

## NEW AGE SUPPLEMENT NO. 3 – November 22, 1934

### An Editor's Progress

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By **A. R. Orage.**

#### PART 1. – THE NEW AGE

I was looking through some old volumes of THE NEW AGE the other day, with the intention of tracing the earliest published work of a number of now well-known writers – Miss Katherine Mansfield, Michael Arlen (then Dikran Kouyoumdjian), W. L. George, Jack Collings Squire, and a host of others. As usually happens, my search was soon abandoned for still more personal recollections – of the hopes and fears and thrills and mortifications of fifteen years of editorship. There was no value in that, however; it was simply throwing good money after bad. And by and by I settled down to an orderly review of the course of development of my economic thought during those fifteen years. As I have no doubt that the trail I followed will prove to be a highway when a sufficient number of people have trodden it, a brief itinerary of the journey may serve the purposes of a guide.

Like every intellectual in those days – I refer to the earliest years of the twentieth century – I began as some sort of a Socialist. Socialism was not then either the popular or unpopular vogue it has since become; but it was much more of a cult, with affiliations in directions now quite disowned – with theosophy, arts and crafts, vegetarianism, the "simple life," and almost, as one might say, the musical glasses. Morris had shed a medieval glamour over it with his stained-glass "News from Nowhere." Edward Carpenter had put it into sandals. Cunninghame Grahame had mounted it on an Arab steed to which he was always saying a romantic farewell. Keir Hardie had clothed it in a cloth cap and a red tie. And Bernard Shaw, on behalf of the Fabian Society, had hung it with innumerable jingling epigrammatic bells – and cap. My brand of Socialism was, therefore, a blend or, let us say, an anthology of all these, to which from my personal predilections and experience I added a good practical knowledge of the working classes, a professional interest in economics which led me to master Marx's "Das Kapital," and an idealism fed at the source – namely, Plato.

It was inevitable that I should drift into socialistic oratory, labour politics, and journalism; and it was equally inevitable with this background that my line would be original. I well remember, indeed, my inward smile when it was assumed by everybody that THE NEW AGE which I bought in May, 1907, and began to edit in co-operation for a year with Mr. Holbrook Jackson, would naturally become the semi-official organ of the Fabian Society. Very little was anybody, including myself,

aware of the course THE NEW AGE would take; but of one thing I was certain – no society or school or individual could count on my continuous support. The whole movement of ideas, called Socialism, including, of course, the then burning question of parliamentary Labour representation, was in the melting-pot; and my little handful of colleagues and I had no intention of prematurely running ourselves into anybody else's mould. The Socialists of those days were, in practice, individualists to a man.

It was not very long after beginning publication that the “old gang,” as the established constellation of Socialist and Labour lights was called, began to suspect that a new comet had appeared. The predominant question of the moment was the possibility of fusing the trade-union movement which served as the basis of the Independent Labour Party, with the Socialist movement; and many and strong were the advocates in the latter of a union of forces on the political field. My friends and I, however, had quite a different idea. We had no objection to the trade-unions as such. On the contrary, our slogan that “the trade-unions are the hope of the world” was evidence that we attached even an exaggerated value to them – for reasons that will appear. Nor, of course, had we any general, but only a particular, criticism in those days to make of the Socialist groups. But one distinction between Labour politics and Socialism seemed to us to be decisive – that whereas Socialism explicitly claimed to be nationally representative, the political Labour Party was avowedly based on a single class – that of the wage-earners or proletariat. To both sections, it appeared to us, the political Labour Party was making a false appeal. The trade-unions, it is certain, were originated in response to a purely economic motive; they numbered members of all the national political parties and were little disposed to make their occupation their politics. By appealing to them to support a parliamentary Labour Party, it seemed to us that the heads of the party were diverting them from their original object and merely trying to ride on their backs to personal power. It was too late, however, to protest against this; the evil had begun; and the system of judicious bribery of trade-union officials with the prospect of a parliamentary career seemed likely, moreover, to permit it to continue. It did not appear too late, however, to preserve the Socialist movement for a national politic; and when it came to a decision concerning the political fusion of the Fabian Society with the Labour Party, THE NEW AGE, after vainly supporting the ingenious proposal of Mr Ramsay MacDonald to form a Socialist representation committee, repudiated the Fabian Society, and set out to plough a lonely furrow.

Avowed opponents of political labour in any shape or form, antagonists of the Fabian Society from the moment of its surrender to class-politics, our situation was, indeed, that of Ishmael. Our pen was against practically everybody of importance in all the political parties without exception, and against every Socialist and Labour organisation that was not minding, as we thought, its proper business. No wonder that the bright hopes, which the first Socialist weekly of London literary distinction had inspired in the breast of Socialist and Labour groups, began to be puffed out rapidly one by one. Save for the brilliant debaters among them, who carried on a campaign of lively debate in our columns, much to our joy, all the established authorities turned their backs upon our own turned backs. Personally, we remained, as a rule, on the friendliest terms; but officially and editorially, it was silent war, broken only by the occasional aforesaid crackle of polemics.

This attitude of isolation, though it was maintained throughout my fifteen years of editorship, was, nevertheless, not at all negative or passive. If we had nothing to say for any of the groups hopelessly mortgaged to bankrupt policies, we had, at any rate, plenty to say for ourselves, and concerning the two main elements in the total situation – the trade-unions and the community as a whole. As we saw it, both were about to suffer a further injustice from the manoeuvre that had been successfully carried out. The trade-unions were to be led by the nose from the economic field where alone they could conceivably win any advantage for themselves, into the barren fields of politics; and the nation was to lose the criticism and advice of national, that is to say, non-class Socialism. Henceforward, but for ourselves, every political Labour organisation and every Socialist body, collective or individual, might fairly be held in suspicion by both trade-unions and the public at large. They all had a more or less personal axe to grind; and the expense would be borne by the trade-unions and the community jointly and severally.

We began very early to prepare our programme for positive propaganda; and already in the earliest issues of THE NEW AGE, I recall articles advocating for the trade-unions a return to the guild system, and for the nation the organisation of national industry by devolution of powers to incorporated industrial groups, including the trade-unions. Whether the latter was the first suggestion of Syndicalism that ever appeared I am doubtful; there is reason to believe that it was, and was subsequently translated into French and re-imported into England under its present name. But, undoubtedly, the suggestion of the guildisation, as we barbarously called it, of the trade-unions, was a novel idea in Socialist theory, and still marks a definite milestone on the way to a still remote Dover.

It was not, however, plain sailing. To begin with, the guild idea had been revived by Morris and resurrected by another genius, Mr Arthur Penty, for the express purpose of recapturing what they little realised was not the first fine rapture of the middle-ages. Lovers of the crafts, they, and Penty more explicitly than Morris, hoped to decentralise industry and to restore small workshops and hand production. Trade-unions to them were only a concomitant symptom of the fall from the middle-ages, justifiable as proletarian defences, but superfluous in a guild community. What a time we had with Mr Penty on this question! And it was the more difficult because I had some years before 1907 sponsored his earliest book on the Restoration of the Guild System, and been the first secretary of a Guild Restoration League. However, I could not agree to dissolve the trade-unions in mediaevalism; nor could I convince myself that they had no possible function in a reformed community. Guilds and trade-unions had somehow to be reconciled; and, in the end, Mr Penty unwillingly but handsomely consented to their possible union.

The next storm to be weathered – be it understood that the storms were mostly in a tea-cup little larger than a very small office, since nobody outside the circle of our few readers paid as yet much attention to our contemptuous backs – was the dispute between syndicalism and nationalism. There was not much proletarian class-consciousness in England in those days; and, indeed, it is my judgment that the English working classes will never turn red until they see red. They think too well of the upper classes, including their own, to attribute to them any deliberate or obdurate injustice (in which, perhaps, they are not mistaken). But on account of the propaganda of the Independent Labour Party, there was enough articulation of class-

consciousness to make the association of trade-unions with the nation a matter of suspicion among the babes.

Parliament was declared to be nationally non-representative, a plutocratic class-instrument; its functions, at their ideal, were purely political to the exclusion of economics; the trade-unions were capable of undertaking the control of the whole of industry without any other authority's "by our leave." "Trade-unions unite" took the place of "workers unite," and the proper object of the unions was independent sovereignty over industry. The great war, of course, later on knocked all the nonsense out of syndicalism. As the trade-unions scrambled to offer their services to the political sovereigns, the few remaining stalwarts of syndicalism turned their eyes away, their dream perishing before them. But long before the war, THE NEW AGE had disposed, for mere intelligence, of the theories of syndicalism. Upon no ground had it a defensible leg to stand on. The proletarian element in any community and, still more emphatically, the active working section of it, is in any conceivable event only a part of the community. There are hosts of perfectly legitimate and essential communal functions altogether outside the possible purview of trade-unions; and the dispossession of the national sovereignty by a class of a class sovereignty, was likely to prove as impossible in practice as in theory. In the end, we won on that issue, too; and before many months had gone by, after our retreat from the official schools, we began to publish the first series of articles under the title of National Guilds, in which the political sovereignty of the nation was preserved, while the trade-unions were given the task of organising industry on behalf of Parliament.

It is true that as yet THE NEW AGE had not cut much ice with our old friends of the older groups. But from Ishmaelites we had become Adullamites; and there began not exactly to flock to our new standard an assortment of independent thinkers, chiefly the younger men. Mr S G Hobson was the actual writer of the series of articles referred to, and the author, under my editorship, of the first and still standard work on National Guilds. But we were soon joined by energetic young men like Mr G D H Cole, Mr Maurice Reckitt, Mr William Mellor and others, who immediately formed a society called the National Guilds League. Mr Will Dyson, the foremost cartoonist in England, did our designs for us. I may say at once, that I never was a member of the league myself. To tell the truth, I had begun already to have doubts! Undoubtedly, however, the adhesion of these men, their admirable methods of propaganda, and the publication outside the almost private pages of THE NEW AGE of the text of National Guilds, put the subject on the public map of discussion. A vast polemical literature began to appear, references to our existence began gingerly to occur in the speeches and articles of the old gangs. Above all the older organisations began to cease to enlist the pick of the new recruits; their prestige was waning to the size and sickle-shape of an interrogation-mark.

But they need not have disturbed themselves! Our worst storm or, rather, difficulty – since there was nothing positively active about it – was still before us; and, frankly, national guilds would certainly have foundered in it even if the war had not anticipated the sinking. The dispute with the mediaevalists had been successfully compromised; the dispute with the syndicalists had been translated into uncongenial and harmless French; the existing Socialist and political Labour groups had had their young men and brains drained away. But we had still to count with the trade-unions, and to persuade them of their own good. This was the job!

In the first place, there was no getting at them directly. All the branch as well as the general and congress meetings are held under the careful auspices of the officials; and the latter, being by this time usually hell-bent for a place in the parliamentary sun, had no temptation to assist our counter-propaganda amongst their chief financial supporters. Never upon a single occasion in my recollection was any accredited spokesman on behalf of national guilds invited or permitted to address an officially convened trade-union gathering. The alternative was practically useless – meetings at which the general public was predominantly present. We got their approval, but the famous “rank and file” of the trade-unions we never had a chance of speaking with. And needless to say, a reader of THE NEW AGE or anything else among them was in the proportion of spirit in near-beer.

What they allowed to be said on their behalf without any protest was, moreover, quite as discouraging. They had no ambition to control or even to manage their own industries. They had no hatred of their status as wage-slaves (as we provocatively named them), nor any contempt for their employers. They knew enough of their own officials to doubt if their class could be trusted with power, even over themselves. They wanted just more wages and less work. In strike after strike we intervened to beg for an issue to be made of control instead of only wages. A few of the employers were prepared for it. In fact, there were a number of employers among the members of the National Guilds League. Except upon one or two occasions, the wages issue remained unaffected even to the extent of words. And in the exceptional case of a builders’ strike, where a group of strikers actually undertook and were empowered to work as a guild, the immediate result was a local mediaeval guild and in no practical sense any approximation to the national guild of our imagination. My experiences during that period (1907-14) have made me doubt even the apparent evidence of my senses that a movement of ideas is possible among the proletariat. Belly-movements are possible, of course; and even then they are slow; but proletarian movements directed by and composed of heads accessible to ideas – they belong for me to the mythology called history and “propaganda.”

To clinch a matter that needed no clinching, the Parliamentary Labour Party was by this time making good in its own eyes and in the eyes of the ambitious trade-union leaders. As habitually with them until recently, the English governing classes knew how to stage a defeat to make a triumph out of it. No sooner had the Labour Party actually forced its way into Parliament than all the old staggers began at once to prepare it for their better digestion. Public honours were poured upon them. Absurd and really insulting compliments were addressed to them. Privately and personally they were treated with the condescending courtesy meted out to ex-butlers who have come into a moderate fortune. Above all, and artfullest stroke, their wives were patronised and begged by dowagers, in the name of their common class, to dissuade their husbands from ruining the old country. Many and patriotic were the comedies of which I was myself the eye-witness. Many and foolishly bitter were the jibes at the cunning of the one side, and sycophancy of the other, published by THE NEW AGE. We had enemies enough before; but during this campaign against the ultimate roots of English conservatism we made many more.

But for the fact that THE NEW AGE was undeniably “brilliant,” brazenly incorruptible and independent, and could always count on the support of the young of

all ages, including Mr Belloc and Mr G K Chesterton, cheerfully; Mr Shaw and Mr Wells, grudgingly; and many greater and lesser powers, for worse or better reasons; it would surely have died of lack of circulation. Strange to say, however, the more enemies we made, the higher in prestige THE NEW AGE became, until at last it was our just boast that we were a classic, everywhere spoken of, but seldom read. I can never be sufficiently grateful for the colleagues of those days. They only missed making history for the simple reason that history is never made by ideas, but only by facts.

Only a word or two deserves to be said concerning the second plank in our platform. (It will be remembered that I said there were two.) While the rest of the Socialists had abandoned even the pretence of political nationalism in favour of a class politics, based on the wage-earning section, THE NEW AGE acquired a degree of non- and anti-Socialist credit by criticism, impartially distributed among all the political groups, including – perhaps first and foremost – the Labour group. It must be admitted, however, that with nothing solid at the back of us, we realised that we were engaging a tide with a broom. The failure, in fact, to secure a constituency to support our proposals in any section or in any leader of trade-unionism was fatal to our representative character. We could only speak for ourselves; and ourselves, in point of power, were negligible. Thus we more or less wearily dragged along until the war suddenly put fresh blood into the nation and drained more out. But with that episode, I hope never to be concerned again. There followed the hideous peace – and then the new ideas for which national guilds, and all the rest had been, as it appears, preparatory – the ideas of Major C H Douglas, author of “Economic Democracy” and “Credit-Power and Democracy.”

## PART II. – THE DOUGLAS REVELATION

The doubts that haunted me regarding the practicability of National Guilds (or, as it was sometimes called without my approval, guild socialism) were concerned with something more important than the viability of the idea. The rank and file of the trade unions were under lock and key of their officials, the latter were hot on quite another scent from ours – namely, their social ambition by the political agency of their unions – and the general public, as always, whatever its attitude toward guilds, was without organs – rather like an amoeba that can function only in rare states of excitement. But had these circumstances been altogether otherwise and quite favourable, my embarrassment would have been infinitely greater. Called upon, like the boys at Dotheboys Hall, to clean the “winder” I had spelled, my suspicion of its mis-spelling would have been confirmed. For the truth is that I knew, without being able exactly to diagnose it, that the whole idea of National Guilds, as formulated by Mr S. G. Hobson and myself, and elaborated by Messrs. Cole, Reckitt and others, was wanting in some vital part. Somehow or other it would not “work” in my mind; the idea did not inspire my confidence. And the trouble was always of the same nature – the relation of the whole scheme to the existing, or any prospective, system of money.

Many were the discussions between Mr Hobson and myself during the drafting of the first official exposition of National Guilds; and the chapter on the finance of the guilds was, I remember, a torture to us both. Mr Hobson, with his eager mind, was disposed to trust to the washing, so to speak. Everything would work out in practice

that we could not clearly see in theory. After all, we must leave something to be done! But I was not satisfied that we had even the principle correct; and my conscience would not allow me to sleep in faith of the future. I read all my economic literature again with special attention to the problems of money. Every “crank” on the subject was eagerly welcome to my time and consideration. Still the solution eluded me; and in the end I decided to remain neutral as regards both the textbook itself and the National Guilds League that was founded on it.

The Great War put an end to many things and many ideas; and among the latter was undoubtedly guild socialism. We woke from the evil dream shortly after the Armistice; and in the horrible light of morning we began to count our losses. For me personally the realisation of the complete disappearance of the guild idea as a living potency brought no sense of disappointment, but rather of relief. My former colleagues, however, were only disappointed; they were not, as yet, in despair. On the other hand, it was difficult to carry on a journal that lived by ideas in the absence of any living idea; and between two worlds, one dead and the other powerless to be born, the editorship of the political section of THE NEW AGE became extremely irksome. My mind functioned on events with the monotony of a recurring decimal; and my only relief from the situation was interest in the literary style of my political notes. And assuredly that would not last me very long.

One day, about a year before the Armistice, there came to my office, with a personal introduction from my ex-colleague, Mr Holbrook Jackson, a man who was destined to effect a beneficent revolution in my state of mind. Major C. H. Douglas, so it soon appeared, had been already for nearly a year engaged in trying his ideas upon various persons and personages, political and journalistic. His ideas concerned the problems of finance; and I quickly gathered that they were difficult to understand and had been “turned down” or refused a patient hearing wherever Major Douglas had adventured them. This was nothing to me, who had often boasted that THE NEW AGE owed its “brilliance” to the rejected stones of the ordinary builders; and everything about Major Douglas made him personally and intellectually attractive. He had been assistant-director of the Government aircraft factory during the war; he was a first-rate engineer; he had encountered financial problems practically as well as theoretically; and he appeared and proved to be the most perfect gentleman I had ever met. His knowledge of economics was extraordinary; and from our very first conversation, everything he said concerning finance in its relation to industry – and indeed, to industrial civilisation as a whole – gave me the impression of a master-mind perfectly informed upon its special subject. After years of the closest association with him, my first impression has only been intensified.

The subject itself, however, even in the hands of a master, is not exactly easy; and, in fact, it compares in economics with, let us say, time and space in physics. By the same token, Douglas is the Einstein of economics; and in my judgment as little likely to be comprehended practically. In other words, a good deal of sweat is necessary to understand Douglas; and, with our absurd modern habit of assuming that any theory clearly stated must be immediately intelligible to the meanest and laziest intellect, very few will be the minds to devote the necessary time and labour to the matter. I was in all respects exceptionally favourably placed to make a fairly quick response. I had time, and from my long experience with literary geniuses, almost illimitable patience; I was vitally interested in the subject, having not only exhausted every other,

but been convinced that the key to my difficulties lay in it; and above all, Douglas himself was actively interested in my instruction. He said many things in our first talk that blinded me with light; and thereafter I lost no opportunity of talking with him, listening to him talk, reading new and old works on finance, with all the zest of an enthusiastic pupil. Even with these advantages, it was a slowish business; and my reflections on the stupidity of the present-day students of Douglas are generously tempered by the recollection of my own. It was a full year from beginning to study his ideas before I arrived at complete understanding. Then all my time and labour were justified.

For anything like a full presentation of the Douglas ideas, students looking for a long row to hoe may be directed to the increasing body of literature on the subject inaugurated by the volume in which I more or less collaborated with Douglas himself – “Economic Democracy.” There followed Douglas’s “Credit-Power and Democracy,” and several others; and, later, a host of summaries and discussions. Furthermore, THE NEW AGE under my successor more than admirably continues the weekly exposition which I had begun and carried on for three years. Certainly there is no lack of light on the subject today; but only the usual poverty of eyes and understanding.

At the outset, and after inspiring my confidence in his ability to give me more than he took away, Major Douglas set himself, as it were, to dispose of three of the enormous fallacies under which I and my colleagues (and, let me add, the vast majority of social reformers of every school) had been labouring. The first concerned the limitations of production. Hand on your hearts, do you not take it as a matter of course that the predominant practical problem of civilisation is production, and how to keep it increasing step by step with the increasing demands of civilisation? Be sincere; is not every proposal, Socialist, Labour, or Progressive, for better distribution haunted by the spectre of a limited and possibly diminishing production? It is perfectly certain that such is the case, and the fiasco of the Labour Government in England, as well as of every attempt to equalise distribution, is sufficient evidence of the power of the spectre of limited production.

Major Douglas did nothing to theorise the spectre away; he simply confronted it with facts; and the facts did the rest. For instance, he pointed to what was obvious to everybody in the actual statistics of war production. With millions of the best workmen absent in the Army, with an incredible consumption of supplies, not only everybody in England during the war was better off than ever before, but the surplus stocks of perfectly good materials remaining after the war were a mountain of menace to the restoration of the pre-war industrial system. It was calculated, in fact, that with all the handicaps of the war, production in England increased many hundreds per cent. Lest it be imagined that this was due to imported goods, procured on credit, it may be said that England’s exports and re-exports during this period were vastly in excess of its imports. In other words the net output of England at war exceeded its peace output by several times. But the war was a special occasion, it may be said; and I did not fail to make the objection to Major Douglas; whereupon he directed attention to the normal facts of peaceful industry. So far from production being limited by nature or by invention, there appears to be an unconscious but active conspiracy on the part of the industrial system artificially to restrict it. At any given moment only a percentage of our resources is being employed. Fields, factories, and workshops, all

competent to produce, stand idle at the very same time that the labour and invention to utilise them are idle too.

The world habitually produces only a tithe of what we have actually in hand the means to produce; and the world's powers of production are increasing simultaneously with the reduction of the world's actual output. Sabotage, limitation of production, and all the other devices for restricting output go along side by side with the old complaint that production is our chief difficulty. Not production, as every business man or economist will admit, is truly our practical difficulty – but how to limit it to a diminishing demand without falling out of the frying-pan into the fire. How the deuce are we to safeguard industries, established upon a certain price-basis, against discoveries and inventions calculated to increase supply and reduce prices?

That, not the fear of a limit to productivity, is the actuality of the ghost in question. In other words, the popular ghost of a natural limitation upon production is only a superstition to conceal the real spectre of a naturally unlimited production. It would be fatal to the existing system to have it realised that in actual fact there is enough and to spare for a world of millionaires – such is the proven abundance of nature and the proven invention of man.

This realisation, which I owed to Major Douglas, threw a devastating light on many of my previous working hypotheses. Most of them, in fact, would not work any longer; and my attitude toward economics and politics began to change rapidly. The guild idea, based upon the paramount necessity of increased production, lost one of its limbs; and another was doomed to disappear with Major Douglas's demonstration that individual work is not a just prior condition of individual income; in short, that every member of the community, as such, is justly entitled to a social dividend, work or no work.

What a rumpus THE NEW AGE created in the Socialist and Labour camps when first this defence of dividends for everybody, irrespective of work, made its appearance. Mr & Mrs Sidney Webb were touched to their puritanic quick. Never, they said, would they countenance a proposal to give every citizen his birthright of an annual share of the communal production. Such a distribution would make future social reforms unnecessary; and where would the Fabians be then, poor things?

Mr George Bernard Shaw, with his workhouse scheme of a universal dividend in return for a universal industrial service, was silently contemptuous of Douglas. As a matter of fact, perhaps, he had long ceased to feel in any possible need of a new idea; and his juggling with his old ideas was sufficiently skilful to continue to deceive his public that he was still learning.

But the most bitter objection came, of course, from the Labour officials and the class-Socialists whose bread of life depended upon diatribes against “unearned incomes.” Our simple little proposal to put everybody upon an “unearned income” threatened to take the bread out of their mouths; and tart and many were the comments we drew from them.

Nevertheless, the idea when considered without an axe to grind is obvious enough. The community is not only the ultimately legitimate owner, partly by inheritance and

partly by current labour, of its whole productive mechanism; but, though it may be true that every individual must be ready to work if called upon, it is absurd to require, as a condition of receiving his share of his own, that every individual shall work, even in the absence of any demand for his services. What! Is Industry to be compelled by society to employ men who are unfit, only because society refuses an income to its members unless they are employed? Not to exaggerate, it is probable that a greater output – that is, more for everybody – could be obtained today by restricting the right to “work” to the fit half of those now employed, retiring the rest on a liberal annual dividend to join the army of the so-called privileged classes. At any rate, that is what I came clearly to see under the influence of Major Douglas’s ideas; and such is my conviction today.

These blows to my previous opinions, however, were only preliminary to the blow that shattered the faith upon which, it appears to me, the whole of the Socialist, the whole of the Labour, and the whole of the progressive case rests – namely, the belief that economically there is any magic in ownership. The poor old world has been misled by personal associations and by phrases into the fatal error of mistaking ownership for control. Only the extremely able few who own nothing and control everything know better. In this respect, I confess that when beginning the formulation of National Guilds we took the current misconception for granted. The wage-earners were slaves because they had no property in their employers’ industry; and having no proprietary interest in the business they were, on that account alone, excluded from both its management and its control.

The extension of ownership to management and control was logical; and our only originality lay in thinking that we could acquire a share in practical ownership by demanding at the outset a share in practical control and management. Here again, Major Douglas depended for his case upon no counter-theory; but upon accessible, intelligible, and, indeed, obvious facts. If ownership spells control, then why do not owners of fields, factories, and workshops control at least their own production? Having the equipment, the materials, and the labour, why do their factories ever stand idle, their fields go out of cultivation, and their workshops rust for want of use? Or, again, why with so many offers open to them of complete ownership, have the trade unions steadily refused (and more wisely than they knew) to exercise its alleged privileges and powers? The answer is, of course, to be found in the fact that ownership of a means of production gives control to the degree that the product is in economic demand; and this, in turn, obviously depends upon price. Since neither any single manufacturer nor any combination of manufacturers, as such, can or does control prices, their ownership of the means of production has only a contingent value. Real control of the market, and hence of the means of production, lies elsewhere.

I must defer to a final occasion even a brief outline of the Douglas case for the reference of control to the financial system. At present it is enough to say that with my Socialist king-pin of faith in the sovereignty of ownership knocked out, my whole elaborate structure of National Guilds fell all to pieces. A fragment, perhaps, escaped the catastrophe with its life; there is an idea in guilds that will probably always seek incarnation.

But all the rest of the social invention appeared both theoretically and practically worthless. Not only would the wage earners never obtain ownership of the communal means of production, but it would not do them the slightest good if they did. No more than the present owners could they control demand; no more than the present owners could they control prices; and no more, in consequence, than the present owners could they guarantee either production or work or wages. Farewell the dream of a Socialist state erected, even with all modern improvements, upon the pathetic fallacy of Marx! Every serious attempt to realise it must end in a Bolshevik nightmare.

### PART III – THE IMPOSSIBILITY OF REFORM

If men were intelligent would they not say that the most important thing practically in life is money? This is not, of course, to rank money above health or virtue or happiness; but only as the supreme value among material means; and it is naturally first among means since it is convertible into any or all of them. Nevertheless, as much as men love and realise the value of money, not more than one person in a million – and this is even a generous estimate – either knows or cares where money actually comes from, how it is actually made, what it is actually composed of, or what forces actually regulate its circulation and amount. Nearly every Labour, Socialist, social and international dispute during the last few centuries has been about money; yet scarcely a soul in any class or community is concerned to know what money is. Professors and bankers are given credit for understanding the mysteries of the subject, though it is quite certain that their ignorance is only greater than that of the general public; in short, their ignorance has been specially cultivated. And, in any case, to leave to interested persons the sole discretionary control of a matter so universally vital as money is to gamble our lives on dangerous odds.

One of the first things to which Douglas drew attention was the difference between real and financial credit. Place a wet towel round your head and consider the following: A community has all the actual means necessary to production – land, raw materials, factories, machinery, power, skill, organisation, and labour. A year or two ago this self-same plant was turning out goods at an enormous rate; and there is no obvious reason why it should not have continued. Yet today the whole of the plant is virtually idle, including, of course, the labour which is now said to be “unemployed.” What has happened to stop the wheels? Plainly not a breakdown of the productive system, since tomorrow it could be set in motion again without the smallest difficulty. All that has happened, as we know, is that “orders” have ceased to come in; in other words, demand has ceased. But why has demand ceased? Certainly it is not because the products in question are no longer actually needed. Demand has been satiated, perhaps, but not real need or appetite. No, the truth is that need has ceased to have money in its pocket, with the result that it is no longer what is called effective demand. But why, again, has it no money? Why is money at one time plentiful and at another time scarce? Productive capacity certainly does not jump up and down every month. On the contrary, the world’s productive capacity steadily and rapidly increases practically daily. The productive capacity of any modern industrial community is hundreds of times today what it was a century or fifty years ago; and with every new invention it increases. Emphatically, then, it is not the

case that the variations of money circulation are due to variations of productive capacity. They not only move independently of the latter, but are scarcely related to production at all. The production of goods depends, it is obvious, on the factors named; but the production of money depends on factors over which the production of goods has little or no control. This discrepancy between goods and money, between productivity and currency, is the difference between real credit and financial credit. Real credit rests on real factors – materials, power, and labour; financial credit rests, in the ultimate, upon one thing and one thing only – gold.

It is an astonishing phenomenon that is presented to the mind as it realises the place and power of this metallic element in modern life. We see very little of it in circulation; yet secretly it controls the quantity in circulation of every other form of purchasing-power. Move a hundred millions of gold from England to America or America to England and the effect on both countries will be startling. The importing country will experience an immediate increase in the circulation of every other form of currency; while in the exporting country, every other form of money will at once begin to diminish in quantity. Prices in both countries will be equally affected, but in opposite directions. Various other phenomena of universal importance are accounted for by the vicissitudes of this strange metal; but the only thing that for the moment concerns us is its control by factors outside the directly productive system. In a word, if the ownership of the means of direct production is in the hands of capitalists, the real control still lies with money whose ultimate ownership is vested in the financial and not in the productive system.

Major Douglas, however, was anything but one of the usual money-crankers. Heavens, after thirty years of public life I think I recognise a crank at sight! He had no such absurd notion as demonetising gold or denouncing the financiers, or nationalising banks. His constructive proposals, when they came to be clearly formulated, concerned mainly the only practically important question asked by every consumer – the question of price; and beyond a change in our present price-fixing system, there is in his proposals nothing remotely revolutionary. For the rest, everything would go on as now. There would be no expropriation of anybody, no new taxes, no change of management in industry, no new political party; no change, in fact, in the status or privileges of any of the existing factors of industry. Absolutely nothing else would be changed but prices.

But what a change would be there! Major Douglas's calm assumption is that from tomorrow morning, as the shops open, the prices of all retail articles could be marked down by at least a half and thereafter progressively reduced, say, every quarter – and not only without bankrupting anybody, but at an increasing profit to everybody without exception. Absolutely nobody need suffer that everybody should be gratified. All that would happen to anybody is that the purchasing power of whatever money they have would be doubled tomorrow, and thereafter continuously increased.

Not to put too great a strain upon credulity or suspense, I may explain here that the principle of the proposal is perfectly simple; and it consists in this – that prices ought to fall as our communal powers of production increase. Let me illustrate: Imagine a theatre whose seating capacity doubles every year – ought not the prices to be halved every year? If that is not natural for a single theatre, imagine that every theatre automatically grew in capacity – would it not appear strange if at the same time its

prices of admission rose? Yet the latter is precisely what takes place in industry today. As fast as a nation's productive capacity increases, its prices rise, with the absurd consequence that the wealthier the nation is in resources the more difficult is it for its members to utilise them. Major Douglas's proposal was simply to regulate price by productivity; by relation, that is, to supply. Since price is, strictly speaking, only the regulator between supply and demand, its reference to supply is perfectly logical. And if it is more than true that our present potential supply is twice our present demand, it stands to reason that halving existing retail prices would begin to equalise matters by doubling effective demand.

My first reaction to the astonishing proposal to "sell goods under cost" – and not merely as a temporary expedient but permanently and progressively – convinces me, as I look back upon it, of the utter impracticability of the suggestion. Not only its first shock must be fatal in the majority of cases to any further interest in the "crank," who would propose it; but the time and thought and labour necessary to understand and appreciate it are beyond the command of more than a very few. In short, I am as much convinced that the suggestion will never be put into practice, as a result of reason, as I am that reason would, nevertheless, dictate that it should be. The world has not free brain enough to comprehend the simple cure for all its economic ills.

I certainly worked hard enough to satisfy any possible doubt I may have entertained. For three years, in the closest working association with Major Douglas, *THE NEW AGE* week by week laboured to expound, explain, simplify, and illustrate the theses upon which the practical scheme rests. There was organised a Credit Reform League with branches all over the country. Major Douglas gave up his profession of engineer during these years to be at the service of the cause. We saw everybody we could, and did our best to see everybody we should. The national situation from the conclusion of peace was plainly going from bad to worse. In short, if there ever was a time when a novel, non-revolutionary, simple, and effective scheme of reform might hope to command a reasonable hearing, the period following the peace was that time for England. To say that we had no success would be untrue. The idea is more alive than ever in England at this moment. But for any practical result, search might be made with a microscope without result.

The conclusion my mind inevitably reached after these experiences was that reform in any drastic sense is impossible. Douglas, to the best of my consideration, has got to the very bottom of economics. There are literally no more insoluble or even doubtful problems in the whole range of economics; and this, needless to say, includes the daughter "science" of politics. Everything is as clear as daylight in the light cast by Douglas's analysis of the nature and role of finance. At the same time, his analysis did not leave the situation hopeless theoretically; it was only hopeless practically. The Douglas positive proposals were as impeccable as his analysis; only they could not be carried into effect owing to the stupidity of the community that needed them. What was I to do? I was again at an impasse. The first arose on account of the combination of interests against us; but the second was worse, since the combination against us was unconscious and irremediable. There was nothing to be done but to die with *THE NEW AGE*, or to hand it over to a fresher soul. After fifteen years of editorship I sold out and left England.