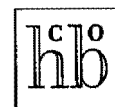


ESSAYS  
IN  
PERSUASION

BY  
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## PREFACE

HERE are collected the croakings of twelve years—the croakings of a Cassandra who could never influence the course of events in time. The volume might have been entitled “Essays in Prophecy and Persuasion,” for the *Prophecy*, unfortunately, has been more successful than the *Persuasion*. But it was in a spirit of persuasion that most of these essays were written, in an attempt to influence opinion. They were regarded at the time, many of them, as extreme and reckless utterances. But I think that the reader, looking through them to-day, will admit that this was because they often ran directly counter to the overwhelming weight of contemporary sentiment and opinion, and not because of their character in themselves. On the contrary, I feel—reading them again, though I am a prejudiced witness—that they contain more understatement than overstatement, as judged by after-events. That this should be their tendency, is a natural consequence of the circumstances in which they were written. For

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I wrote many of these essays painfully conscious that a cloud of witnesses would rise up against me and very few in my support, and that I must, therefore, be at great pains to say nothing which I could not substantiate. I was constantly on my guard—as I well remember, looking back—to be as moderate as my convictions and the argument would permit.

All this applies to the first three of the five books into which these essays naturally group themselves, rather than to the last two; that is to say, to the three great controversies of the past decade, into which I plunged myself without reserve,—the Treaty of Peace and the War Debts, the Policy of Deflation, and the Return to the Gold Standard,<sup>1</sup> of which the last two, and indeed in some respects all three, were closely interconnected. In these essays the author was *in a hurry*, desperately anxious to convince his audience in time. But in the last two books time's chariots make a less disturbing noise. The author is looking into

<sup>1</sup> I still stand—substantially—by the *Positive Suggestions for the Future Regulation of Money*, which I wrote in 1923 before our Return to the Gold Standard and which are here reprinted (p. 213) as the third Essay of Book III. Whilst we were on the Gold Standard, these proposals were necessarily in abeyance. But any one who wishes to know the general outline of how the author would settle our currency Problem, as it presents itself to-day, will find it in this essay.

the more distant future, and is ruminating matters which need a slow course of evolution to determine them. He is more free to be leisurely and philosophical. And here emerges more clearly what is in truth his central thesis throughout,—the profound conviction that the Economic Problem, as one may call it for short, the problem of want and poverty and the economic struggle between classes and nations, is nothing but a frightful muddle, a transitory and an *unnecessary* muddle. For the Western World already has the resources and the technique, if we could create the organisation to use them, capable of reducing the Economic Problem, which now absorbs our moral and material energies, to a position of secondary importance.

Thus the author of these essays, for all his croakings, still hopes and believes that the day is not far off when the Economic Problem will take the back seat where it belongs, and that the arena of the heart and head will be occupied, or re-occupied, by our real problems—the problems of life and of human relations, of creation and behaviour and religion. And it happens that there is a subtle reason drawn from economic analysis why, in this case, faith may work. For if we consistently act on the optimistic hypothesis, this hypothesis will tend to be realised; whilst by acting on the pessimistic hypothesis

we can keep ourselves for ever in the pit of want.

The essays have been taken out of the author's printed writings, whether books or pamphlets or newspaper and magazine articles, indiscriminately. The method has been to omit freely (without special indications in the text) anything which appeared to be redundant or unnecessary to the main line of the argument or to have lost interest with the passage of events; but to alter nothing in the text which has been retained. New explanatory footnotes, which have been added in this volume, have been placed between square brackets. The author has endeavoured to secure that the omissions shall not be such as to make the balance of argument to appear in any way different from what it was in the original context. But for the curious inquirer, if there be any, there is provided on the last page of the book a table of references showing the source from which each essay has been taken, and where it can be found in its complete contemporary setting.

I have thought it convenient to choose this date of publication, because we are standing at a point of transition. It is called a National Crisis. But that is not correct—for Great

Britain the main crisis is over. There is a lull in our affairs. We are, in the autumn of 1931, resting ourselves in a quiet pool between two waterfalls. The main point is that we have regained our freedom of choice. Scarcely any one in England now believes in the Treaty of Versailles or in the pre-war Gold Standard or in the Policy of Deflation. These battles have been won—mainly by the irresistible pressure of events and only secondarily by the slow undermining of old prejudices. But most of us have, as yet, only a vague idea of what we are going to do next, of how we are going to use our regained freedom of choice. So I should like to clinch the past, as it were, by reminding the reader of what we have been through, and how it appeared at the time, and the nature of the mistakes we made.

J. M. KEYNES

*November 8, 1931.*

## POLITICS

### 1. A SHORT VIEW OF RUSSIA (1925)

#### (i) *What is the Communist Faith?*

LENINISM is a combination of two things which Europeans have kept for some centuries in different compartments of the soul—religion and business. We are shocked because the religion is new, and contemptuous because the business, being subordinated to the religion instead of the other way round, is highly inefficient. \* ✓

Like other new religions, Leninism derives its power not from the multitude but from a small minority of enthusiastic converts whose zeal and intolerance make each one the equal in strength of a hundred indifferentists. Like other new religions, it is led by those who can combine the new spirit, perhaps sincerely, with seeing a good deal more than their followers, politicians with at least an average dose of political cynicism, who can smile as well as frown, volatile experimentalists, released by religion from truth and mercy but not blinded to facts and expediency, and open therefore to the charge (superficial and useless though it is where ✓ ←

politicians, lay or ecclesiastical, are concerned) of hypocrisy. Like other new religions, it seems to take the colour and gaiety and freedom out of everyday life and to offer a drab substitute in the square wooden faces of its devotees. Like other new religions, it persecutes without justice or pity those who actively resist it. Like other new religions, it is unscrupulous. Like other new religions, it is filled with missionary ardour and oecumenical ambitions. But to say that Leninism is the faith of a persecuting and propagating minority of fanatics led by hypocrites is, after all, to say no more nor less than that it is a religion and not merely a party, and Lenin La Mahomet, not a Bismarck. If we want to frighten ourselves in our capitalist easy-chairs, we can picture the Communists of Russia as though the early Christians led by Attila were using the equipment of the Holy Inquisition and the Jesuit missions to enforce the literal economics of the New Testament; but when we want to comfort ourselves in the same chairs, can we hopefully repeat that these economics are fortunately so contrary to human nature that they cannot finance either missionaries or armies and will surely end in defeat?

There are three questions to answer. Is the new religion partly true, or sympathetic to the souls of modern men? Is it on the material side so inefficient as to render it incapable to survive? Will it, in the course of time, with sufficient dilution and added impurity, catch the multitude?

As for the first question, those who are completely satisfied by Christian capitalism or by egotistic capitalism untempered by subterfuge will not hesitate how to answer it; for they either have a religion or need none. But many, in this age without religion, are bound to feel a strong emotional curiosity towards any religion which is really new, and not merely a recrudescence of old ones, and has proved its motive force; and all the more when the new thing comes out of Russia, the beautiful and foolish youngest son of the European family, with hair on his head, nearer both to the earth and to heaven than his bald brothers in the West—who, having been born two centuries later, has been able to pick up the middle-aged disillusionment of the rest of the family before he has lost the genius of youth or become addicted to comfort and to habits. I sympathise with those who seek for something good in Soviet Russia.

But when we come to the actual thing what is one to say? For me, brought up in a free air undarkened by the horrors of religion, with nothing to be afraid of, Red Russia holds too much which is detestable. Comfort and habits let us be ready to forgo, but I am not ready for a creed which does not care how much it destroys the liberty and security of daily life, which uses deliberately the weapons of persecution, destruction, and international strife. How can I admire a policy which finds a characteristic expression in spending millions to suborn spies in every family and group at home,

and to stir up trouble abroad? Perhaps this is no worse and has more purpose than the greedy, warlike, and imperialist propensities of other Governments; but it must be far better than these to shift me out of my rut. How can I accept a doctrine which sets up as its bible, above and beyond criticism, an obsolete economic textbook which I know to be not only scientifically erroneous but without interest or application for the modern world? How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the bourgeois and the intelligentsia who, with whatever faults, are the quality in life and surely carry the seeds of all human advancement? Even if we need a religion, how can we find it in the turbid rubbish of the Red bookshops? It is hard for an educated, decent, intelligent son of Western Europe to find his ideals here, unless he has first suffered some strange and horrid process of conversion which has changed all his values.

Yet we shall miss the essence of the new religion if we stop at this point. The Communist may justly reply that all these things belong not to his ultimate Faith but to the tactics of the Revolution. For he believes in two things: the introduction of a New Order upon earth, and the *method* of the Revolution as the *only* means thereto.<sup>1</sup> The New Order must not be judged

<sup>1</sup> I use the term "Communism" to mean the New Order, and not, as is the practice in British Labour politics, to mean the Revolution as a means thereto.

either by the horrors of the Revolution or by the privations of the transitionary period. The Revolution is to be a supreme example of the means justified by the end. The soldier of the Revolution must crucify his own human nature, becoming unscrupulous and ruthless, and suffering himself a life without security or joy—but as the means to his purpose and not its end.

What, then, is the essence of the new religion as a New Order upon earth? Looking from outside, I do not clearly know. Sometimes its mouthpieces speak as though it was purely materialistic and technical in just the same sense that modern capitalism is—as though, that is to say, Communism merely claimed to be in the long run a superior technical instrument for obtaining the same materialistic economic benefits as capitalism offers, that in time it will cause the fields to yield more and the forces of Nature to be more straitly harnessed. In this case there is no religion after all, nothing but a bluff to facilitate a change to what may or may not be a better economic technique. But I suspect that, in fact, such talk is largely a reaction against the charges of economic inefficiency which we on our side launch, and that at the heart of Russian Communism there is something else of more concern to mankind.

In one respect Communism but follows other famous religions. It exalts the common man and makes him everything. Here there is nothing new. But there is another factor in it which also is not new but which may, never-

theless, in a changed form and a new setting, contribute something to the true religion of the future, if there be any true religion. *Leninism is absolutely, defiantly non-supernatural, and its emotional and ethical essence centres about the individual's and the community's attitude towards the Love of Money.*

I do not mean that Russian Communism alters, or even seeks to alter, human nature, that it makes Jews less avaricious or Russians less extravagant than they were before. I do not merely mean that it sets up a new ideal. I mean that it tries to construct a framework of society in which pecuniary motives as influencing action shall have a changed relative importance, in which social approbations shall be differently distributed, and where behaviour, which previously was normal and respectable, ceases to be either the one or the other.

In England to-day a talented and virtuous youth, about to enter the world, will balance the advantages of entering the Civil Service and of seeking a fortune in business; and public opinion will esteem him not less if he prefers the second. Money-making, as such, on as large a scale as possible, is not less respectable socially, perhaps more so, than a life devoted to the service of the State or of Religion, Education, Learning, or Art. But in the Russia of the future it is intended that the career of money-making, as such, will simply not occur to a respectable young man as a possible opening, any more than the career of a gentleman

burglar or acquiring skill in forgery and embezzlement. Even the most admirable aspects of the love of money in our existing society, such as thrift and saving, and the attainment of financial security and independence for one's self and one's family, whilst not deemed morally wrong, will be rendered so difficult and impracticable as to be not worth while. Every one should work for the community—the new creed runs—and, if he does his duty, the community will uphold him.

This system does not mean a complete leveling down of incomes—at least at the present stage. A clever and successful person in Soviet Russia has a bigger income and a better time than other people. The commissar with £5 a week (*plus* sundry free services, a motor-car, a flat, a box at the ballet, etc., etc.) lives well enough, but not *in the least* like a rich man in London. The successful professor or civil servant with £6 or £7 a week (*minus* sundry impositions) has, perhaps, a real income three times those of the proletarian workers and six times those of the poorer peasants. Some peasants are three or four times richer than others. A man who is out of work receives part pay, not full pay. But no one can afford on these incomes, with high Russian prices and stiff progressive taxes, to save anything worth saving; it is hard enough to live day by day. The progressive taxation and the mode of assessing rents and other charges are such that it is actually disadvantageous to have an acknow-



ledged income exceeding £8 to £10 a week. Nor is there any possibility of large gains except by taking the same sort of risks as attach to bribery and embezzlement elsewhere—not that bribery and embezzlement have disappeared in Russia or are even rare, but any one whose extravagance or whose instincts drive him to such courses runs serious risk of detection and penalties which include death.

Nor, at the present stage, does the system involve the actual prohibition of buying and selling at a profit. The policy is not to forbid these professions, but to render them precarious and disgraceful. The private trader is a sort of permitted outlaw, without privileges or protection, like the Jew in the Middle Ages—an outlet for those who have overwhelming instincts in this direction, but not a natural or agreeable job for the normal man.

The effect of these social changes has been, I think, to make a real change in the predominant attitude towards money, and will probably make a far greater change when a new generation has grown up which has known nothing else. People in Russia, if only because of their poverty, are very greedy for money—at least as greedy as elsewhere. But money-making and money-accumulating cannot enter into the life-calculations of a rational man who accepts the Soviet rule in the way in which they enter into ours. A society of which this is even partially true is a tremendous innovation.

Now all this may prove Utopian, or destruc-

tive of true welfare, though, perhaps, not so Utopian, pursued in an intense religious spirit, as it would be if it were pursued in a matter-of-fact way. But is it appropriate to assume, as most of us have assumed hitherto, that it is insincere or wicked?

After a long debate with Zinovieff, two Communist ironies who attended him stepped forward to speak to me a last word with the full faith of fanaticism in their eyes. "We make you a prophecy," they said. "Ten years hence the level of life in Russia will be higher than it was before the war, and in the rest of Europe it will be lower than it was before the war." Having regard to the natural wealth of Russia and to the inefficiency of the old régime, having regard also to the problems of Western Europe and our apparent inability to handle them, can we feel confident that the comrades will not prove right?

#### (ii) *Communism's Power to Survive*

Can Communism in the course of time, with sufficient dilution and added impurity, catch the multitude?

I cannot answer what only time will show. But I feel confident of one conclusion—that if Communism achieves a certain success, it will achieve it, not as an improved economic technique, but as a religion. The tendency of our conventional criticisms is to make two opposed

mistakes. We hate Communism so much, regarded as a religion, that we exaggerate its economic inefficiency; and we are so much impressed by its economic inefficiency that we underestimate it as a religion.

✓ → On the economic side I cannot perceive that Russian Communism has made any contribution to our economic problems of intellectual interest or scientific value. I do not think that it contains, or is likely to contain, any piece of useful economic technique which we could not apply, if we chose, with equal or greater success in a society which retained all the marks, I will not say of nineteenth-century individualistic capitalism, but of British bourgeois ideals. Theoretically at least, I do not believe that there is any economic improvement for which Revolution is a necessary instrument. On the other hand, we have everything to lose by the methods of violent change. In Western industrial conditions the tactics of Red Revolution would throw the whole population into a pit of poverty and death.

✓ → But as a religion what are its forces? Perhaps they are considerable. The exaltation of the common man is a dogma which has caught the multitude before now. Any religion and the bond which unites co-religionists have power against the egotistic atomism of the L irreligious.

For modern capitalism is absolutely irreligious, without internal union, without much public spirit, often, though not always, a mere

congeries of possessors and pursuers. Such a system has to be immensely, not merely moderately, successful to survive. In the nineteenth century it was in a certain sense idealistic; at any rate it was a united and self-confident system. It was not only immensely successful, but held out hopes of a continuing crescendo of prospective successes. To-day it is only moderately successful. If irreligious Capitalism is ultimately to defeat religious Communism, it is not enough that it should be economically more efficient—it must be many times as efficient.

We used to believe that modern capitalism was capable, not merely of maintaining the existing standards of life, but of leading us gradually into an economic paradise where we should be comparatively free from economic cares. Now we doubt whether the business man is leading us to a destination far better than our present place. Regarded as a means he is tolerable; regarded as an end he is not so satisfactory. One begins to wonder whether the material advantages of keeping business and religion in different compartments are sufficient to balance the moral disadvantages. The Protestant and Puritan could separate them comfortably because the first activity pertained to earth and the second to heaven, which was elsewhere. The believer in progress could separate them comfortably because he regarded the first as the means to the establishment of heaven upon earth hereafter. But there is a third state of mind, in which we do not fully believe either in

a heaven which is elsewhere or in progress as a sure means towards a heaven upon earth hereafter; and if heaven is not elsewhere and not hereafter, it must be here and now or not at all. If there is no moral objective in economic progress, then it follows that we must not sacrifice, even for a day, moral to material advantage—in other words, that we may no longer keep business and religion in separate compartments of the soul. In so far as a man's thoughts are capable of straying along these paths, he will be ready to search with curiosity for something at the heart of Communism quite different from the picture of its outward parts which our Press paints.

At any rate to me it seems clearer every day that the moral problem of our age is concerned with the love of money, with the habitual appeal to the money motive in nine-tenths of the activities of life, with the universal striving after individual economic security as the prime object of endeavour, with the social approbation of money as the measure of constructive success, and with the social appeal to the hoarding instinct as the foundation of the necessary provision for the family and for the future. The decaying religions around us, which have less and less interest for most people unless it be as an agreeable form of magical ceremonial or of social observance, have lost their moral significance just because—unlike some of their earlier versions—they do not touch in the least degree on these essential matters. A revolu-

tion in our ways of thinking and feeling about money may become the growing purpose of contemporary embodiments of the ideal. Perhaps, therefore, Russian Communism does represent the first confused stirrings of a great religion.

The visitor to Russia from the outside, who tries without prejudice to catch the atmosphere, must alternate, I think, between two moods—oppression and elation. Sir Martin Conway, in his true and sincere volume on *Art Treasures in Soviet Russia*, writes thus of his departure out of the country:

... After a very long halt the train moved on about half a mile to the Finnish frontier, where passports, visas, and luggage were again examined much less meticulously. The station was new built, a pleasant place, simple, clean, and convenient, and served with much courtesy. It has a charming refreshment room, where simple but nicely cooked food was supplied in an atmosphere of hospitality.


It seems a churlish thing for me to say, after all the kindness shown to me in Russia, but if I am to tell the whole truth I must here put on record that in this frontier station of Finland I experienced a sense as of the removal of a great weight which had been oppressing me. I cannot explain just how this weight had been felt. I did not experience the imposition of it on entering Russia, but as the days passed it seemed slowly to accumulate. The sense of freedom gradually disappeared. Though everyone was kind one felt the presence of an oppression, not on oneself, but all-pervading. Never have I felt so completely a stranger in a strange land; with successive days what at first was a dim feeling took more definite shape and condensed into an ever-increasingly conscious oppression.

I imagine one might have passed through the same experience in the Russia of the Tsars. Americans often praise what they call the "air of liberty" which they claim as characteristic of their country. They possess it in common with all the English-speaking dominions. The moral atmosphere of Russia is a very different compound of emotional chemistry.

The part of Finland through which our train now bore us was not different in physical character from the lands across the frontier, but we found ourselves passing "nice little properties" and the signs of comfort and even prosperity. . . .

The mood of oppression could not be better conveyed. In part, no doubt, it is the fruit of Red Revolution—there is much in Russia to make one pray that one's own country may achieve its goal not in that way. In part, perhaps, it is the fruit of some beastliness in the Russian nature—or in the Russian and Jewish natures when, as now, they are allied together. But in part it is one face of the superb earnestness of Red Russia, of the high seriousness, which in its other aspect appears as the Spirit of Elation. There never was any one so *serious* as the Russian of the Revolution, serious even in his gaiety and abandon of spirit—so serious that sometimes he can forget to-morrow and sometimes he can forget to-day. Often this seriousness is crude and stupid and boring in the extreme. The average Communist is *discoloured* just as the Methodists of every age have been. The tenseness of the atmosphere is more than one is used to support, and a longing comes for the frivolous ease of London.

Yet the elation, when that is felt, is very great. Here—one feels at moments—in spite of poverty, stupidity, and oppression, is the Laboratory of Life. Here the chemicals are being mixed in new combinations, and stink and explode. Something—there is just a chance—might come out. And even a chance gives to what is happening in Russia more importance than what is happening (let us say) in the United States of America.

I think that it is partly reasonable to be afraid of Russia, like the gentlemen who write to *The Times*. But if Russia is going to be a force in the outside world, it will not be the result of Mr. Zinovieff's money. Russia will never matter seriously to the rest of us, unless it be as a moral force. So, now the deeds are done and there is no going back, I should like to give Russia her chance; to help and not to hinder.  For how much rather, even after allowing for everything, if I were a Russian, would I contribute my quota of activity to Soviet Russia than to Tsarist Russia! I could not subscribe to the new official faith any more than to the old. I should detest the actions of the new tyrants not less than those of the old. But I should feel that my eyes were turned towards, and no longer away from, the possibilities of things; that out of the cruelty and stupidity of Old Russia nothing could ever emerge, but that beneath the cruelty and stupidity of New Russia some speck of the ideal may lie hid.

## 2. THE END OF LAISSEZ-FAIRE (1926)

Let us clear from the ground the metaphysical or general principles upon which, from time to time, *laissez-faire* has been founded. It is *not* true that individuals possess a prescriptive "natural liberty" in their economic activities. There is *no* "compact" conferring perpetual rights on those who Have or on those who Acquire. The world is *not* so governed from above that private and social interest always coincide. It is *not* so managed here below that in practice they coincide. It is *not* a correct deduction from the Principles of Economics that enlightened self-interest always operates in the public interest. Nor is it true that self-interest generally *is* enlightened; more often individuals acting separately to promote their own ends are too ignorant or too weak to attain even these. Experience does *not* show that individuals, when they make up a social unit, are always less clear-sighted than when they act separately.

We cannot, therefore, settle on abstract grounds, but must handle on its merits in detail, what Burke termed "one of the finest problems in legislation, namely, to determine what the

State ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual exertion." We have to discriminate between what Bentham, in his forgotten but useful nomenclature, used to term *Agenda* and *Non-Agenda*, and to do this without Bentham's prior presumption that interference is, at the same time, "generally needless" and "generally pernicious."<sup>1</sup> Perhaps the chief task of Economists at this hour is to distinguish afresh the *Agenda* of Government from the *Non-Agenda*; and the companion task of Politics is to devise forms of Government within a Democracy which shall be capable of accomplishing the *Agenda*. I will illustrate what I have in mind by two examples.

(1) I believe that in many cases the ideal size for the unit of control and organisation lies somewhere between the individual and the modern State. I suggest, therefore, that progress lies in the growth and the recognition of semi-autonomous bodies within the State—bodies whose criterion of action within their own field is solely the public good as they understand it, and from whose deliberations motives of private advantage are excluded, though some place it may still be necessary to leave, until the ambit of men's altruism grows wider, to the separate advantage of particular groups, classes, or faculties—bodies which in

<sup>1</sup> Bentham's *Manual of Political Economy*, published posthumously, in Bowring's edition (1843).

the ordinary course of affairs are mainly autonomous within their prescribed limitations, but are subject in the last resort to the sovereignty of the democracy expressed through Parliament.

\* I propose a return, it may be said, towards mediaeval conceptions of separate autonomies. But, in England at any rate, corporations are a mode of government which has never ceased to be important and is sympathetic to our institutions. It is easy to give examples, from what already exists, of separate autonomies which have attained or are approaching the mode I designate—the Universities, the Bank of England, the Port of London Authority, even perhaps the Railway Companies.

But more interesting than these is the trend of Joint Stock Institutions, when they have reached a certain age and size, to approximate to the status of public corporations rather than that of individualistic private enterprise. One of the most interesting and unnoticed developments of recent decades has been the tendency of big enterprise to socialise itself. A point arrives in the growth of a big institution—particularly a big railway or big public utility enterprise, but also a big bank or a big insurance company—at which the owners of the capital, *i.e.* the shareholders, are almost entirely dissociated from the management, with the result that the direct personal interest of the latter in the making of great profit becomes quite secondary. When this stage is reached, the general stability and reputation of the institution are

more considered by the management than the maximum of profit for the shareholders. The shareholders must be satisfied by conventionally adequate dividends; but once this is secured, the direct interest of the management often consists in avoiding criticism from the public and from the customers of the concern. This is particularly the case if their great size or semi-monopolistic position renders them conspicuous in the public eye and vulnerable to public attack. The extreme instance, perhaps, of this tendency in the case of an institution, theoretically the unrestricted property of private persons, is the Bank of England. It is almost true to say that there is no class of persons in the Kingdom of whom the Governor of the Bank of England thinks less when he decides on his policy than of his shareholders. Their rights, in excess of their conventional dividend, have already sunk to the neighbourhood of zero. But the same thing is partly true of many other big institutions. They are, as time goes on, socialising themselves.

Not that this is unmixed gain. The same causes promote conservatism and a waning of enterprise. In fact, we already have in these cases many of the faults as well as the advantages of State Socialism. Nevertheless we see here, I think, a natural line of evolution. The battle of Socialism against unlimited private profit is being won in detail hour by hour. In these particular fields—it remains acute elsewhere—this is no longer the pressing problem.

There is, for instance, no so-called important political question so really unimportant, so irrelevant to the reorganisation of the economic life of Great Britain, as the Nationalisation of the Railways.

It is true that many big undertakings, particularly Public Utility enterprises and other business requiring a large fixed capital, still need to be semi-socialised. But we must keep our minds flexible regarding the forms of this semi-socialism. We must take full advantage of the natural tendencies of the day, and we must probably prefer semi-autonomous corporations to organs of the Central Government for which Ministers of State are directly responsible.

→ I criticise doctrinaire State Socialism, not because it seeks to engage men's altruistic impulses in the service of Society, or because it departs from *laissez-faire*, or because it takes away from man's natural liberty to make a million, or because it has courage for bold experiments. All these things I applaud. I criticise it because it misses the significance of what is actually happening; because it is, in fact, little better than a dusty survival of a plan to meet the problems of fifty years ago, based on a misunderstanding of what some one said a hundred years ago. Nineteenth-century State Socialism sprang from Bentham, free competition, etc., and is in some respects a clearer, in some respects a more muddled, version of just the same philosophy as underlies nineteenth-century individualism. Both equally laid all

plans, straight?  
conformist states

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their stress on freedom, the one negatively to avoid limitations on existing freedom, the other positively to destroy natural or acquired monopolies. They are different reactions to the same intellectual atmosphere.

(2) I come next to a criterion of *Agenda* which is particularly relevant to what it is urgent and desirable to do in the near future. We must aim at separating those services which are *technically social* from those which are *technically individual*. The most important *Agenda* of the State relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by *no one* if the State does not make them. The important thing for Government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all.

It is not within the scope of my purpose on this occasion to develop practical policies. I limit myself, therefore, to naming some instances of what I mean from amongst those problems about which I happen to have thought most.

Many of the greatest economic evils of our time are the fruits of risk, uncertainty, and ignorance. It is because particular individuals, fortunate in situation or in abilities, are able to take advantage of uncertainty and ignorance, and also because for the same reason big busi-



ness is often a lottery, that great inequalities of wealth come about; and these same factors are also the cause of the Unemployment of Labour, or the disappointment of reasonable business expectations, and of the impairment of efficiency and production. Yet the cure lies outside the operations of individuals; it may even be to the interest of individuals to aggravate the disease. I believe that the cure for these things is partly to be sought in the deliberate control of the currency and of credit by a central institution, and partly in the collection and dissemination on a great scale of data relating to the business situation, including the full publicity, by law if necessary, of all business facts which it is useful to know. These measures would involve Society in exercising directive intelligence through some appropriate organ of action over many of the inner intricacies of private business, yet it would leave private initiative and enterprise unhindered. Even if these measures prove insufficient, nevertheless they will furnish us with better knowledge than we have now for taking the next step.

My second example relates to Savings and Investment. I believe that some co-ordinated act of intelligent judgement is required as to the scale on which it is desirable that the community as a whole should save, the scale on which these savings should go abroad in the form of foreign investments, and whether the present organisation of the investment market distributes savings along the most nationally productive channels.

I do not think that these matters should be left entirely to the chances of private judgement and private profits, as they are at present.

My third example concerns Population. The time has already come when each country needs a considered national policy about what size of Population, whether larger or smaller than at present or the same, is most expedient. And having settled this policy, we must take steps to carry it into operation. The time may arrive a little later when the community as a whole must pay attention to the innate quality as well as to the mere numbers of its future members.

These reflections have been directed towards possible improvements in the technique of modern Capitalism by the agency of collective action. There is nothing in them which is seriously incompatible with what seems to me to be the essential characteristic of Capitalism, namely the dependence upon an intense appeal to the money-making and money-loving instincts of individuals as the main motive force of the economic machine. Nor must I, so near to my end, stray towards other fields. Nevertheless, I may do well to remind you, in conclusion, that the fiercest contests and the most deeply felt divisions of opinion are likely to be waged in the coming years not round technical questions, where the arguments on either side are mainly economic, but round those which, for want of better words, may be called psychological or, perhaps, moral.



In Europe, or at least in some parts of Europe—but not, I think, in the United States of America—there is a latent reaction, somewhat widespread, against basing Society to the extent that we do upon fostering, encouraging, and protecting the money-motives of individuals. A preference for arranging our affairs in such a way as to appeal to the money-motive as little as possible, rather than as much as possible, need not be entirely *a priori*, but may be based on the comparison of experiences. Different persons, according to their choice of profession, find the money-motive playing a large or a small part in their daily lives, and historians can tell us about other phases of social organisation in which this motive has played a much smaller part than it does now. Most religions and most philosophies deprecate, to say the least of it, a way of life mainly influenced by considerations of personal money profit. On the other hand, most men to-day reject ascetic notions and do not doubt the real advantages of wealth. Moreover it seems obvious to them that one cannot do without the money-motive, and that, apart from certain admitted abuses, it does its job well. In the result the average man averts his attention from the problem, and has no clear idea what he really thinks and feels about the whole confounded matter.

Confusion of thought and feeling leads to confusion of speech. Many people, who are really objecting to Capitalism as a way of life, argue as though they were objecting to it on the

ground of its inefficiency in attaining its own objects. Contrariwise, devotees of Capitalism are often unduly conservative, and reject reforms in its technique, which might really strengthen and preserve it, for fear that they may prove to be first steps away from Capitalism itself. Nevertheless a time may be coming when we shall get clearer than at present as to when we are talking about Capitalism as an efficient or inefficient technique, and when we are talking about it as desirable or objectionable in itself. For my part, I think that Capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but that in itself it is in many ways extremely objectionable. Our problem is to work out a social organisation which shall be as efficient as possible without offending our notions of a satisfactory way of life.

The next step forward must come, not from political agitation or premature experiments, but from thought. We need by an effort of the mind to elucidate our own feelings. At present our sympathy and our judgement are liable to be on different sides, which is a painful and paralysing state of mind. In the field of action reformers will not be successful until they can steadily pursue a clear and definite object with their intellects and their feelings in tune. There is no party in the world at present which appears to me to be pursuing right aims by right methods. Material Poverty provides the incentive to change precisely in situations where

reformers  
are allowed  
to conform -  
that is to say  
that is to say

there is very little margin for experiments. Material Prosperity removes the incentive just when it might be safe to take a chance. Europe lacks the means, America the will, to make a move. We need a new set of convictions which spring naturally from a candid examination of our own inner feelings in relation to the outside facts.

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## 2. ECONOMIC POSSIBILITIES FOR OUR GRANDCHILDREN (1930)

### I

✓ → We are suffering just now from a bad attack of economic pessimism. It is common to hear people say that the epoch of enormous economic progress which characterised the nineteenth century is over; that the rapid improvement in the standard of life is now going to slow down—at any rate in Great Britain; that a decline in prosperity is more likely than an improvement in the decade which lies ahead of us.

✓ → I believe that this is a wildly mistaken interpretation of what is happening to us. We are suffering, not from the rheumatics of old age, but from the growing-pains of over-rapid changes, from the painfulness of readjustment between one economic period and another. The increase of technical efficiency has been taking place faster than we can deal with the problem of labour absorption; the improvement in the standard of life has been a little too quick; the banking and monetary system of the world has been preventing the rate of interest from falling as fast as equilibrium requires. And even so, the waste and confusion

which ensue relate to not more than  $7\frac{1}{2}$  per cent of the national income; we are muddling away one and sixpence in the £, and have only 18s. 6d., when we might, if we were more sensible, have £1; yet, nevertheless, the 18s. 6d. mounts up to as much as the £1 would have been five or six years ago. We forget that in 1929 the physical output of the industry of Great Britain was greater than ever before, and that the net surplus of our foreign balance available for new foreign investment, after paying for all our imports, was greater last year than that of any other country, being indeed 50 per cent greater than the corresponding surplus of the United States. Or again—if it is to be a matter of comparisons—suppose that we were to reduce our wages by a half, repudiate four-fifths of the national debt, and hoard our surplus wealth in barren gold instead of lending it at 6 per cent or more, we should resemble the now much-envied France. But would it be an improvement?

✓ → The prevailing world depression, the enormous anomaly of unemployment in a world full of wants, the disastrous mistakes we have made, blind us to what is going on under the surface—to the true interpretation of the trend of things. For I predict that both of the two opposed errors of pessimism which now make so much noise in the world will be proved wrong in our own time—the pessimism of the revolutionaries who think that things are so bad that nothing can save us but violent change, and the pessim-

ism of the reactionaries who consider the balance of our economic and social life so precarious that we must risk no experiments.

My purpose in this essay, however, is not to examine the present or the near future, but to disembarass myself of short views and take wings into the future. What can we reasonably expect the level of our economic life to be a hundred years hence? What are the economic possibilities for our grandchildren?

From the earliest times of which we have record—back, say, to two thousand years before Christ—down to the beginning of the eighteenth century, there was no very great change in the standard of life of the average man living in the civilised centres of the earth. Ups and downs certainly. Visitations of plague, famine, and war. Golden intervals. But no progressive, violent change. Some periods perhaps 50 per cent better than others—at the utmost 100 per cent better—in the four thousand years which ended (say) in A.D. 1700.

→ This slow rate of progress, or lack of progress, was due to two reasons—to the remarkable absence of important technical improvements and to the failure of capital to accumulate.

— The absence of important technical inventions between the prehistoric age and comparatively modern times is truly remarkable. Almost everything which really matters and which the world possessed at the commencement of the modern age was already known to man at the dawn of history. Language, fire,

the same domestic animals which we have to-day, wheat, barley, the vine and the olive, the plough, the wheel, the oar, the sail, leather, linen and cloth, bricks and pots, gold and silver, copper, tin, and lead—and iron was added to the list before 1000 B.C.—banking, statecraft, mathematics, astronomy, and religion. There is no record of when we first possessed these things.

At some epoch before the dawn of history—perhaps even in one of the comfortable intervals before the last ice age—there must have been an era of progress and invention comparable to that in which we live to-day. But through the greater part of recorded history there was nothing of the kind.

The modern age opened, I think, with the accumulation of capital which began in the sixteenth century. I believe—for reasons with which I must not encumber the present argument—that this was initially due to the rise of prices, and the profits to which that led, which resulted from the treasure of gold and silver which Spain brought from the New World into the Old. From that time until to-day the power of accumulation by compound interest, which seems to have been sleeping for many generations, was re-born and renewed its strength. And the power of compound interest over two hundred years is such as to stagger the imagination.

Let me give in illustration of this a sum which I have worked out. The value of Great Britain's

foreign investments to-day is estimated at about £4,000,000,000. This yields us an income at the rate of about  $6\frac{1}{2}$  per cent. Half of this we bring home and enjoy; the other half, namely  $3\frac{1}{4}$  per cent, we leave to accumulate abroad at compound interest. Something of this sort has now been going on for about 250 years.

For I trace the beginnings of British foreign investment to the treasure which Drake stole from Spain in 1580. In that year he returned to England bringing with him the prodigious spoils of the *Golden Hind*. Queen Elizabeth was a considerable shareholder in the syndicate which had financed the expedition. Out of her share she paid off the whole of England's foreign debt, balanced her Budget, and found herself with about £40,000 in hand. This she invested in the Levant Company—which prospered. Out of the profits of the Levant Company, the East India Company was founded; and the profits of this great enterprise were the foundation of England's subsequent foreign investment. Now it happens that £40,000 accumulating at  $3\frac{1}{4}$  per cent compound interest approximately corresponds to the actual volume of England's foreign investments at various dates, and would actually amount to-day to the total of £4,000,000,000, which I have already quoted as being what our foreign investments now are. Thus, every £1 which Drake brought home in 1580 has now become £100,000. Such is the power of compound interest!

From the sixteenth century, with a cumulative crescendo after the eighteenth, the great age of science and technical inventions began, which since the beginning of the nineteenth century has been in full flood—coal, steam, electricity, petrol, steel, rubber, cotton, the chemical industries, automatic machinery and the methods of mass production, wireless, printing, Newton, Darwin, and Einstein, and thousands of other things and men too famous and familiar to catalogue.

What is the result? In spite of an enormous growth in the population of the world, which it has been necessary to equip with houses and machines, the average standard of life in Europe and the United States has been raised, I think, about fourfold. The growth of capital has been on a scale which is far beyond a hundredfold of what any previous age had known. And from now on we need not expect so great an increase of population.

If capital increases, say, 2 per cent per annum, the capital equipment of the world will have increased by a half in twenty years, and seven and a half times in a hundred years. Think of this in terms of material things—houses, transport, and the like.

At the same time technical improvements in manufacture and transport have been proceeding at a greater rate in the last ten years than ever before in history. In the United States factory output per head was 40 per cent greater in 1925 than in 1919. In Europe we are held

back by temporary obstacles, but even so it is safe to say that technical efficiency is increasing by more than 1 per cent per annum compound. There is evidence that the revolutionary technical changes, which have so far chiefly affected industry, may soon be attacking agriculture. We may be on the eve of improvements in the efficiency of food production as great as those which have already taken place in mining, manufacture, and transport. In quite a few years—in our own lifetimes I mean—we may be able to perform all the operations of agriculture, mining, and manufacture with a quarter of the human effort to which we have been accustomed.

For the moment the very rapidity of these changes is hurting us and bringing difficult problems to solve. Those countries are suffering relatively which are not in the vanguard of progress. We are being afflicted with a new disease of which some readers may not yet have heard the name, but of which they will hear a great deal in the years to come—namely, technological unemployment. This means unemployment due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour.

But this is only a temporary phase of maladjustment. All this means in the long run *that mankind is solving its economic problem*. I would predict that the standard of life in progressive countries one hundred years hence will be between four and eight times as high as it is

to-day. There would be nothing surprising in this even in the light of our present knowledge. It would not be foolish to contemplate the possibility of a far greater progress still.

## II

Let us, for the sake of argument, suppose that a hundred years hence we are all of us, on the average, eight times better off in the economic sense than we are to-day. Assuredly there need be nothing here to surprise us.

Now it is true that the needs of human beings may seem to be insatiable. But they fall into two classes—those needs which are absolute in the sense that we feel them whatever the situation of our fellow human beings may be, and those which are relative in the sense that we feel them only if their satisfaction lifts us above, makes us feel superior to, our fellows. Needs of the second class, those which satisfy the desire for superiority, may indeed be insatiable; for the higher the general level, the higher still are they. But this is not so true of the absolute needs—a point may soon be reached, much sooner perhaps than we are all of us aware of, when these needs are satisfied in the sense that we prefer to devote our further energies to non-economic purposes.

Now for my conclusion, which you will find, I think, to become more and more startling to the imagination the longer you think about it.

I draw the conclusion that, assuming no im-

portant wars and no important increase in population, the *economic problem* may be solved, or be at least within sight of solution, within a hundred years. This means that the *economic problem* is not—if we look into the future—the *permanent problem of the human race*.

\* Why, you may ask, is this so startling? It is startling because—if, instead of looking into the future, we look into the past—we find that the *economic problem*, the struggle for subsistence, always has been hitherto the primary, most pressing problem of the human race—not only of the human race, but of the whole of the biological kingdom from the beginnings of life in its most primitive forms.

Thus we have been expressly evolved by nature—with all our impulses and deepest instincts—for the purpose of solving the economic problem. If the economic problem is solved, mankind will be deprived of its traditional purpose.

Will this be a benefit? If one believes at all in the real values of life, the prospect at least opens up the possibility of benefit. Yet I think with dread of the readjustment of the habits and instincts of the ordinary man, bred into him for countless generations, which he may be asked to discard within a few decades.

To use the language of to-day—must we not expect a general “nervous breakdown”? We already have a little experience of what I mean—a nervous breakdown of the sort which is already common enough in England and the

United States amongst the wives of the well-to-do classes, unfortunate women, many of them, who have been deprived by their wealth of their traditional tasks and occupations—who cannot find it sufficiently amusing, when deprived of the spur of economic necessity, to cook and clean and mend, yet are quite unable to find anything more amusing.

To those who sweat for their daily bread leisure is a longed-for sweet—until they get it.

There is the traditional epitaph written for herself by the old charwoman:—

Don't mourn for me, friends, don't weep for me never,  
For I'm going to do nothing for ever and ever.

This was her heaven. Like others who look forward to leisure, she conceived how nice it would be to spend her time listening-in—for there was another couplet which occurred in her poem:—

With psalms and sweet music the heavens'll be ringing,  
But I shall have nothing to do with the singing.

Yet it will only be for those who have to do with the singing that life will be tolerable—and how few of us can sing!

Thus for the first time since his creation man will be faced with his real, his permanent problem—how to use his freedom from pressing economic cares, how to occupy the leisure, which science and compound interest will have won for him, to live wisely and agreeably and well.

The strenuous purposeful money-makers may carry all of us along with them into the lap of economic abundance. But it will be those peoples, who can keep alive, and cultivate into a fuller perfection, the art of life itself and do not sell themselves for the means of life, who will be able to enjoy the abundance when it comes.

Yet there is no country and no people, I think, who can look forward to the age of leisure and of abundance without a dread. For we have been trained too long to strive and not to enjoy. It is a fearful problem for the ordinary person, with no special talents, to occupy himself, especially if he no longer has roots in the soil or in custom or in the beloved conventions of a traditional society. To judge from the behaviour and the achievements of the wealthy classes to-day in any quarter of the world, the outlook is very depressing! For these are, so to speak, our advance guard—those who are spying out the promised land for the rest of us and pitching their camp there. For they have most of them failed disastrously, so it seems to me—those who have an independent income but no associations or duties or ties—to solve the problem which has been set them.

I feel sure that with a little more experience we shall use the new-found bounty of nature quite differently from the way in which the rich use it to-day, and will map out for ourselves a plan of life quite otherwise than theirs.

For many ages to come the old Adam will be so strong in us that everybody will need to

do *some* work if he is to be contented. We shall do more things for ourselves than is usual with the rich to-day, only too glad to have small duties and tasks and routines. But beyond this, we shall endeavour to spread the bread thin on the butter—to make what work there is still to be done to be as widely shared as possible. Three-hour shifts or a fifteen-hour week may put off the problem for a great while. For three hours a day is quite enough to satisfy the old Adam in most of us!

There are changes in other spheres too which we must expect to come. When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues. We shall be able to afford to dare to assess the money-motive at its true value. The love of money as a possession—as distinguished from the love of money as a means to the enjoyments and realities of life—will be recognised for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease. All kinds of social customs and economic practices, affecting the distribution of wealth and of economic rewards and penalties, which we now maintain at all costs,



however distasteful and unjust they may be in themselves, because they are tremendously useful in promoting the accumulation of capital, we shall then be free, at last, to discard.

Of course there will still be many people with intense, unsatisfied purposiveness who will blindly pursue wealth—unless they can find some plausible substitute. But the rest of us will no longer be under any obligation to applaud and encourage them. For we shall inquire more curiously than is safe to-day into the true character of this “purposiveness” with which in varying degrees Nature has endowed almost all of us. For purposiveness means that we are more concerned with the remote future results of our actions than with their own quality or their immediate effects on our own environment. The “purposive” man is always trying to secure a spurious and delusive immortality for his acts by pushing his interest in them forward into time. He does not love his cat, but his cat’s kittens; nor, in truth, the kittens, but only the kittens’ kittens, and so on forward for ever to the end of cat-dom. For him jam is not jam unless it is a case of jam to-morrow and never jam to-day. Thus by pushing his jam always forward into the future, he strives to secure for his act of boiling it an immortality.

Let me remind you of the Professor in *Sylvie and Bruno*:—

“Only the tailor, sir, with your little bill,” said a meek voice outside the door.

“Ah, well, I can soon settle *his* business,” the

Professor said to the children, “if you’ll just wait a minute. How much is it, this year, my man?” The tailor had come in while he was speaking.

“Well, it’s been a-doubling so many years, you see,” the tailor replied, a little gruffly, “and I think I’d like the money now. It’s two thousand pound, it is!”

“Oh, that’s nothing!” the Professor carelessly remarked, feeling in his pocket, as if he always carried at least *that* amount about with him. “But wouldn’t you like to wait just another year and make it *four* thousand? Just think how rich you’d be! Why, you might be a *king*, if you liked!”

“I don’t know as I’d care about being a king,” the man said thoughtfully. “But it *dew* sound a powerful sight o’ money! Well, I think I’ll wait——”

“Of course you will!” said the Professor. “There’s good sense in *you*, I see. Good-day to you, my man!”

“Will you ever have to pay him that four thousand pounds?” Sylvie asked as the door closed on the departing creditor.

“*Never*, my child!” the Professor replied emphatically. “He’ll go on doubling it till he dies. You see, it’s *always* worth while waiting another year to get twice as much money!”

Perhaps it is not an accident that the race which did most to bring the promise of immortality into the heart and essence of our religions has also done most for the principle of compound interest and particularly loves this most purposive of human institutions.

I see us free, therefore, to return to some of the most sure and certain principles of religion and traditional virtue—that avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable, that those

walk most truly in the paths of virtue and sane wisdom who take least thought for the morrow. We shall once more value ends above means and prefer the good to the useful. We shall honour those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things, the lilies of the field who toil not, neither do they spin.

But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.

I look forward, therefore, in days not so very remote, to the greatest change which has ever occurred in the material environment of life for human beings in the aggregate. But, of course, it will all happen gradually, not as a catastrophe. Indeed, it has already begun. The course of affairs will simply be that there will be ever larger and larger classes and groups of people from whom problems of economic necessity have been practically removed. The critical difference will be realised when this condition has become so general that the nature of one's duty to one's neighbour is changed. For it will remain reasonable to be economically purposive for others after it has ceased to be reasonable for oneself.

The *pace* at which we can reach our destination of economic bliss will be governed by four things—our power to control population, our determination to avoid wars and civil dissensions, our willingness to entrust to science the direction of those matters which are properly the concern of science, and the rate of accumulation as fixed by the margin between our production and our consumption; of which the last will easily look after itself, given the first three.

Meanwhile there will be no harm in making mild preparations for our destiny, in encouraging, and experimenting in, the arts of life as well as the activities of purpose.

But, chiefly, do not let us overestimate the importance of the economic problem, or sacrifice to its supposed necessities other matters of greater and more permanent significance. It should be a matter for specialists—like dentistry. If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid!