

III. NATIONS IN LIQUIDATION

The war has become a war of exhaustion. One hears a great deal of the idea that "financial collapse" may bring it to an end. A number of people seem to be convinced that a war cannot be waged without money, that soldiers must be paid, munitions must be bought; that for this money is necessary and the consent of bank depositors; so that if all the wealth of the world were nominally possessed by some one man in a little office he could stop the war by saying simply, "I will lend you no more money."

Now, as a matter of fact, money is a power only in so far as people believe in it and Governments sustain it. If a State is sufficiently strong and well organised, its control over the money power is unlimited. If it can rule its people, and if it has the necessary resources of men and material within its borders, it can go on in a state of war so long as these things last, with almost any flimsy sort of substitute for money that it chooses to print. It can enrol and use the men, and seize and work the material. It can take over the land and cultivate it and distribute its products. The little man in the office is only a power because the State chooses to recognise his claim. So long as he is convenient he seems to be a power. So soon as the State is intelligent enough and strong enough it can do without him. It can take what it wants, and tell him to go and hang himself. That is the melancholy ultimate of the usurer. That is the quintessence of

"finance." All credit is State-made, and what the State has made the State can alter or destroy.

The owner and the creditor have never had any other power to give or withhold credit than the credit that was given to them. They exist by sufferance or superstition and not of necessity.

It is the habit of overlooking this little flaw in the imperatives of ownership that enables people to say that this war cannot go on beyond such and such a date--the end of 1916 is much in favour just now--because we cannot pay for it. It would be about as reasonable to expect a battle to end because a landlord had ordered the soldiers off his estate. So long as there are men to fight and stuff to fight with the war can go on. There is bankruptcy, but the bankruptcy of States is not like the bankruptcy of individuals. There is no such thing among States as an undischarged bankrupt who is forbidden to carry on. A State may keep on going bankrupt indefinitely and still carry on. It will be the next step in our prophetic exercise to examine the differences between State bankruptcy and the bankruptcy of a subject of the State.

The belligerent Powers are approaching a phase when they will no longer be paying anything like twenty shillings in the pound. In a very definite sense they are not paying twenty shillings in the pound now. That is not going to stop the war, but it involves a string of consequences and possibilities of the utmost importance to our problem of what is coming when the war is over.

The exhaustion that will bring this war to its end at last is a process of destruction of men and material. The process of bankruptcy that is also going on is nothing of the sort. Bankruptcy destroys no concrete thing; it merely writes off a debt; it destroys a financial but not an economic reality. It is, in itself, a mental, not a physical fact. "A" owes "B" a debt; he goes bankrupt and pays a dividend, a fraction of his debt, and gets his discharge. "B's" feelings, as we novelists used to say, are "better imagined than described"; he does his best to satisfy himself that "A" can pay no more, and then "A" and "B" both go about their business again.

In England, if "A" is a sufficiently poor man not to be formidable, and has gone bankrupt on a small scale, he gets squeezed ferociously to extract the last farthing from him; he may find himself in jail and his home utterly smashed up. If he is a richer man, and has failed on a larger scale, our law is more sympathetic, and he gets off much more easily. Often his creditors find it advisable to arrange with him so that he will still carry on with his bankrupt concern. They find it is better to allow him to carry on than to smash him up.

There are countless men in the world living very comfortably indeed, and running businesses that were once their own property for their creditors. There are still more who have written off princely debts and do not seem to be a "ha'p'orth the worse." And their creditors have found a balm in time and philosophy. Bankruptcy is only painful and

destructive to small people and helpless people; but then for them everything is painful and destructive; it can be a very light matter to big people; it may be almost painless to a State.

If England went bankrupt in the completest way to-morrow, and repudiated all its debts both as a nation and as a community of individuals, if it declared, if I may use a self-contradictory phrase, a permanent moratorium, there would be not an acre of ploughed land in the country, not a yard of cloth or a loaf of bread the less for that. There would be nothing material destroyed within the State. There would be no immediate convulsion. Use and wont would carry most people on some days before they even began to doubt whether So-and-so could pay his way, and whether there would be wages at the end of the week.

But people who lived upon rent or investments or pensions would presently be very busy thinking how they were going to get food when the butcher and baker insisted upon cash. It would be only with comparative slowness that the bulk of men would realise that a fabric of confidence and confident assumptions had vanished; that cheques and bank notes and token money and every sort of bond and scrip were worthless, that employers had nothing to pay with, shopkeepers no means of procuring stock, that metallic money was disappearing, and that a paralysis had come upon the community.

Such an establishment as a workhouse or an old-fashioned monastery, living upon the produce of its own farming and supplying all its own

labour, would be least embarrassed amidst the general perplexity. For it would not be upon a credit basis, but a socialistic basis, a basis of direct reality, and its need for payments would be incidental. And land-owning peasants growing their own food would carry on, and small cultivating occupiers, who could easily fall back on barter for anything needed.

The mass of the population in such a country as England would, however, soon be standing about in hopeless perplexity and on the verge of frantic panic--although there was just as much food to be eaten, just as many houses to live in, and just as much work needing to be done. Suddenly the pots would be empty, and famine would be in the land, although the farms and butchers' shops were still well stocked. The general community would be like an automobile when the magneto fails. Everything would be there and in order, except for the spark of credit which keeps the engine working.

That is how quite a lot of people seem to imagine national bankruptcy: as a catastrophic jolt. It is a quite impossible nightmare of cessation. The reality is the completest contrast. All the belligerent countries of the world are at the present moment quietly, steadily and progressively going bankrupt, and the mass of people are not even aware of this process of insolvency.

An individual when he goes bankrupt is measured by the monetary standard of the country he is in; he pays five or ten or fifteen or so many

shillings in the pound. A community in debt does something which is in effect the same, but in appearance rather different. It still pays a pound, but the purchasing power of the pound has diminished. This is what is happening all over the world to-day; there is a rise in prices. This is automatic national bankruptcy; unplanned, though perhaps not unforeseen. It is not a deliberate State act, but a consequence of the interruption of communications, the diversion of productive energy, the increased demand for many necessities by the Government and the general waste under war conditions.

At the beginning of this war England had a certain national debt; it has paid off none of that original debt; it has added to it tremendously; so far as money and bankers' records go it still owes and intends to pay that original debt; but if you translate the language of £.s.d. into realities, you will find that in loaves or iron or copper or hours of toil, or indeed in any reality except gold, it owes now, so far as that original debt goes, far less than it did at the outset. As the war goes on and the rise in prices continues, the subsequent borrowings and contracts are undergoing a similar bankrupt reduction. The attempt of the landlord of small weekly and annual properties to adjust himself to the new conditions by raising rents is being checked by legislation in Great Britain, and has been completely checked in France. The attempts of labour to readjust wages have been partially successful in spite of the eloquent protests of those great exponents of plain living, economy, abstinence, and honest, modest, underpaid toil, Messrs. Asquith, McKenna, and Runciman. It is doubtful if the rise in wages is keeping

pace with the rise in prices. So far as it fails to do so the load is on the usual pack animal, the poor man.

The rest of the loss falls chiefly upon the creditor class, the people with fixed incomes and fixed salaries, the landlords, who have let at long leases, the people with pensions, endowed institutions, the Church, insurance companies, and the like. They are all being scaled down. They are all more able to stand scaling down than the proletarians.

Assuming that it is possible to bring up wages to the level of the higher prices, and that the rise in rents can be checked by legislation or captured by taxation, the rise in prices is, on the whole, a thing to the advantage of the propertyless man as against accumulated property. It writes off the past and clears the way for a fresh start in the future.

An age of cheapness is an old usurers' age. England before the war was a paradise of ancient usuries; everywhere were great houses and enclosed parks; the multitude of gentlemen's servants and golf clubs and such like excrescences of the comfort of prosperous people was perpetually increasing; it did not "pay" to build labourers' cottages, and the more expensive sort of automobile had driven the bicycle as a pleasure vehicle off the roads. Western Europe was running to fat and not to muscle, as America is to-day.

But if that old usurer's age is over, the young usurer's age may be

coming. To meet such enormous demands as this war is making there are three chief courses open to the modern State.

The first is to take--to get men by conscription and material by requisition. The British Government takes more modestly than any other in the world; its tradition from Magna Charta onward, the legal training of most of its members, all make towards a reverence for private ownership and private claims, as opposed to the claims of State and commonweal, unequalled in the world's history.

The next course of a nation in need is to tax and pay for what it wants, which is a fractional and more evenly distributed method of taking. Both of these methods raise prices, the second most so, and so facilitate the automatic release of the future from the boarding of the past. So far all the belligerent Governments have taxed on the timid side.

Finally there is the loan. This mortgages the future to the present necessity, and it has so far been the predominant source of war credits. It is the method that produces least immediate friction in the State; it employs all the savings of surplus income that the unrest of civil enterprise leaves idle; it has an effect of creating property by a process that destroys the substance of the community. In Germany an enormous bulk of property has been mortgaged to supply the subscriptions to the war loans, and those holdings have again been hypothecated to subscribe to subsequent loans. The Pledged Allies with longer stockings

have not yet got to this pitch of overlapping. But everywhere in Europe what is happening is a great transformation of the property owner into a rentier, and the passing of realty into the hands of the State.

At the end of the war Great Britain will probably find herself with a national debt so great that she will be committed to the payment of an annual interest greater in figures than the entire national expenditure before the war. As an optimistic lady put it the other day: "All the people who aren't killed will be living quite comfortably on War Loan for the rest of their lives."

But part, at least, of the bulk of this wealth will be imaginary rather than real because of the rise in prices, in wages, in rent, and in taxation. Most of us who are buying the British and French War Loans have no illusions on that score; we know we are buying an income of diminishing purchasing power. Yet it would be a poor creature in these days when there is scarcely a possible young man in one's circle who has not quite freely and cheerfully staked his life, who was not prepared to consider his investments as being also to an undefined extent a national subscription.

A rise in prices is not, however, the only process that will check the appearance of a new rich usurer class after the war. There is something else ahead that has happened already in Germany, that is quietly coming about among the Allies, and that is the cessation of gold payments. In Great Britain, of course, the pound note is still convertible into a

golden sovereign; but Great Britain will not get through the war on those terms. There comes a point in the stress upon a Government when it must depart from the austerer line of financial rectitude--and tamper in some way with currency.

Sooner or later, and probably in all cases before 1917, all the belligerents will be forced to adopt inconvertible paper money for their internal uses. There will be British assignats or greenbacks. It will seem to many financial sentimentalists almost as though Great Britain were hauling down a flag when the sovereign, which has already disappeared into bank and Treasury coffers, is locked up there and reserved for international trade. But Great Britain has other sentiments to consider than the finer feelings of bankers and the delicacies of usury. The pound British will come out of this war like a company out of a well-shelled trench--attenuated.

Depreciation of the currency means, of course, a continuing rise in prices, a continuing writing off of debt. If labour has any real grasp of its true interests it will not resent this. It will merely insist steadfastly on a proper adjustment of its wages to the new standard. On that point, however, it will be better to write later....

Let us see how far we have got in this guessing. We have considered reasons that seem to point to the destruction of a great amount of old property and old debt, and the creation of a great volume of new debt before the end of the war, and we have adopted the ideas that currency

will probably have depreciated more and more and prices risen right up to the very end.

There will be by that time a general habit of saving throughout the community, a habit more firmly established perhaps in the propertied than in the wages-earning class. People will be growing accustomed to a dear and insecure world. They will adopt a habit of caution; become desirous of saving and security.

Directly the phase of enormous war loans ends, the new class of rentiers holding the various great new national loans will find themselves drawing this collectively vast income and anxious to invest it. They will for a time be receiving the bulk of the unearned income of the world. Here, in the high prices representing demand and the need for some reinvestment of interest representing supply, we have two of the chief factors that are supposed to be necessary to a phase of business enterprise. Will the economic history of the next few decades be the story of a restoration of the capitalistic system upon a new basis? Shall we all become investors, speculators, or workers toiling our way to a new period of security, cheapness and low interest, a restoration of the park, the enclosure, the gold standard and the big automobile, with only this difference--that the minimum wage will be somewhere about two pounds, and that a five-pound note will purchase about as much as a couple of guineas would do in 1913?

That is practically parallel with what happened in the opening half of

the nineteenth century after the Napoleonic wars, and it is not an agreeable outlook for those who love the common man or the nobility of life. But if there is any one principle sounder than another of all those that guide the amateur in prophecy, it is that history never repeats itself. The human material in which those monetary changes and those developments of credit will occur will be entirely different from the social medium of a hundred years ago.

The nature of the State has altered profoundly in the last century. The later eighteenth and earlier nineteenth centuries constituted a period of extreme individualism. What were called "economic forces" had unrestricted play. In the minds of such people as Harriet Martineau and Herbert Spencer they superseded God. People were no longer reproached for "flying in the face of Providence," but for "flying in the face of Political Economy."

In that state of freedom you got whatever you could in any way you could; you were not your neighbour's keeper, and except that it interfered with the enterprise of pickpockets, burglars and forgers, and kept the dice loaded in favour of landlords and lawyers, the State stood aside from the great drama of human getting. For industrialism and speculation the State's guiding maxim was *laissez faire*.

The State is now far less aloof and far more constructive. It is far more aware of itself and a common interest. Germany has led the way from a system of individuals and voluntary associations in competition

towards a new order of things, a complete synthesis. This most modern State is far less a swarming conflict of businesses than a great national business. It will emerge from this war much more so than it went in, and the thing is and will remain so plain and obvious that only the greediest and dullest people among the Pledged Allies will venture to disregard it. The Allied nations, too, will have to rescue their economic future from individual grab and grip and chance.

The second consideration that forbids us to anticipate any parallelism of the history of 1915-45 with 1815-45 is the greater lucidity of the general mind, the fact that all Western Europe, down to the agricultural labourers, can read and write and does read newspapers and "get ideas." The explanation of economic and social processes that were mysterious to the elect a hundred years ago are now the commonplaces of the tap-room. What happened then darkly, and often unconsciously, must happen in 1916-26 openly and controllably. The current bankruptcy and liquidation and the coming reconstruction of the economic system of Europe will go on in a quite unprecedented amount of light. We shall see and know what is happening much more clearly than anything of the kind has ever been seen before.

It is not only that people will have behind them, as a light upon what is happening, the experiences and discussions of a hundred years, but that the international situation will be far plainer than it has ever been. This war has made Germany the central fact in all national affairs about the earth. It is not going to destroy Germany, and it seems

improbable that either defeat or victory, or any mixture of these, will immediately alter the cardinal fact of Germany's organised aggressiveness.

The war will not end the conflict of anti-Germany and Germany, That will only end when the results of fifty years of aggressive education in Germany have worn away. This will be so plain that the great bulk of people everywhere will not only see their changing economic relationships far more distinctly than such things have been seen hitherto, but that they will see them as they have never been seen before, definitely orientated to the threat of German world predominance. The landlord who squeezes, the workman who strikes and shirks, the lawyer who fogs and obstructs, will know, and will know that most people know, that what he does is done, not under an empty, regardless heaven, but in the face of an unsleeping enemy and in disregard of a continuous urgent necessity for unity.

So far we have followed this speculation upon fairly firm ground, but now our inquiry must plunge into a jungle of far more difficult and uncertain possibilities. Our next stage brings us to the question of how people and peoples and classes of people are going to react to the new conditions of need and knowledge this war will have brought about, and to the new demands that will be made upon them.

This is really a question of how far they will prove able to get out of the habits and traditions of their former social state, how far they

will be able to take generous views and make sacrifices and unselfish efforts, and how far they will go in self-seeking or class selfishness regardless of the common welfare. This is a question we have to ask separately of each great nation, and of the Central Powers as a whole, and of the Allies as a whole, before we can begin to estimate the posture of the peoples of the world in, say, 1946.

Now let me here make a sort of parenthesis on human nature. It will be rather platitudinous, but it is a necessary reminder for what follows.

So far as I have been able to observe, nobody lives steadily at one moral level. If we are wise we shall treat no man and no class--and for the matter of that no nation--as either steadfastly malignant or steadfastly disinterested. There are phases in my life when I could die quite cheerfully for an idea; there are phases when I would not stir six yards to save a human life. Most people fluctuate between such extremes. Most people are self-seeking, but most people will desist from a self-seeking cause if they see plainly and clearly that it is not in the general interest, and much more readily if they also perceive that other people are of the same mind and know that they know their course is unsound.

The fundamental error of orthodox political economy and of Marxian socialism is to assume the inveterate selfishness of everyone. But most people are a little more disposed to believe what it is to their interest to believe than the contrary. Most people abandon with

reluctance ways of living and doing that have served them well. Most people can see the neglect of duty in other classes more plainly than they do in their own.

This war has brought back into the everyday human life of Europe the great and overriding conception of devotion to a great purpose. But that does not imply clear-headedness in correlating the ways of one's ordinary life with this great purpose. It is no good treating as cynical villainy things that merely exhibit the incapacity of our minds to live consistently.

One Labour paper a month or so ago was contrasting Mr. Asquith's eloquent appeals to the working man to economise and forgo any rise in wages with the photographs that were appearing simultaneously in the smart papers of the very smart marriage of Mr. Asquith's daughter. I submit that by that sort of standard none of us will be blameless. But without any condemnation, it is easy to understand that the initiative to tax almost to extinction large automobiles, wedding dresses, champagne, pâté de foie gras and enclosed parks, instead of gin and water, bank holiday outings and Virginia shag, is less likely to come from the Prime Minister class than from the class of dock labourers. There is an unconscious class war due to habit and insufficient thinking and insufficient sympathy that will play a large part in the distribution of the burthen of the State bankruptcy that is in progress, and in the subsequent readjustment of national life.

And having made this parenthesis, I may perhaps go on to point out the peculiar limitations under which various classes will be approaching the phase of reorganisation, without being accused of making this or that class the villain of an anticipatory drama.

Now, three great classes will certainly resist the valiant reconstruction of economic life with a vigour in exact proportion to their baseness, stupidity and narrowness of outlook. They will, as classes, come up for a moral judgment, on whose verdict the whole future of Western civilisation depends. If they cannot achieve a considerable, an unprecedented display of self-sacrifice, unselfish wisdom, and constructive vigour, if the community as a whole can produce no forces sufficient to restrain their lower tendencies, then the intelligent father had better turn his children's faces towards the New World. For Europe will be busy with social disorder for a century.

The first great class is the class that owns and holds land and land-like claims upon the community, from the Throne downward. This Court and land-holding class cannot go on being rich and living rich during the strains of the coming years. The reconstructing world cannot bear it. Whatever rises in rent may occur through the rise in prices, must go to meet the tremendous needs of the State.

This class, which has so much legislative and administrative power in at least three of the great belligerents--in Great Britain and Germany perhaps most so--must be prepared to see itself taxed, and must be

willing to assist in its own taxation to the very limit of its statistical increment. The almost vindictive greed of the landowners that blackened the history of England after Waterloo, and brought Great Britain within sight of revolution, must not be repeated. The British Empire cannot afford a revolution in the face of the Central European Powers. But in the past century there has been an enormous change in men's opinions and consciences about property; whereas we were Individualists, now we are Socialists. The British lord, the German junker, has none of the sense of unqualified rights that his great-grandfather had, and he is aware of a vigour of public criticism that did not exist in the former time....

How far will these men get out of the tradition of their birth and upbringing?

Next comes the great class of lawyers who, through the idiotic method of voting in use in modern democracies, are able practically to rule Great Britain, and who are powerful and influential in all democratic countries.

In order to secure a certain independence and integrity in its courts, Great Britain long ago established the principle of enormously overpaying its judges and lawyers. The natural result has been to give our law courts and the legal profession generally a bias in favour of private wealth against both the public interest and the proletariat. It has also given our higher national education an overwhelming direction

towards the training of advocates and against science and constructive statecraft. An ordinary lawyer has no idea of making anything; that tendency has been destroyed in his mind; he waits and sees and takes advantage of opportunity. Everything that can possibly be done in England is done to make our rulers Micawbers and Artful Dodgers.

One of the most anxious questions that a Briton can ask himself to-day is just how far the gigantic sufferings and still more monstrous warnings of this war have shocked the good gentlemen who must steer the ship of State through the strong rapids of the New Peace out of this forensic levity their training has imposed upon them....

There, again, there are elements of hope. The lawyer has heard much about himself in the past few years. His conscience may check his tradition. And we have a Press--it has many faults, but it is no longer a lawyer's Press....

And the third class which has immediate interests antagonistic to bold reconstructions of our national methods is that vaguer body, the body of investing capitalists, the savers, the usurers, who live on dividends. It is a vast class, but a feeble class in comparison with the other two; it is a body rather than a class, a weight rather than a power. It consists of all sorts of people with nothing in common except the receipt of unearned income....

All these classes, by instinct and the baser kinds of reason also, will

be doing their best to check the rise in prices, stop and reverse the advance in wages, prevent the debasement of the circulation, and facilitate the return to a gold standard and a repressive social stability. They will be resisting any comprehensive national reconstruction, any increase in public officials, any "conscription" of land or railways or what not for the urgent civil needs of the State. They will have fighting against these tendencies something in their own consciences, something in public opinion, the tradition of public devotion their own dead sons have revived--and certain other forces.

They will have over against them the obvious urgent necessities of the time.

The most urgent necessity will be to get back the vast moiety of the population that has been engaged either in military service or the making of munitions to productive work, to the production of food and necessary things, and to the restoration of that export trade which, in the case of Great Britain at least, now that her overseas investments have been set off by overseas war debts, is essential to the food supply. There will be coming back into civil life, not merely thousands, but millions of men who have been withdrawn from it. They will feel that they have deserved well of their country. They will have had their imaginations greatly quickened by being taken away from the homes and habits to which they were accustomed. They will have been well fed and inured to arms, to danger, and the chances of death. They will have no illusions about the conduct of the war by the governing classes, or the

worshipful heroism of peers and princes. They will know just how easy is courage, and how hard is hardship, and the utter impossibility of doing well in war or peace under the orders of detected fools.

This vast body will constitute a very stimulating congregation of spectators in any attempt on the part of landlord, lawyer and investor to resume the old political mystery dance, in which rents are to be sent up and wages down, while the old feuds of Wales and Ireland, ancient theological and sectarian jealousies and babyish loyalties, and so forth are to be waved in the eyes of the no longer fascinated realist.

"Meanwhile," they will say, with a stiff impatience unusual in their class, "about us?" ...

Here are the makings of internal conflict in every European country. In Russia the landlord and lawyer, in France the landlord, are perhaps of less account, and in France the investor is more universal and jealous. In Germany, where Junker and Court are most influential and brutal, there is a larger and sounder and broader tradition of practical efficiency, a modernised legal profession, and a more widely diffused scientific imagination.

How far in each country will imagination triumph over tradition and individualism? How far does the practical bankruptcy of Western civilisation mean a revolutionary smash-up, and a phase that may last for centuries, of disorder and more and more futile conflict? And how

far does it mean a reconstruction of human society, within a few score of years, upon sounder and happier lines? Must that reconstruction be preceded by a revolution in all or any of the countries?

To what extent can the world produce the imagination it needs? That, so far, is the most fundamental question to which our prophetic explorations have brought us.