded on satisfaction. Goodwill is another name for the same mutual need, without which supply is a wholly unreliable hand-to-mouth affair and demand degenerates to a desperate grateful acceptance of a ration of anything.

The backbone of worth-while trade is continuation. That one word may be used as a master key to the problem; the repeat order is the mainstay of industry; the humblest shopkeeper shares one overriding desire with the prince of contractors, that his trade may continue. His interest in, say, an ounce of butter in a particular week is almost non-existent; his concern is for an ounce of butter to the same customer every week for as far into the future as the fates may permit. Every ounce of butter involves agriculture, shipping, warehousing, refrigeration, refining, packing, wholesaling, retailing, collecting, delivering and finance. Everybody associated with every detail of all these complicated movements and processes is more interested in the continuity of his little part of the business than in the actual daily quota on which he happens to be engaged for the moment. He will strive to do his little part in such a way that the supply and demand may continue.

How different when, as happened only a few years ago, the Government of Denmark agreed to buy a quantity of coal from the British authorities for a given number of years. There was a deceptive appearance of continuity, but no single individual or company had the same incentive to perform in such a way as to facilitate the success of the arrangement. At every stage on both sides of the business disgruntled operators worked under the pressure of official force. So far as the governments

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themselves were concerned, there was no pretence of continuity and the renewal of the business did not depend upon the satisfaction given to either producers or consumers, but upon political reasons at best only remotely connected with coal. Indeed, in this particular case there is no question of continuity, for the coal has long since ceased to be mined and the Dane has been driven back to Poland and Germany.

The State must work to policy, applied through forms and rules; it must be interested in the general rather than in the particular; it is more concerned with percentages than personalities. To the business man an advertisement like the following helps to explain the price and scarcity of coal:

NATIONAL COAL BOARD

Applications are invited for OPERATIONAL RESEARCH posts in the Field Investigation Group of the Directorate of Scientific Control. Candidates should have a good honours degree (or equivalent) in Science, Mathematics or Engineering, and experience in operational research would be an advantage. Successful candidates will have their headquarters in London but will be required to spend some time in the coalfields.

Appointments will be in the grade of either Scientist II (salary scale £640 × £30 to £1,095 male) or Scientist III (salary scale £445 × £25 to £845 male) depending on the qualifications and experience of the selected applicants. London Location Allowance of £32 at the minimum of the salary scales, rising to £78 per annum at the maximum is payable in addition. The posts are superannuated.

Apply in writing, giving full particulars (in chronological order) of age, education, qualifications and experience (with dates) to National Coal Board, Establishments (Personnel) Hobart House, Grosvenor Place, London, S.W.1 marking the envelope TT/511. Original testimonials should NOT be forwarded. Closing Date 30th August 1952.”

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Hobart House, one of the finest modern buildings in London, with delightful views over the gardens of Buckingham Palace, is now full of people who have been imposed upon the coal trade to see that, whether there is coal or not, the papers are in chronological order. When that high purpose has been accomplished, another office will be set up to put the same material into alphabetical order, for there is no necessity to limit elaboration.

The old-fashioned signwriter and showcard maker must be out of business. He, or his son, is probably dispensing official security from some new-fangled Ministry, or earning a salary by declining to issue licences to people who would formerly have employed his craft for purposes that have now ceased to be practical. "Lowest Summer Prices," to tempt us to buy coal; "Eggs are Cheap today," think of it; "Sale Price"; "Everything Reduced"; "Guaranteed Quality"; "Try Our Celebrated Shilling Ordinary—" joint, two veg., sweet, cheese and coffee; which to the elderly still recalls the exact cut, near the knuckle, underdone or overdone as desired, real custard to cover the sweet, cheese in half a dozen varieties, with a bowl of butterballs, just as much a matter of fact as the salt and mustard, and a basin of sugar to flavour the coffee to taste. All these were stock lines with the signwriter, who always offered a wide choice of "tempters" for display by the retail shopkeeper. For the special use of public-houses, there were cards and boards and streamers with the welcome announcement—"Business as Usual."

This familiar slogan has had its ups and downs. On the outbreak of the 1914-18 War the Government pressed us to carry on with "business as usual" as a patriotic duty, and the Prince of Wales opened a relief

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fund to provide for the unemployment, thought by the planners of those days to be unavoidable. So great was the anxiety that all records in charity were beaten by the Prince's fund and £1,000,000 subscribed within a few days. Local authorities were directed to place orders beyond their needs to keep business going as usual; but, as the planners of those days were just as fallible as their successors, a short experience of their plans necessitated the usual renunciation, and “Business as Usual” was propagandised into a capitalistic trick to stop the war, for which the self-same capitalists were previously said to be responsible.

What is this process that used to be known as business? The word itself is a synonym for progress, for no material advance can be made without it; indeed, since we gave up business advance has been officially abandoned in favour of retreat. There is nothing in the nature of advance in the limitation of imports, or in reducing carefully graded and selected coal to unclassified dirt, even if the miner has more money and the dirt is rationed out with mathematical equality. There is no advance in the prefabricated house. The ration of meat does not pretend to consider quality, and the forty different brands of bacon from which the individual selection could be made are past history. So, in the light of present experience, it is more easily understood that business was progress; that the business man was the practical researcher, producing every day something new, cheaper, more plentiful, and better suited to purpose than the article which was thus put out of fashion and favour.

Nationalisation and control have arrested the natural striving of legions of business brains after the new and

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the better; they have standardised mediocrity and perpetuated obsolescence. A catalogue of the daily doings of the ordinary citizen a few years ago shows how he enjoyed much that was not available to his father and, more remarkable, that practically nothing he used or enjoyed was even known to his grandfather. "Business as Usual" means new business every day, the maintenance of a steady stream of improvements so that, in a couple of generations, everything alters to the advantage of everybody. It means a million shop windows with a brain behind each, continuously striving after the new and the better.

A simple way of approaching the subject is to jot down the doings of the normal man, say a bank clerk, in a normal day. On waking, he finds his head on a feather pillow. He is covered with a cotton sheet spread over a wool and hair mattress, supported by springs. He steps out of bed on to a piece of carpet, looks at his watch, takes a cup of tea prepared with the heat from a gas or electric contrivance. He washes himself with soap and a sponge, brushes his teeth, and comes down to breakfast. He drinks coffee, tea, cocoa, as he fancies, sweetened with sugar. He puts on a mackintosh and sets out for the City. On the way he buys a newspaper, tobacco and matches. He makes the journey in a train, tram or omnibus, on a road paved and drained, and then begins to do a day's work that in almost every detail was not thought of by his grandfather.

A careful study of this simple story will disclose the fact that there is scarcely a *thought* or *action* or *thing* in the *whole* of it that would have passed through the mind or been done or existed a few generations previously. Apart from the draining and paving of the

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road no single detail in the whole of this story of progress can be attributed to the State, except the freedom that made all the rest possible. To begin with, bank clerks, in any numbers, were not wanted. Trade has not only produced the bank clerk himself, but it has produced all the material things that go to make up life for him; from which it follows that without trade life itself would be impossible. This is not the place to enter upon a dissertation on the highly technical question of population, but it may be noted in passing that while population remained more or less stationary for thousands of years, it only began to grow when modern trade began to function.

The population of this island is packed tightly together, nearly seven hundred to the square mile, a figure which compares with twenty to the square mile in Russia and thirty to the same area in the United States, and makes nonsense of some of the theories built upon equal co-operation of peoples whose situations differ in so radical a way. Having less than an acre apiece and therefore quite unable to maintain ourselves on our own material resources, we did, in the days before the modern State afflicted us, attain the highest known standard of living at any time or in any country. There were weaknesses in plenty, much still to be done, but there was nothing better anywhere. Ours was a unique and proud position, accepted by an unthoughtful population as a matter of course, little debated, seldom explained, and understood only by the few.

When, however, our former position is studied more closely, it will be seen how much that went to make it has now gone. For example, it was not made by organisation, now we are all organised; no government had

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anything whatever to do with it, now governments have everything to do with almost everything. The explanation of how we did it, why we, without the means to feed ourselves, should have been able to live better than any other section of the human race, can only be discovered in the sterling quality of the free individual Briton, bred through nearly a thousand years of consistent and persistent endeavour, not to foster the disease of government but to get rid of it. Our great position was due to the sum of the efforts of the free individuals, to whom the whole world looked for assistance in all the affairs of life and paid us through those individuals for services rendered, services unobtainable elsewhere, wholly incompatible with planning and entirely independent of politics or government or State.

CHAPTER XI

THE STATURE OF MAN

IF the State machine, from its nature, can have no more moral sense than a Juggernaut or a railway engine, what must we expect in the way of morals from the State-ridden citizen? There are still those who delight in the new world of the common man, to be managed, not by profit-making business people, not by individuals with personal stakes in their doings, not by people who depend for their living upon any form of personal responsibility, but by "intellectuals" and "experts" who, being free of all these sordid restraints, are presumed to be full of the milk of human kindness and to be good impartial judges of the public weal. That pleasant notion has had a fairly good run, for it is a full forty years since the individual enjoyed very much freedom to operate in the manner of Victorian times.

Before and during the war, several South American Republics engaged in the most shameless and flagrant daylight robbery yet on record. Holders of the bonds of these places know what happened and feel keenly about it; but these Republics were justified by our own modern standards. They may indeed have done us a service if, by the open cynicism of their depredations, they help us to understand the need for a return to a higher moral standard. These countries all possessed ample funds in London, they could plead no poverty, they were in a position to pay. During the war they were able to supply

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our needs in food and raw materials, while we were unable to make the normal payments in machinery and manufactured articles; they amassed bank balances in London with which, if they so desired, they could have discharged the contractual service of their debts. The reader may be the possessor of a hundred pound sterling bond on which five per cent interest is payable and will know how the interest has been arbitrarily reduced or been suspended altogether. He will know that, in consequence, the market value of the bond has shrunk to thirty, twenty or less. He should further know that these States have used the money accumulated in London to buy their own bonds for a fraction of the price they charged for them. It was not a question of inability to pay—there was no dispute about the liability, no doubt of the justice of the claim; the South American simply smiled, and said his creditor could go to blazes.

Shallow simple-mindedness is inclined to regard this sort of iniquity as peculiar to South America and other similar places, and such shallow-mindedness wants stirring up, for there is nothing in the conduct of these excellent Latin-Americans for which some sort of precedent cannot be found in our own public records. Indeed, some of these people base their thieving firmly and squarely upon our doings. Mexican oil is a case in point. The Mother of Parliaments, thinking to make a harmless sop to Socialism, decreed that if oil should be found below the surface of this island it belonged to the State. The result of that decree was not only to arrest the development of any oil that might be here; Mexico, rightly regarding us as the leaders in all matters of government, promptly followed our Parliamentary example and stole millions of British and American

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property invested in good faith to develop Mexican oil. Persia came a good deal later.

The more one looks into State finance the more shocking it becomes. Everyone knows that public money is wasted; there is general knowledge of extravagance by public authorities; it is understood that economy in the administration of public affairs is difficult to achieve. All that is tolerated because of the feeling that some matters are best handled by public authorities. To these handicaps there needs to be added a wider appreciation of the latter-day lack of decent moral standards. The loss of a few score of millions in South American States will be a cheap price to pay if from that glaring example we can get back to common honesty in our own public money matters.

There is an urgent need for a clear-cut division between those things which in all circumstances belong exclusively to the individual citizen and those other things, the ordering and arrangement of which the citizen has either permanently or temporarily placed in the hands of State. Unless that line is drawn so clearly that all can see and understand it, we may cease to have the stature of a British citizen and, like Germans or Russians to whom everything is forbidden unless specifically permitted, sink back into indifference, lethargy, and robotism. In the result, our moral and mental stature will shrink.

On the day we took up arms against Hitlerism and the doctrine of the worship of the State (September 3rd, 1939) Mr. Churchill addressed these words to the House of Commons and the nation:

"It is a war, viewed in its inherent quality, to establish, on impregnable rocks, the rights of the individual, and it is a war to establish and revive the stature of man. . . . In the last few days

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the House of Commons has been voting dozens of Bills which hand over to the executive our most dearly valued traditional liberties. We are sure that those liberties will be in hands which will not abuse them, which will use them for no class or party interests, which will cherish and guard them, and we look forward to the day, surely and confidently we look forward to the day, when our liberties and rights will be restored to us, and when we shall be able to share them with the peoples to whom such blessings are unknown."

It may be argued that that pledge was modified by the General Election of July 1945, but even those who still believe that the State is able to give us our food can hardly contend that the stature of man should not be "established and revived." As things are, the prevailing mood is one of frustration; everybody is conscious of being under some inhibiting and restraining influence. The workman is the raw material of the trade union boss and the whole of us are fodder for the bureaucracy—the Civil Service.

There is no difficulty in dividing the Civil Service from the rest. Since government departments and local authorities now employ millions, we are in two quite distinct classes, those who issue forms and those who have to fill them up. From the point of view of the stature of man these two classes present a vivid and striking contrast. The civil servant is the natural weakling, the unadventurous, the security seeker; unless he indulges in serious personal misbehaviour he is assured of his pay and his pension; he takes no chances and runs no risks. The form-fillers are the people who provide everything for themselves and for him. It is an obvious misuse of language to speak of stature when referring to the functionary who sorts out kitchen sinks from census

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papers or smudges stamps on passports; but the danger to the stature of the working citizen who must submit himself to the pleasure of these parasitical nonentities is an active and definite threat to the maintenance of the national character. The discussion of control, for which there is a good deal to be said upon both sides, tends to leave out of account the practical difficulty that, in the last analysis, it is the control of the strong by the weak, and the imminent risk that the strong will dwindle and diminish while the weak multiply. Mr. Churchill, with all his foresight, could hardly have believed it possible that a war to establish on impregnable rocks the rights of the individual could put the persons and the minds of the whole British race at the end of a queue waiting for the issue of a chit by a chit.

If we must have forms and controls, and even if they are, as some still argue, the means towards prosperity and plenty, we should not blind ourselves to the consequential effects upon that vital stature of which Great Britain was the source and origin.

If only we would begin again to think of our stature, as individuals, we might find ways out of some of our material difficulties, but would certainly revive those manly native spiritual qualities which have been so sadly neglected. There are many freedoms, unconnected with dollars or coal, the price of which is no more than the proverbial "eternal vigilance"—a British habit or quality that in recent years has been replaced by controlled subservience.

Let me confess at once that if all control were abolished in one day at a stroke there would be considerable confusion. Control has developed over a period of years in a gradual way, and must be removed by reasonable

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degrees. At the end of the war everybody's clothes were worn out, and if we had all rushed to the tailor immediately the position would have been very awkward. A period of time was required in which people could by degrees adjust themselves to the new situation.

We were in the same dilemma thirty years ago until a wealthy genius, Mr. Mallaby-Deeley (afterwards Sir Guy Mallaby-Deeley), applied his brains and his fortune to produce, almost like manna from heaven, fifty-shilling suits—to such effect that his name passed into the language, and when we talked of our clothes we referred to them as “Mallaby-Deeleys.”

There is, however, a side to this question of control not even mentioned, but to me of overriding importance. The price or quantity of some article of food, or the figure of a standard rent, is not merely a question of convenience. There is behind it a philosophical, moral, or, as I think, a spiritual issue, and it is that I propose to examine and discuss.

The German, as he has shown, loves control. Many of my pre-war German friends with whom I used to argue the matter made no bones about it, offered no apology, but with a stubbornness characteristic of their race defended control and discipline as moral virtues. They represented the German attitude, and I do not doubt they believed it as spiritually superior to ours. To the Nazi, freedom was a thing to be despised. The man who enjoyed it lost the spiritual joys of self-suppression, submission to higher purposes than his own, co-operation in greater and more sacred causes than he alone could serve. Today we are in a position to assess the practical results of that philosophy, leading as it did to a widespread fanaticism, persuading men by the

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thousand to make the supreme sacrifice for no better reason than that they were told to do so.

When, as must happen with such an attitude of mind, obedience becomes subservience, and when all sense of personal moral responsibility is purged right out of the individual conscience, that conscience ceases all resistance and dies. Shakespeare, through the mouth of Camillo in *A Winter's Tale* discussed this very same matter. Camillo was ordered to poison the King of Bohemia, and this is how he argued with himself:

But for me,
What case stand I in? I must be the poisoner
Of good Polizenes; and my ground to do't
Is the obedience to a master; one
Who in rebellion with himself, will have
All that are his so too. To do this deed,
Promotion follows.

The German stopped short at that point, whereas Camillo went on to the other side of the argument and saved his own soul.

It is no mere chance that has led English-speaking people for many centuries along the anti-Nazi or anti-State road. Thomas Campbell, among hundreds of our poets, has made that clear. I cherish the lines which he addressed to the men of England:

Remember, England gathers
Hence but fruitless wreaths of fame
If the freedom of your fathers
Glow not in your hearts the same.
We're the sons of sires that baffled
Crowned and mitred tyranny;
They defied the field and scaffold
For their birthrights—

So will we.

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Liberty is a moral conception, not a mere matter of pounds, shillings and pence or of the right to do as we like. The trouble is that in a state of liberty some people will do wrong. That only emphasises the value of liberty and its necessity; for if, in order to prevent some people doing wrong, all people are to be put in a position where they cannot do wrong, the moral damage to those who in no case would do wrong is simply incalculable.

If the assumption is that the majority from their nature would do wrong, then the outlook for humanity and for civilisation is indeed a poor one, and a scheme of government based on that assumption is in itself a condemnation of the nation and the race.

There is no morality in obedience when there is nothing else to do. It requires no moral courage to obey an act of Parliament; all that is needed is a spirit of subservience or cowardice. For an action to be moral, a man must be free—absolutely free—either to perform it or not to perform it. He must be “on his honour,” a phrase which was more common in the traditional days of freedom.

Here lies, I think, one of the great difficulties of the present time. State control, then known as D.O.R.A., was born nearly forty years ago, and at her birth she took charge of the whole body of freedom acquired by us through the struggles of nearly nine hundred years. No man or woman now living, and not less than fifty-five years of age, has consequently any personal recollection or experience of British freedom as it was before the First World War.

A boy who was seventeen in 1914 will not have picked up any lasting impression of freedom to trade. A girl of seventeen can hardly have been expected to notice

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that, in the company of her parents, she roamed about the world at her pleasure, unencumbered by anything in the nature of a passport. It comes, therefore, to this: in discussing control or no control only the old people amongst us are able to bring personal experience of both systems to help decide which may be best.

In these circumstances, is it any wonder that we have lost something of the spirit of liberty, that we have ceased to believe in its vitalising qualities? Most of our people may be excused for forgetting that when we were all of us free to render service—or do damage—as seemed good to each of us, our trade reached comparative heights which have never since been touched, and our unemployed never exceeded the figure of half a million—a figure which included all the unemployables.

Liberty is a strictly personal possession which each one of us can cherish and which brings out the best. Control is an external arrangement imposed upon us from outside, which sets up a natural reaction, invites even the best to find the means to evade it, and therefore tends to bring out the worst in all of us.

If the reader will be strictly honest with himself and examine his normal daily actions, inquire into his desires, analyse the forces that are at work in his breast, try to discover the motives by which he is actuated, then the question of the morals of State control will present itself quite clearly. Most people are in fact in a position something like this: they do not approach a matter of business behaviour or personal conduct with a sole regard to what their conscience tells them to be right. Their minds are so full of rules and regulations that right in the abstract has to give place to artificial regularity.

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If the reader will examine almost any action taken today, he will find himself concerned, not so much with right or wrong, not with what ought or ought not to be, but with some legal complication arising out of his association with the modern State. The businessman, who ought to be (and in normal circumstances would be) consulting his conscience or his God, will find himself consulting his solicitor as to ways of conforming to, or escaping from, all the complications of control.

Liberty breeds personal pride. Control develops the inferiority complex and the spirit of the underdog. Liberty is a lasting quality, cherished and preserved by the man or woman owning it. It is a quality on which credit, confidence, stability and a plan of life can be founded. State control, on the other hand, possesses none of these advantages. It is a temporary and changing affair, and must always be so, as it serves its purpose. As circumstances alter, so control must be amended, varied and rearranged.

One can be humanly certain of John Smith acting on his own view, knowing John Smith's personal character; but no certainty can attach to John Smith acting under orders which, from their nature, can have nothing of the character of permanency about them.

Liberty assumes the existence of men and women of quality, and the British character—which, always remember, is the supreme possession of the English race—is founded on that assumption. Liberty proceeds in the belief that the majority, being men and women of quality, will of their own volition do more good than bad. Bad will be done in any case by the bad, whether they are free or controlled. The State has to proceed

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upon the assumption that all are helpless, if not indeed inefficient. It proceeds upon the theory, and it can do no else, that the majority would do wrong if left uncontrolled.

Notice particularly the extent of the change since D.O.R.A. took charge of us—though here I recognise the difficulties of all except the elderly. It was then assumed that a Briton was innocent until he was proved guilty. Such an assumption was the basis of our life, the foundation of our laws; it applied to everything and everybody.

This assumption still remains in matters of crime. The murderer, the burglar, the forger—all retain the advantage of the pride of British justice. Murderers, burglars and forgers, as we know, sometimes go free because the police have been unable to produce some final detail of evidence without which a shadow of technical doubt remains. But apart from crime the principle has almost disappeared in this land of freedom. Today, everyone of us is guilty and liable to penalties unless we have filled up enough forms to be technically innocent; and the “technically innocent” is often a very nasty piece of work.

One last point on this moral question. To discuss morals and spiritual values in connection with the individual is comparatively easy. In the perfect world, the State as an institution should be able to stand similar tests. What is moral for the citizen ought also to be moral for the State. This, however, is asking too much; it overlooks the one great disability of any State or any supreme human authority, which is, and must be, the final judge of its own actions. The fact is, the State lacks the moral elements inherent in the individual.

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We are going beyond the limitations of human perfection, so far attained, if we think that sovereign power can be trusted to keep its word, or to stand by a bargain, in the way that the individual has to do, even when the bargain turns out to be disappointing.

In the speech previously mentioned, Mr. Churchill said on September 3rd, 1939:

“Perhaps it might seem a paradox that a war undertaken in the name of liberty and right should require, as a necessary part of its processes, the surrender for the time being of so many of the dearly valued liberties and rights.

“Parliament stands custodian of these surrendered liberties and its most sacred duty will be to restore them in their fullness when victory has crowned our exertions and our perseverance.”

CHAPTER XII

PROFITS AND LOSSES

THE world of private enterprise was full of ideas that have no place in the schemes of the State. Some of these remain, though much modified by the rigidity of a planned existence, but most of them will return when the vitalising qualities of freedom are again understood. The failure of the State to come up to its promise or specification may, indeed should, produce a revulsion for official ways quite as sincere, deep and powerful as the discontent with the private enterprise of the past, which has caused half a century to be wasted in the fruitless search for a substitute.

“Time is the essence of the contract” was one of these overriding ideas governing man’s dealing with man until the State came into the market, first as a regulator and later as a dealer. The idea itself has now almost disappeared, and the present day contract, even between individuals, has to be loaded with reservations and conditions such as would not have been tolerated when man was free to deal with man. If a Frenchman contracted to deliver in Manchester on March 1st, and if for any reason whatever the goods did not arrive to time, he knew from the start that they might be refused and that he might have to dispose of them as best he could and shoulder the resultant loss. The builder of my Bouverie House in Fleet Street was under a penalty—I think, £1,000 a week—for any delay beyond the

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contract date. The rules of freedom were hard, but they gave a knowledge and confidence which have long since been forgotten.

Or take another common phrase: "We are, Sirs, your obedient servants," and try to imagine the Argentine Government addressing the Ministry of Food in the terms upon which perhaps the most successful business in all history was founded, and run with success for more than a century. We still "hope for your esteemed commands," but we don't put it quite that way. Instead we have to say, "if the licence can be secured, if the shipping is available, if the currency can be obtained, if the rate of exchange is not altered, if there are no strikes" then, subject to a number of ifs at the other end, "we hope to be able etc." Such is the present position. The simpler, older ways caused hardship, much of which has been emphasised by the politicians, but some of which is seldom mentioned. A large part of the business of the world was transacted at a loss and we relied upon the profits on the rest to take care of the losses. Every tradesman kept what was called a profit and loss account, and the determination of the State to secure the profits, has merely resulted in making the losses far bigger than the gains. But the State losses, instead of submitting to the healthy purge of the bankruptcy court are merely added to the National Debt, unless they can be covered by higher charges.

When we relied entirely upon private enterprise we were on top of the world, our standard of living, with all its faults, was better than anywhere, at any time. We lacked the wonders of modern science and mechanisation, but we had our character, a quality completely outside the range of the dead hand of the State. This

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character, the product of 900 years of striving after liberty, was in fact a very valuable invisible export, for the whole world brought some of its trade to us, because we—not the State but the individual Britons—could be relied upon to fulfil our obligations.

With modern total war it was necessary for the State to take over much of our trade, and Gambian eggs, ground-nuts, South African snoek, and Russian crab were just samples of the way it was all done. And done by improvised methods by people with no experience, for although some of these people were businessmen, striving to serve the country, they could not have experience of trading methods which excluded all established trading principles.

The traders in money—the bankers—were the servants of all other traders, and enabled trade, in battleships or boots, to be carried on over the world with a single eye to the need for these things, and with hardly a thought about the exchange of money. The bankers of, say, France, sold francs needed by some importer in England and before the day closed would sell the sterling receipts to, say, an Argentine who needed to pay for purchases in Britain. Justice has yet to be done to the civilising work of the bankers before the State took control of the business. The thought of a working woman with a shilling who, of her own unfettered volition, could pay for marmalade from Dundee, matches from Sweden, or mutton from Australia, sounds commonplace, but is the final proof of the potentialities of freedom in the money trade.

Some evil genius invented the term profit motive and started the notion that private enterprise is a scramble for profit to the exclusion of all the other

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considerations that govern trade. Here is one of those half-truths which are much more dangerous than the direct lie, and it is pathetic that a great many people engaged in business are themselves unaware that the profit they seek is no more than a measure or gauge by which to know whether all their efforts to make, import, export, sell and generally carry on, are good or bad.

In the pre-political days the price of a kettle, a tobacco pipe, a bar of soap, a seat at a theatre, or what you will, was, say, a shilling. That shilling, voluntarily paid by the buyer, overrode every other consideration in the mind of the man who set out to provide one of these things; it would come to him at the end of all his endeavour and was the limit of his prospects. If he bought and managed and made so well that his expenses in total were less than the shilling the balance was his profit, if more he made a loss. There was, and still is, no escape from those hard alternatives in private enterprise; but it is a libel to suggest that the measure or gauge is the only, or the chief, motive in the mind of the man who desires to be self-supporting and sets out upon a business career. The spirits of the potter Wedgwood, the furnisher Chippendale, the inventors Arkwright or Stephenson and countless thousands of others cry out in indignant protest against the suggestion. Some writers and artists have made enormous profits from the urge to write, to paint or to perform; H. G. Wells and Bernard Shaw made great fortunes by denouncing profits!

Henry Ford became the richest man in the world by putting millions of us into motor cars. No one who had the privilege, as I had, of knowing that very simple, attractive and purposeful man would dare to suggest that he was moved by the profit motive. The first Lord

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Leverhulme lowered the price of the shilling bar of soap and—much more important—increased the supply by twenty-fold; he may be said to have put cleanliness a good deal nearer to godliness and it is ludicrous to imagine that he cared very much about the profits which a grateful public showered upon him. When the final story is told, William Lever may be found to have added more to life and health than all the State medical officers put together. None of these “profiteers” ever had a shilling which was not paid freely by others, who were always at liberty to spend their money some other way.

We really must bring this profit question on to a higher intellectual level. We are still, for instance, concerned with the notion that the fool and his money are easily parted, but it is not worthy of us, dealing as we are with the economic welfare of the whole world, to apply the exaggerated machinery of bureaucratic government to the doubtful purpose of saving the face of the fool. I am old-fashioned enough to think that parting with his money is often good for the fool. There are and must always be plenty of profiteers, using the word in the objectionable sense desired by the politician. Starting with the bully at school who secures a gramophone record as a swap for a few worthless stamps, we shall always have the profiteers amongst us. Some of them serve a useful purpose in opening up markets that would otherwise never be discovered. But it is unjust, stupid and wickedly dangerous to regard the profiteer as typical, or to insist, through legislation, on forcing upon the rest of us restrictions designed to eliminate him. These restrictions seldom achieve their purpose. Complicated rules and regulations give new openings to real profiteers

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and tend to increase their numbers. One might just as well discuss the advantages and disadvantages of marriage, using only evidence and arguments collected from the Divorce Court, as attempt to discuss economic systems using only evidence secured from the doings of a small class that can never be eliminated, and whose operations, however objectionable, can never amount to more than a trifling fraction of the economic operations of society as a whole.

Suppose it were possible for the advocates of capitalism to attack the world of labour in the way in which the agitating politicians who have secured the ear of labour deal with the employing, directing and managing classes. At the present moment there are thousands of misguided working men drawing double money to work on Sundays, and taking as a regular holiday week-days when only normal money is to be earned. There are others deliberately holding the nation to ransom, and securing far more than their labour is worth, because in our dire need we must have their assistance. It would, however, be the grossest of libels, the most obvious of lies, to suggest for a moment that these people are typical of the British working man.

Quite apart from the consideration of how profits arise, whether there is really a profit motive, whether they constitute an addition to price, or even whether they are moral or immoral, there remains the other big side of the question—the uses to which profits are put, the things which they do, and the problem of whether these things could be done without the existence of profits.

One of the many functions of profit is the payment of losses. It is evident that there must be losses as well

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as profits. Nobody suggests that when the buyer pays 1s. for an article, that 1s. can always have been made to provide the exact costs of the article, no more or less. If it provides more, there is profit, if it provides less, there is a loss. If, therefore, profits were abolished, some other plan would have to be devised by which the losses could be paid for. A very large proportion of these losses are incurred by the State; not only the losses which the State always makes when it enters into the realm of trade and industry, but such losses as are inevitable in the maintenance of criminals and prisoners, the provision for the insane, and so on. However regarded, these matters are losses—economic charges which produce no corresponding economic credits.

Losses loom much larger than is commonly supposed, the difficulty being that the profit-maker or the profit-owner is always a minority, and he alone it is who really faces up to this problem of loss and has any personal experience of the dangers and, I may add, the benefits of losses. If I may instance my own experience, I am reputed to be a person of some means and to have had the good fortune to make my full share of those profits to which so much exception is taken. I am personally wholly unconscious of possessing the profit motive as expounded by most of the new-world mongers. My interest has, unless I grossly deceive myself, always centred on the job, the work, the excitement of the experiment, the satisfaction of accomplishment. I have, as it happens, lost a great deal of money, and, oddly enough, some of the loss has been associated with efforts to which I have attached the greatest importance. I recognise the right of the public to settle for itself whether or not it desires a particular amenity or service,

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a decision which it takes not by popular vote, not by the method of any rule, regulation or law, but through the individual working of thousands of individual minds, each of which settles for itself whether or not it is worth while to accept the service or article offered at the price asked.

One of my losses, a fairly heavy one, will remain with me a source of great pride. After the 1914-18 war, I established a weekly journal in Vienna called *The European Commercial*, which, in my judgment, had within it enormous possibilities for good in promoting the trade of Europe and the world. It was a ghastly financial failure, and the loss came out of the profits which I happened to have made in other directions. Exactly the same story may be told of another failure of which I am very proud indeed, the publication of a weekly journal in London, *The Independent*. Week by week for eighteen months I strove to save society from the ravages of politics, but the politicians were in fashion, they controlled the market, and I had to shoulder my losses.

In the department of book publishing scores of instances of losses are available. In all the thousands of books which have borne my imprint there is one which I believe contained the seeds of economic salvation. It was a stodgy book, it could make no claim to literary merit or artistic value, and was called *Is Trade Unionism Sound?* It seemed to me in my judgment as a publisher to touch on a question of such wide public interest and such vital value as to demand serious public attention. But again the buyer decided otherwise. The book was a complete commercial failure.

There is perhaps no business better able to provide illustration and argument in this matter of profit and loss than the publisher's business. My profits have not

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been made by experts, but by the unfettered choice and judgment of the individuals who constitute the public. In my long list the most spectacular success was *The Letters of Gertrude Bell*, out of which a great deal of money was made, but the manuscript was rejected by my readers, by all those who were thought to be judges of the market, and the book only got into print because of my close personal friendship with the father of Gertrude Bell. Only 2,000 copies of the first edition were printed, and my business experts grumbled that I, as head of the firm, should put upon it what, in their judgment was, an obvious loss. My own *Confessions of a Capitalist* is another case of the same kind. Half-a-dozen publishers declined altogether to have anything to do with it. No publisher's reader that I know considered that 1,000 copies could possibly be sold. In the event, a quarter of a million copies have been bought and the book has been put into eight different languages.

A still more difficult set of problems comes to mind when one considers that nearly all capital is provided out of profits. They are the main source from which capital can be secured. Capital is accumulated wealth, the product of work done, saved up and put aside for the purpose of providing the basis on which new enterprise can be founded. If profits are to be abolished some new source must be found to provide capital, and those are not wanting who argue that that source can be found in the public credit. They have, however, to meet the practical difficulty that there is no such thing as public credit; there is only public debt.

In the same category, profits are the only source from which to replace all the wear and tear and wastage associated with all human endeavour. Among the many

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troubles now germinating for the future is that which will arise if we continue with the taxation and confiscation of profits, calculated as the tax-gatherers now calculate them, without adequate reference to the costs of wear and tear and wastage or the need for adequate reserves.

The basis of security which profit gives to any society should also be considered. If, for instance, the whole of society were dependent upon salaries and wages paid by the State, there would be little, if any, basis for security. There would be nothing to fall back upon, no reserves, and the risk of the collapse of the whole would always be hanging over such a society. No such risk on such a scale can exist so long as we continue with the profit system.

One other of the main functions of profit may be mentioned. It is the only way to provide for speculation with new ideas. It is absurd to suppose that the public really knows in advance what it wants, and that by State or collective action working through research that want can be supplied. This theory entirely overlooks the truth expressed in the title of the law of supply and demand, which is something very different from the shallow notion of demand and supply. The public judges an article after it is put upon the market. The public has never demanded in advance of supply all the multifarious amenities which it now enjoys. Voltaire put the truth in its simplest terms when he suggested that the first man to wear a shirt was burnt at the stake as a sorcerer. To come to modern times, it will be within the recollection of some of my readers that an endeavour was made to popularise two ideas at the same time, the one roller-skating and the other the moving pictures.

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Capital and labour plumped for roller-skating. Palaces for the practice of the sport were erected by the hundred, and the moving picture was neglected. Stock Exchange flotations for roller-skating enterprises developed into a minor boom at the time when the Palace Theatre was the only concern to be found willing to experiment with the moving picture. The experience here was exactly my experience in the publishing trade. The good and the inferior were both supplied; the inferior had all the experts to recommend it, but the public judgment—not the first judgment—working gradually through the sense and intelligence of the individual, has left roller-skating on the scrap-heap and has brought the moving picture to its present state of perfection.

Where would the internal combustion engine and aviation be today had it not been for the profit system? The Codys, the Wrights and the Rolls were all regarded as cranks; some of them lost their lives pursuing their own “cranky” ideas. But one of the greatest of profit owners in our time, the late Lord Wakefield, took another view, and spent a large proportion of his fortune, a fortune made entirely out of economy in oil, to pay the expenses of the Malcolm Campbells and the Amy Johnsons, to whom belongs the credit for the present state of development in these matters.

Here again it is contrary to fact to say that the State or the Ministry of Aircraft Production could or would have done the same thing. When Bleriot first crossed the Straits of Dover, no politician would have had the courage to suggest the allocation of public money to be spent on what everybody regarded as a game. The notion that pigs might fly was the commonest of conversational illustrations of the wholly impossible.

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There remains, and will of course always remain, the age-old antipathy of the have-nots for the haves, the most natural of all human weaknesses. It will, I imagine, continue, however wealthy the have-nots may become, provided that the haves manage somehow or other to secure a little more than is available to the have-nots. The poor of a couple of generations ago would laugh at much that is thought today to be poverty, but that is all part of the story of progress. We must not blind ourselves entirely to the fact that the haves cannot from the nature of things use more than a small proportion of what they have for their own exclusive personal benefit. There are always certain inequalities which irritate, and which counted for a good deal in public affairs in the times of Jack Cade and Wat Tyler, but which really ought not to count as heavily as they do in days when we are spending such vast sums upon education. It is obvious that it would be easy to destroy champagne and leave the muskrat and the mink to devastate the countryside wherever they happen to breed, and it is also obvious that as things are today it would be impossible to provide everyone of the millions of us with champagne or with mink coats. You can destroy wealth and get a measure of equality in poverty, but no progress is to be made that way. We can only go on hoping for the day when popular education, which after all is barely half a century old, will be of the quality which will produce the power to think.

The necessities of today are the luxuries of yesterday. If the have-nots of yesterday had possessed the political power and the lack of sense of the have-nots of today our poor would still be without many things now recognised as necessities.

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The profit and loss system is essentially the consumer's system. Human experience so far has failed to produce any other plan under which the consumer has complete freedom of choice and can command or reject at his sole whim or pleasure. We are all consumers, and if we accept the theory of the greatest good of the greatest number, any economic system controlled by consumers must give us all the benefit of its operations. Some consumers have advantages over others, as in Russia, where the use of the motor car is the exclusive privilege of the official, for the simple reason that there are not enough motor cars to go all round and some process of selection is necessary. There must be inequalities in our country unless we can visualise a state of affairs in which there are 50,000,000 portions of caviare and of everything else. The remedy for such inequality is to be found in two ways, either to increase the production of caviare or to abolish it altogether and thus deprive the Russian fishermen of employment.

There is a widespread feeling that by planning, by organisation, by laws or by more committees, things could be so arranged as to eliminate the profit and provide that the ample supplies of nature could be freely and equally at the service of all. The experience gained in the course of a war is no criterion as to what might be done in peace, but our war experiences should be helpful towards an understanding of this very common problem. We all know how the consumer has to be relegated to a subsidiary position; how the planning of supplies and the pooling of resources destroy quality, obliterate choice, increase cost and diminish quantities.

There is the admitted objection that the profit and loss system maintains a constant pressure on the producers

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to produce as much as possible at the least possible expenditure of time and effort. It makes the producer the slave of the consumer. There are those who visualise a system under which we shall all work when and as it suits us, as we shall ourselves direct, in a self-governing democracy, and yet at the same time that we shall enjoy a full consumer life, having each of us prescriptive rights to our share of the general wealth. That proposition will not stand examination. If indeed it were a practical proposal it would offer a life with no attractions to "man who is man." We cannot have it both ways, and it is good to be clear and definite on the point and remove from our minds unworthy thoughts of a life that is unobtainable and, even if obtainable, would not be worth living. The truth is that, as producers, we must be slaves to our consumer selves, or as consumers we must be slaves to our producer selves. There must be slavery, obligation, necessity, call it what you will, in any honourable and workable scheme of life. We must stand in the market-place to be hired as producers, or must line up in the queue to be rationed as consumers. In the first arrangement there will always be more and more (not of course all that everybody wants) for general consumption, while in the second scheme there will be a steadily decreasing supply of everything, until in the end there is nothing to share but poverty.

It will be evident from the foregoing that the economic system through which civilisation has been developed is essentially a democratic system. It evolved a practical universal suffrage, in theory at least, long before any politician thought of universal votes. Under it the command is vested in every individual. The profit and loss system makes for responsibility in the individual;

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any other system reduces the individual to a state in which no sense of responsibility is required or expected. Under the spur of profit and the threat of loss, millions of men and women do accept a very real and personal responsibility for the maintenance of economy, expedition and efficiency out of which an ever higher standard for all is provided. Without profit and loss, the quality and genius of all these people is put out of use, no others are invited to cultivate any sort of personal responsibility and the general standard of life is of necessity lowered.

CHAPTER XIII

"A NECESSARY EVIL"*

Most of our thoughts on the subject of government are concerned with party politics, yesterday's Coal Bill or next month's dabbling with the transport problem, and more attention needs to be given to the more general abstract question of government itself. We have in this generation got into a new way of looking at and thinking of government—a way unknown to past generations and one which future generations will see to be false and wrong and dangerous. Our habit is to think of government as something that is good, that is great, that is desirable, whereas we ought to think of government as, at its best, a necessary evil.

If, however, we now try to imagine what the great popular mind is thinking about government as an object, a purpose, or an institution, we see how far we are removed from Paine's definition. Take the word—test and listen to people when they use it. They will modulate their voices, regulate their tone, limit their breath, in that respectful sort of way that we do when we refer, say, to Holy Scripture. When wisdom is more general that habit will alter, and we shall use the voice or the method of speech that we employ when speaking of something like influenza or chicken-pox. As liberty and

* First published in *This Soft Age* in 1933 and reproduced without any alteration of date or detail. Such for instance as the reference to Mussolini.

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prosperity shrink under the growth of modern government, the word will gradually change its significance and we shall employ the tone of voice appropriate to things which we despise. There are fashions in words and methods of expression as well as in clothes, and the fashion of the future will require us to laugh or sneer when we use the word “authority.”

Government is associated with authority, and there is nothing more curious or disconcerting than the way in which a liberty-loving people has come to talk about authority. If we care to examine the next job we have to do, to think out carefully at how many points it rubs up against what is called authority, we cannot fail to be surprised at the extent to which this government business has been developed. Needless to say, authority does not mean authority; the word refers to some clerk in a public office who requires a fee or a form, or both.

If we approach the matter by trying to summarise what has happened, not in the last few weeks, but in the last half-century, we find that two very big things have taken place in this country. Half a century is a mere moment in comparison to the size and importance of the general subject of government, and yet the public mind finds it hard to think even in years, and would appear to be incapable of considering such a stretch of time as a decade. In fifty years we have produced forty million people who can read and write. That is something quite new in the history of the world, forty million people who have all learnt a little: and, as we know, a little learning is a dangerous thing. Every right-minded thinker is a believer in popular education and in the progress that will eventually come

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that way, but we are losing our heads and giving too much credit to the possibilities of fifty years of education if we really contend that it can produce universal wisdom on so delicate and complicated a matter as government.

When we consider the mass of little learning we have rushed into being, the marvel is that it has not done much more damage than has, in fact, been accomplished. It is a great joy to a real believer in democracy to think that we have given education to forty millions and votes to thirty millions, and yet survived all the dangers inherent in that great experiment and done in the meantime so little damage. But it is quite another thing to say that because they can read and write and exercise the vote and have an equal share of responsibility for this country and Empire, therefore everything that thirty million people do must be right, proper, and good.

When government is imposed upon us by some despot, some tyranny, some autocracy, the natural reaction towards that government is to think that it is bad. On the other hand, when we govern ourselves we jump to the conclusion, natural but wholly unjustified, that that government is good. Such a conclusion leaves out of account the nature, possibilities, and purpose of government. It is more consideration of those abstract matters which is now necessary.

Our present position is novel and therefore perilous. Thirty million people, having suddenly acquired a new toy, the game of government, are very naturally anxious to see how much governing they can do. It is something like a schoolboy with a new watch, and the attentions of these people to the new toy of

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government cannot be expected to be much better for the purposes of good government than are the attentions of a boy to the works of a new watch for reliable time-keeping.

In the result we govern for governing's sake, it is the fashionable game, and theory, principles, causes, effects all fail to interest us, so intense is our excitement at the score.

Most legislation ignores the fact that you cannot make honesty by filling up forms, or that no machinery can give any guarantee against the deliberate wrong-doer. It is comparatively easy to catch a thief after the theft, but to try to catch him beforehand, by putting all the honest people under suspicion, actually promotes dishonesty. Five thousand Acts of Parliament have been passed in the last half-century, each saying to the inhabitants of this country in innumerable clauses "Thou shalt not." No Act of Parliament, no ordinance of government, can ever do anything but say "Thou shalt not." All the way from Moses to Ramsay MacDonald no law has been able to do anything else. "Thou shalt not" has been said to us five thousand times in the last fifty years in a hundred and fifty thousand clauses. This is the major explanation of such unemployment and other economic troubles as we possess today.

A fashionable form of Act of Parliament says "Thou shalt not" to millions of us in order that a few hundreds of us may continue to function in some unsatisfactory way. For instance, thou shalt not run a motor omnibus because the railways are burdened with labour conditions and stupid legislation which makes them unable to stand your competition. Thus we delay the inevitable bankruptcy of one group by driving other groups out

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of work; that is the great protectionist fallacy. We discourage the distressed group from the effort necessary to save themselves, and we forbid the rest to promote the competition which would in the natural way generate that energy.

This sort of thing is the despair of the believers in democracy, a principle for which the English may be said to have the whole responsibility. In ten long centuries we have slowly developed the perfect democracy, and have spread power equally, and now, if we cannot develop sufficient wisdom to use that power aright (which means wisdom to know how seldom to use it), we are in danger of losing the democratic principle, for it is not unnaturally attacked from all sides. It is not only Mussolini or the Russians who are challenging the democratic principle. It is challenged by such a book as Lord Hewart's *The New Despotism*, showing how we are using the democratic machine not only to take powers which ought to be left in abeyance but to pass power wrested from one tyrant over to another, worse by far than any we have overcome in history. No tyranny has ever been so oppressive or so efficient as the bureaucratic government with which democracy seems determined to defeat itself. In the result people are beginning to wonder whether good government by some Mussolini, even if it denied the principle of liberty, is not to be preferred to the complete absence of any actual liberty under self-government by the nominally free.

When, as at present, so many of these free people have some sectional vested interest in limiting the freedom of the rest, it is time that we should begin to realise where we are. In the meantime, the business of

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government and politics has reached the lowest ebb in history. It is perhaps natural when you make the experiment of putting it into thirty million hands. The very highest form of human endeavour—the practice of the art of government—has sunk to the level of the management of the popular Press.

Although everybody uses the word, very few take the trouble to think out what they mean by "government." To most people the term applied to a modern democracy conveys the idea of the considered opinion of a free and self-governing people administered by an executive composed of civil servants. In practice, however, ninety-nine hundredths of modern government is something very different. The Race-course Betting Act of 1928 lays down the rules for the conduct of betting on "approved" race-courses, and while the tenor of the Act no doubt expresses the majority opinion of a free people, the government part of the business is mostly contained in the little word we have placed in inverted commas.

In the twentieth century, the lovers of liberty for liberty's sake are much less numerous than they were in the nineteenth, but they will not require much persuasion to convince them of the dangers of this business of approval. Almost every modern Act of Parliament embodies this bureaucratic approval device.

To begin at the beginning, if a thing is to be "approved" somebody must "approve" it. All sorts of things, like the raising of a hat to a lady or the use of horse-radish sauce with beef are approved, but those things are not the subject of Acts of Parliament. When a word goes on to the Statute Book hundreds of

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thousands of public officials, thousands of judges and magistrates, innumerable lawyers and accountants are in duty bound to give it their close attention, and forty millions of us are robbed of some degree of liberty and discretion.

So that to be approved there must be the machinery of approval, somebody must be appointed to work the machine, and forms and rules must be invented to make the approval a real and effective thing. An extra duty is thus put upon a government department and a course embarked upon which must lead to complication, expenditure, and eventual extravagance. The duty, however simple, will have to be performed in accordance with the rules and precedents which govern all departmental duties. What is called red tape must be applied, there is nothing else to be done, and criticism is not only useless but positively wrong. Sooner or later Geneva will set up a department to co-ordinate the methods to be applied to the approval of betting on race-courses and no serious student of the machinery of government can object, if it is admitted that the "approval" idea is sound and proper. The introduction, therefore, of this harmless little word in an Act of the Mother of Parliaments puts an added expense on to the taxpayers of every country in the world.

When the matter is examined from the side of the race-course owners the difficulties multiply. The approving authority will discover a number of possibilities in connection with its functions which were absent from the minds of the members of Parliament who so carelessly allowed the simple little word to appear in the Act. The local authority, probably acting in conjunction with some national authority, will take the approving

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business very seriously and assume that Parliament intended to give it general authority over race-courses. There will follow a number of conditions on which approval will depend, and these conditions will multiply as the appetite for interference grows. These conditions will also involve the appointment of appropriate staffs to ensure their due observance, and male and female inspectors will proceed to pay periodical visits to the race-course to inspect exits and entrances, lavatories, construction of buildings, and a number of other things, none of which has any connection with betting.

Betting is a useful illustration for our purpose, because few will find themselves able to develop much indignation over any inconvenience caused to persons who care to indulge a weakness that most people regard as an evil. None of the passionate sense of hardship aroused by the harassing of manufacturers and shopkeepers will be developed in the breast of the ordinary reader on behalf of the backers of horses. Anti-gambling enthusiasts will even rejoice if a competent and active bureaucracy invent new and unsuspected ways of making it difficult for race-course owners to carry on their business. When, however, we remember that these feelings of the anti-gamblers with regard to betting are duplicated in the breast of every Socialist with regard to any sort of business, the problem widens in interest and importance. We begin to see a reason for the absence of confidence and the decline of trade, much more important than is commonly suspected.

The illustration we have chosen, the use of the single word "approved," is the simplest form of this latter-day device for increasing the powers of the bureaucracy

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and extending the machinery and the expense of government. Perhaps the worst example is the Rating and Valuation Act, 1925, which empowers the Minister to "do anything" which he may think expedient for the purpose named, but also in terms empowers him, if he thinks it expedient, to make orders which "may modify the provisions" of the Act of Parliament itself.

The nineteenth-century businessman could develop confidence in a situation created by an Act of Parliament and fortified by legal decisions which left no doubt as to its meaning. No confidence can, however, attach to a position governed by so nebulous a word as "approved" or where a Minister is empowered to "do anything." Confidence, it should be remembered, is not merely an indefinable psychological condition, but in business matters a very real thing. A very small proportion of the business on which we all rely is dependent upon the conditions of yesterday, today, or tomorrow; the bulk of business is concerned with the happenings of five, ten, and twenty years hence. The opening of the smallest sweet shop in the smallest suburb is not accomplished without expense that must be calculated over years ahead, and the expenses of a commercial traveller are not incurred upon the prospect of the business of the moment, but are seldom justified except in expectation of more business for years to come. Confidence therefore implies a condition in which business people are able to feel that plans made today will be good for a reasonable period of time ahead.

But twentieth-century legislation has almost entirely removed those conditions. No one can say that any

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scheme or plan will satisfy the bureaucracy of a few months or years ahead. The Rating Act mentioned above is a fair sample of a score of Acts affecting any particular class of business. The most careful business calculations are liable to be upset at the whim of a government department which is empowered "to do anything," but when two or three departments divide the jurisdiction of a trade the possibility of "confidence" completely disappears. The local authority will approve a building under the Building Acts, and the Home Office will disapprove for reasons connected with the Factory Acts, the Board of Trade will introduce a third point of view and the county council yet another. But such a statement is far too simple. The local authority, for instance, will approve plans for a building as plans, and then decline to pass the building when completed in accordance with the plans. Bureaucratic efficiency draws a careful distinction between plans and buildings.

When it is remembered that the feelings of the authorities as a whole towards an ordinary business proposition are often very similar to the feelings of the anti-gambling enthusiast towards a race-course, a clearer conception of the causes of the absence of confidence is obtained. Business today must be carried on in face of a Parliament permeated with Socialism, working through a bureaucracy still more affected with Socialistic ideas. The combination regards with equanimity the multiplication of technical difficulties for a business class which they regard as passing.

And yet we go on talking of government as if it were a synonym for goodness, and day by day do more and more governing. Nothing is more badly needed than a

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modern Plato to lift our minds above all the current detail and teach us to think of government in the abstract as a worthy subject for citizens of a great Empire. Then and only then will we be able to discuss with intelligence the still greater subject of liberty.

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READING the proofs of this last effort I am very conscious of its inadequacy. The thing which I attack, and which for want of a better word I call the State, has been created and developed within a mere matter of half my own little lifetime. It now absorbs the greater part of all our resources, affects most of our actions, and warps our minds. To discuss it in a hundred pages is impossible and I can claim to have done no more than to mention the nature of the problem.

* * *

To reprint, as I have done, my own views of twenty years ago, and those of Herbert Spencer of nearly seventy years ago, is to invite the easy retort, that this old story has been told too often. The likes of me, it will be said, called attention to the dire consequences of a six-penny income tax; have always protested against "progress," and yet we survive.

* * *

What I have to say can be used to justify complete and utter pessimism and despair, or, and this is my hope, may serve to regenerate and revive simple natural thoughts and ways, which did provide us with a

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personal pride and satisfaction unknown to and unobtainable by creatures who are planned.

* * *

When the Kaiser first started to rattle his sabre common people were all engaged in the philosophic discussion of Might and Right, and most of them took the view that Might was generally and necessarily wrong. The common people of today are not less qualified than were their grandfathers to discuss philosophy; they are merely too busy with the personal problems of a regulated existence. So it has come about that the Might of the State, of which the Kaiser's sabre was a mere symbol, is no longer thought of as necessarily wrong, but widely regarded as positively good.

* * *

The Might of the State is now employed to collect £12,000,000 every day and to spend it, for example, in the payment of the salaries of thousands of psychiatrists, a calling or profession which could not obtain a penny in the pound of its present receipts if its nostrums had to be offered to willing buyers in a free market.

* * *

This little book should not be regarded as a cry of despair but rather as a *cri de cœur*. We are governed by public opinion, and no true democrat would have it otherwise, but public opinion is altering rapidly. Lloyd-George's Ninepence for Fourpence was thought to be

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a good idea, so long as it was somebody else's Ninepence. The fraudulent nature of that political trick, the very beginning of the modern State, is now apparent even to those who have enjoyed its passing delights.

* * *

God give us men! A time like this demands
Strong minds, great hearts, true faith, and ready hands.

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Excerpts from

"THE COMING SLAVERY"

BY HERBERT SPENCER

THE blank form of a question daily asked is: "We have already done this; why should we not do that?" And the regard for precedent suggested by it is ever pushing on regulative legislation. Having had brought within their sphere of operation more and more numerous businesses, the Acts restricting hours of employment and dictating the treatment of workers are now to be made applicable to shops.

From inspecting lodging-houses to limit the number of occupants and enforce sanitary conditions, we have passed to inspecting all houses below a certain rent in which there are members of more than one family, and are now passing to a kindred inspection of all small houses. The buying and working of telegraphs by the State is made a reason for urging that the State should buy and work the railways. Supplying children with food for their minds by public agency is being followed in some cases by supplying food for their bodies; and after the practice has been made gradually more general we may anticipate that the supply, now proposed to be made *gratis* in the one case, will eventually be proposed to be made *gratis* in the other: the argument that good bodies as well as good minds are needful to make

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good citizens being logically urged as a reason for the extension.

And then, avowedly proceeding on the precedents furnished by the church, the school, and the reading-room, all publicly provided, it is contended that "pleasure, in the sense it is now generally admitted, needs legislating for and organising at least as much as work."

• • •

Not precedent only prompts this spread, but also the necessity which arises for supplementing ineffective measures, and for dealing with the artificial evils continually caused. Failure does not destroy faith in the agencies employed, but merely suggests more stringent use of such agencies or wider ramifications of them.

Laws to check intemperance, beginning in early times and coming down to our own times, when further restraints on the sale of intoxicating liquors occupy nights every session, not having done what was expected, there come demands for more thoroughgoing laws, locally preventing the sale altogether; and here, as in America, these will doubtless be followed by demands that prevention shall be made universal.

The extension of this policy, causing extension of corresponding ideas, fosters everywhere the tacit assumption that Government should step in whenever anything is not going right. "Surely you would not have this misery continue!" exclaims someone, if you hint a demurrer to much that is now being said and done. Observe what is implied by this exclamation. It takes for granted, first, that all suffering ought to be prevented, which is not true: much suffering is curative, and prevention of it is prevention of a remedy. In the second place, it takes for granted that every evil can be removed:

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the truth being that, with the existing defects of human nature, many evils can only be thrust out of one place or form into another place or form—often being increased by the change. The exclamation also implies the unhesitating belief, here especially concerning us, that evils of all kinds should be dealt with by the State.

There does not occur the inquiry whether there are at work other agencies capable of dealing with evils, and whether the evils in question may not be among those which are best dealt with by these other agencies. And obviously, the more numerous governmental interventions become, the more confirmed does this habit of thought grow, and the more loud and perpetual the demands for intervention.

• • •

Every extension of the regulative policy involves an addition to the regulative agents—a further growth of officialism and an increasing power of the organisation formed of officials. Take a pair of scales with many shot in the one and a few in the other. Lift shot after shot out of the loaded scale and put it into the unloaded scale. Presently you will produce a balance; and if you go on, the position of the scales will be reversed. Suppose the beam to be unequally divided, and let the lightly loaded scale be at the end of a very long arm; then the transfer of each shot, producing a much greater effect, will far sooner bring about a change of position.

I use the figure to illustrate what results from transferring one individual after another from the regulated mass of the community to the regulating structures. The transfer weakens the one and strengthens the other in a far greater degree than is implied by the relative change of numbers. A comparatively small

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body of officials, coherent, having common interests, and acting under central authority, has an immense advantage over an incoherent public which has no settled policy, and can be brought to act unitedly only under strong provocation. Hence an organisation of officials, once passing a certain stage of growth, becomes less and less resistible; as we see in the bureaucracies of the Continent.

Not only does the power of resistance of the regulated part decrease in a geometrical ratio as the regulating part increases, but the private interests of many in the regulated part itself make the change of ratio still more rapid. In every circle conversations show that now, when the passing of competitive examinations renders them eligible for the public service, youths are being educated in such ways that they may pass them and get employment under government.

One consequence is that men who might otherwise reprobate some further growth of officialism, are led to look on it with tolerance, if not favourably, as offering possible careers for those dependent on them and those related to them. Anyone who remembers the numbers of upper-class and middle-class families anxious to place their children, will see that no small encouragement to the spread of legislative control is now coming from those who, but for the personal interests thus arising, would be hostile to it.

This pressing desire for careers is enforced by the preference for careers which are thought respectable. "Even if his salary is small, his occupation will be that of a gentleman," thinks the father, who wants to get a government clerkship for his son. And this relative dignity of State servants as compared with those occupied

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in business increases as the administrative organisation becomes a larger and more powerful element in society, and tends more and more to fix the standard of honour. The prevalent ambition with a young Frenchman is to get some small official post in his locality, to rise thence to a place in the local centre of government, and finally to reach some head office in Paris.

And in Russia, where that universality of State regulation which characterises the militant type of society has been carried furthest, we see this ambition pushed to its extreme. Says Mr. Wallace, quoting a passage from a play: "All men, even shopkeepers and cobblers, aim at becoming officers, and the man who has passed his whole life without official rank seems to be not a human being."

These various influences working from above downwards meet with an increasing response of expectations and solicitations proceeding from below upwards. The hard-worked and over-burdened who form the great majority, and still more the incapables perpetually helped who are ever led to look for more help, are ready supporters of schemes which promise them this or the other benefit by State agency, and ready believers of those who tell them that such benefits can be given, and ought to be given. They listen with eager faith to all builders of political air-castles, from Oxford graduates down to Irish irreconcilables; and every additional tax-supported appliance for their welfare raises hopes of further ones.

Indeed the more numerous public instrumentalities become, the more is there generated in citizens the notion that everything is to be done for them and nothing by them. Each generation is made less familiar

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with the attainment of desired ends by individual actions or private combinations, and more familiar with the attainment of them by governmental agencies; until, eventually, governmental agencies come to be thought of as the only available agencies.

This result was well shown in the recent Trades Union Congress at Paris. The English delegates, reporting to their constituents, said that between themselves and their foreign colleagues "the point of difference was the extent to which the State should be asked to protect labour"; reference being thus made to the fact, conspicuous in the reports of the proceedings, that the French delegates always invoked governmental power as the only means of satisfying their wishes.

. . .

The diffusion of education has worked, and will work still more, in the same direction. "We must educate our masters," is the well-known saying of a Liberal who opposed the last extension of the franchise. Yes, if the education were worthy to be so called, and were relevant to the political enlightenment needed, much might be hoped from it. But knowing rules of syntax, being able to add up correctly, having geographical information, and a memory stocked with the dates of kings' accessions and generals' victories, no more implies fitness to form political conclusions than acquirement of skill in drawing implies expertness in telegraphing, or than ability to play cricket implies proficiency on the violin.

"Surely," rejoins someone, "facility in reading opens the way to political knowledge." Doubtless; but will the way be followed? Table talk proves that nine out of ten people read what amuses them or interests them rather than what instructs them; and that the last

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thing they read is something which tells them disagreeable truths or dispels groundless hopes. That popular education results in an extensive reading of publications which foster pleasant illusions rather than of those which insist on hard realities, is beyond question.

Being possessed of electoral power, as are now the mass of those who are thus led to nurture sanguine anticipations of benefits to be obtained by social reorganisation, it results that whoever seeks their votes must at least refrain from exposing their mistaken beliefs; even if he does not yield to the temptation to express agreement with them.

Every candidate for Parliament is prompted to propose or support some new piece of *ad captandum* legislation. Nay, even the chiefs of parties—these anxious to retain office and those to wrest it from them—severally aim to get adherents by outbidding one another. Each seeks popularity by promising more than his opponent has promised, as we have lately seen. And then, as divisions in Parliament show us, the traditional loyalty to leaders overrides questions concerning the intrinsic propriety of proposed measures.

Representatives are unconscientious enough to vote for Bills which they believe to be wrong in principle, because party needs and regard for the next election demand it. And thus a vicious policy is strengthened even by those who see its viciousness.

* * *

It remains to point out that the tendencies thus variously displayed are being strengthened by Press advocacy, daily more pronounced. Journalists, always chary of saying that which is distasteful to their readers, are some of them going with the stream and adding to

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its force. Legislative meddlings which they would once have condemned they now pass in silence, if they do not advocate them; and they speak of *laissez-faire* as an exploded doctrine. "People are no longer frightened at the thought of Socialism," is the statement which meets us one day. On another day, a town which does not adopt the Free Libraries Act is sneered at as being alarmed by a measure so moderately communistic. And then, along with editorial assertions that this economic evolution is coming and must be accepted, there is prominence given to the contributions of its advocates.

Meanwhile those who regard the recent course of legislation as disastrous, and see that its future course is likely to be still more disastrous, are being reduced to silence by the belief that it is useless to reason with people in a state of political intoxication.

* * *

See, then, the many concurrent causes which threaten continually to accelerate the transformation now going on. There is that spread of regulation caused by following precedents, which becomes the more authoritative the further the policy is carried. There is that increasing need for administrative compulsions and restraints, which results from the unforeseen evils and shortcomings of preceding compulsions and restraints. Moreover, every additional State interference strengthens the tacit assumption that it is the duty of the State to deal with all evils and secure all benefits. Increasing power of a growing administrative organisation is accompanied by decreasing power of the rest of the society to resist its further growth and control. The multiplication of careers opened by a developing bureaucracy, tempts

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members of the classes regulated by it to favour its extension, as adding to the chances of safe and respectable places for their relatives.

The people at large, led to look on benefits received through public agencies as *gratis* benefits, have their hopes continually excited by the prospects of more. A spreading education, furthering the diffusion of pleasing errors rather than of stern truths, renders such hopes both stronger and more general. Worse still, such hopes are ministered to by candidates for public choice, to augment their chances of success; and leading statesmen, in pursuit of party ends, bid for popular favour by countenancing them. Getting repeated justifications from new laws harmonising with their doctrines, political enthusiasts and unwise philanthropists push their agitations with growing confidence and success. Journalism, ever responsive to popular opinion, daily strengthens it by giving it voice; while counter opinion, more and more discouraged, finds little utterance.

Thus influences of various kinds conspire to increase corporate action and decrease individual action. And the change is being on all sides aided by schemers, each of whom thinks only of his pet project and not at all of the general re-organisation which his, joined with others such, are working out. It is said that the French Revolution devoured its own children. Here an analogous catastrophe seems not unlikely. The numerous socialistic changes made by Act of Parliament, joined with the numerous others presently to be made, will by and by be all merged in State Socialism—swallowed in the vast wave which they have little by little raised.

* * *

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“But why is this change described as ‘the coming slavery’?” is a question which many will still ask. The reply is simple. All Socialism involves slavery.

What is essential to the idea of a slave? We primarily think of him as one who is owned by another. To be more than nominal, however, the ownership must be shown by control of the slave’s actions—a control which is habitually for the benefit of the controller. That which fundamentally distinguishes the slave is that he labours under coercion to satisfy another’s desires. The relation admits of sundry gradations.

Remembering that originally the slave is a prisoner whose life is at the mercy of his captor, it suffices here to note that there is a harsh form of slavery in which, treated as an animal, he has to expend his entire effort for his owner’s advantage. Under a system less harsh, though occupied chiefly in working for his owner, he is allowed a short time in which to work for himself, and some ground on which to grow extra food. A further amelioration gives him power to sell the produce of his plot and keep the proceeds. Then we come to the still more moderated form which commonly arises where, having been a free man working on his own land, conquest turns him into what we distinguish as a serf; and he has to give to his owner each year a fixed amount of labour or produce, or both; retaining the rest himself. Finally, in some cases, as in Russia until recently, he is allowed to leave his owner’s estate and work or trade for himself elsewhere, under the condition that he shall pay an annual sum.

What is it which, in these cases, leads us to qualify our conception of the slavery as more or less severe? Evidently the greater or smaller extent to which effort

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is compulsorily expended for the benefit of another instead of for self-benefit. If all the slave's labour is for his owner the slavery is heavy, and if but little it is light.

Take now a further step. Suppose an owner dies, and his estate with its slaves comes into the hands of trustees; or suppose the estate and everything on it to be bought by a company; is the condition of the slave any the better if the amount of his compulsory labour remains the same?

Suppose that for a company we substitute the community; does it make any difference to the slave if the time he has to work for others is as great, and the time left for himself is as small, as before? The essential question is—How much is he compelled to labour for other benefit than his own, and how much can he labour for his own benefit?

The degree of his slavery varies according to the ratio between that which he is forced to yield up and that which he is allowed to retain; and it matters not whether his master is a single person or a society. If, without option, he has to labour for the society and receives from the general stock such portion as the society awards him, he becomes a slave to the society. Socialistic arrangements necessitate an enslavement of this kind; and towards such an enslavement many recent measures, and still more the measures advocated, are carrying us. Let us observe, first, their proximate effects, and then their ultimate effects.

* * *

The policy initiated by the Industrial Dwellings Acts admits of development, and will develop. Where municipal bodies turn house-builders, they inevitably lower

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the values of houses otherwise built, and check the supply of more. Every dictation respecting modes of building and conveniences to be provided diminishes the builder's profit and prompts him to use his capital where the profit is not thus diminished.

So, too, the owner, already finding that small houses entail much labour and many losses—already subject to troubles of inspection and interference, and to consequent costs, and having his property daily rendered a more undesirable investment, is prompted to sell; and as buyers are for like reasons deterred, he has to sell at a loss. And now these still multiplying regulations, ending, it may be, as Lord Grey proposes, in one requiring the owner to maintain the salubrity of his houses by evicting dirty tenants, and thus adding to his other responsibilities that of inspector of nuisances, must further prompt sales and further deter purchasers, so necessitating greater depreciation.

What must happen? The multiplication of houses, and especially small houses, being increasingly checked, there must come an increasing demand upon the local authority to make up for the deficient supply. More and more the municipal or kindred body will have to build houses, or to purchase houses rendered unsaleable to private persons in the way shown—houses which, greatly lowered in value as they must become, it will, in many cases, pay to buy rather than to build new ones.

Nay, this process must work in a double way; since every entailed increase of local taxation still further depreciates property. And then, when in towns this process has gone so far as to make the local authority the chief owner of houses, there will be a good

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precedent for publicly providing houses for the rural population, as proposed in the Radical programme, and as urged by the Democratic Federation; which insists on "the compulsory construction of healthy artisans' and agricultural labourers' dwellings in proportion to the population." Manifestly, the tendency of that which has been done, is being done, and is presently to be done, is to approach the socialistic ideal in which the community is sole house proprietor.

* * *

To one who doubts whether such a revolution may be so reached, facts may be cited showing its likelihood. In Gaul, during the decline of the Roman Empire, "so numerous were the receivers in comparison with the payers, and so enormous the weight of taxation, that the labourer broke down, the plains became deserts, and woods grew where the plough had been." In like manner, when the French Revolution was approaching, the public burdens had become such that many farms remained uncultivated and many were deserted: one-quarter of the soil was absolutely lying waste; and in some provinces one-half was in heath.

* * *

Then, again, comes State ownership of railways. Already this exists to a large extent on the Continent. Already we have had here a few years ago loud advocacy of it. And now the cry, which was raised by sundry politicians and publicists, is taken up afresh by the Democratic Federation which proposes "State appropriation of railways, with or without compensation." Evidently, pressure from above, joined by pressure from below, is likely to effect this change dictated by the policy everywhere spreading; and with it must come

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many attendant changes. For railway proprietors, at first owners and workers of railways only, have become masters of various businesses directly or indirectly connected with railways; and these will have to be purchased by Government when the railways are purchased.

Already exclusive letter carrier, exclusive transmitter of telegrams, and on the way to become exclusive carrier of parcels, the State will not only be exclusive carrier of passengers, goods, and minerals, but will add to its present various trades many other trades. Even now, besides erecting its naval and military establishments and building harbours, docks, breakwaters, etc., it does the work of shipbuilder, cannon founder, small-arms maker, manufacturer of ammunition, army clothier and boot maker; and when the railways have been appropriated "with or without compensation," as the Democratic Federationists say, it will have to become locomotive engine builder, carriage maker, tarpaulin and grease manufacturer, passenger vessel owner, coal miner, stone quarrier, omnibus proprietor, etc.

Meanwhile its local lieutenants, the municipal governments, already in many places suppliers of water, gas-makers, owners and workers of tramways, proprietors of baths, will doubtless have undertaken various other businesses. And when the State, directly or by proxy, has thus come into possession of, or has established, numerous concerns for wholesale production and for wholesale distribution, there will be good precedents for extending its function to retail distribution—following such an example, say, as is offered by the French Government, which has long been a retail tobacconist.

Evidently then, the changes made, the changes in

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progress and the changes urged, will carry us not only towards State ownership of land and dwellings and means of communication, all to be administered and worked by State agents, but towards State usurpation of all industries: the private forms of which, disadvantaged more and more in competition with the State, which can arrange everything for its own convenience, will more and more die away, just as many voluntary schools have, in presence of Board schools. And so will be brought about the desired ideal of the Socialists.

* * *

And now when there has been compassed this desired ideal, which "practical" politicians are helping Socialists to reach and which is so tempting on that bright side which Socialists contemplate, what must be the accompanying shady side which they do not contemplate?

It is a matter of common remark, often made when a marriage is impending, that those possessed by strong hopes habitually dwell on the promised pleasures and think nothing of the accompanying pains. A further exemplification of this truth is supplied by these political enthusiasts and fanatical revolutionists. Impressed with the miseries existing under our present social arrangements, and not regarding these miseries as caused by the ill-working of a human nature but partially adapted to the social state, they imagine them to be forthwith curable by this or that re-arrangement. Yet, even did their plans succeed it could only be by substituting one kind of evil for another. A little deliberate thought would show that under their proposed arrangements, their liberties must be surrendered in proportion as their material welfares were cared for.

For no form of co-operation, small or great, can be

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carried on without regulation and an implied submission to the regulating agencies. Even one of their own organisations for effecting social changes yields them proof. It is compelled to have its councils, its local and general officers, its authoritative leaders, who must be obeyed under penalty of confusion and failure. And the experience of those who are loudest in their advocacy of a new social order under the paternal control of a Government shows that even in private voluntarily formed societies, the power of the regulative organisation becomes great, if not irresistible; often, indeed, causing grumbling and restiveness among those controlled.

Trades Unions, which carry on a kind of industrial war in defence of workers' interests *versus* employers' interests, find that subordination almost military in its strictness is needful to secure efficient action; for divided councils prove fatal to success. And even in bodies of co-operators, formed for carrying on manufacturing or distributing businesses and not needing that obedience to leaders which is required where the aims are offensive or defensive, it is still found that the administrative agency gains such supremacy that there arise complaints about "the tyranny of organisation."

Judge then what must happen when, instead of relatively small combinations, to which men may belong or not as they please, we have a national combination in which each citizen finds himself incorporated and from which he cannot separate himself without leaving the country. Judge what must under such conditions become the despotism of a graduated and centralised officialism, holding in its hands the resources of the community and having behind it whatever amount of force it finds requisite to carry out its decrees and maintain what it

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calls order. Well may Prince Bismarck display leanings towards State Socialism.

And then after recognising, as they must if they think out their scheme, the power possessed by the regulative agency in the new social system so temptingly pictured, let its advocates ask themselves to what end this power must be used. Not dwelling exclusively, as they habitually do, on the material well-being and the mental gratifications to be provided for them by a beneficent administration, let them dwell a little on the price to be paid.

The officials cannot create the needful supplies: they can but distribute among individuals that which the individuals have joined to produce. If the public agency is required to provide for them, it must reciprocally require them to furnish the means. There cannot be, as under our existing system, agreement between employer and employed—this the scheme excludes.

There must in place of it be command by local authorities over workers, and acceptance by the workers of that which the authorities assign to them. And this, indeed, is the arrangement distinctly, but as it would seem inadvertently, pointed to by the members of the Democratic Federation. For they propose that production should be carried on by “agricultural and industrial *armies* under State control”: apparently not remembering that armies pre-suppose grades of officers, by whom obedience would have to be insisted upon; since otherwise neither order nor efficient work could be ensured. So that each would stand toward the governing agency in the relation of slave to master.

“But the governing agency would be a master which he and others made and kept constantly in check;

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and one which therefore would not control him or others more than was needful for the benefit of each and all."

To which reply the first rejoinder is that, even if so, each member of the community as an individual would be a slave to the community as a whole. Such a relation has habitually existed in militant communities, even under quasi-popular forms of government.

In ancient Greece the accepted principle was that the citizen belonged neither to himself nor to his family, but belonged to his city—the city being with the Greek equivalent to the community. And this doctrine, proper to a state of constant warfare, is a doctrine which Socialism unawares re-introduces into a state intended to be purely industrial. The services of each will belong to the aggregate of all; and for these services such returns will be given as the authorities think proper. So that even if the administration is of the beneficent kind intended to be secured, slavery, however mild, must be the outcome of the arrangement.

A second rejoinder is that the administration will presently become not of the intended kind, and that the slavery will not be mild. The Socialist speculation is vitiated by an assumption like that which vitiates the speculations of the "practical" politician. It is assumed that officialism will work as it is intended to work, which it never does. The machinery of Communism, like existing social machinery, has to be framed out of existing human nature; and the defects of existing human nature will generate in the one the same evils as in the other.

The love of power, the selfishness, the injustice, the untruthfulness, which often in comparatively short

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times bring private organisations to disaster, will inevitably, where their effects accumulate from generation to generation, work evils far greater and less remediable; since, vast and complex and possessed of all the resources, the administrative organisation, once developed and consolidated, must become irresistible.

And if there needs proof that the periodic exercise of electoral power would fail to prevent this, it suffices to instance the French Government, which, purely popular in origin and subject at short intervals to popular judgment, nevertheless tramples on the freedom of citizens to an extent which the English delegates to the late Trades Union Congress say "is a disgrace to, and an anomaly in, a Republican nation."

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The final result would be a revival of despotism. A disciplined army of civil officials, like an army of military officials, gives supreme power to its head—a power which has often led to usurpation, as in medieval Europe and still more in Japan—nay, has thus so led among our neighbours, within our own times.

That those who rose to power in a socialistic organisation would not scruple to carry out their aims at all costs, we have good reason for concluding. When we find that shareholders who, sometimes gaining but often losing, have made that railway system by which national prosperity has been so greatly increased, are spoken of by the council of the Democratic Federation as having "laid hands" on the means of communication, we may infer that those who directed a socialistic administration might interpret with extreme perversity the claims of individuals and classes under their control.

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THE STATE THE ENEMY

It would need but a war with an adjacent society, or some internal discontent demanding forcible suppression, to at once transform a socialistic administration into a grinding tyranny like that of ancient Peru; under which the mass of the people, controlled by grades of officials, and leading lives that were inspected out-of-doors and in-doors, laboured for the support of the organisation which regulated them, and were left with but a bare subsistence for themselves. And then would be completely revived, under a different form, that *régime* of status—that system of compulsory co-operation, the decaying tradition of which is represented by the old Toryism, and towards which the new Toryism is carrying us back.

“But we shall be on our guard against all that—we shall take precautions to ward off such disasters,” will doubtless say the enthusiasts. Be they “practical” politicians with their new regulative measures, or Communists with their schemes for re-organising labour, their reply is ever the same: “It is true that plans of kindred nature have, from unforeseen causes or adverse accidents, or the misdeeds of those concerned, been brought to failure; but this time we shall profit by past experiences and succeed.”

There seems no getting people to accept the truth, which nevertheless is conspicuous enough, that the welfare of a society and the justice of its arrangements are at bottom dependent on the characters of its members; and that improvement in neither can take place without that improvement in character which results from carrying on peaceful industry under the restraints imposed by an orderly social life.

The belief, not only of the Socialists but also of those

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so-called Liberals who are diligently preparing the way for them, is that by due skill an ill-working humanity may be framed into well-working institutions. It is a delusion.

The defective natures of citizens will show themselves in the bad acting of whatever social structure they are arranged into. There is no political alchemy by which you can get golden conduct out of leaden instincts.