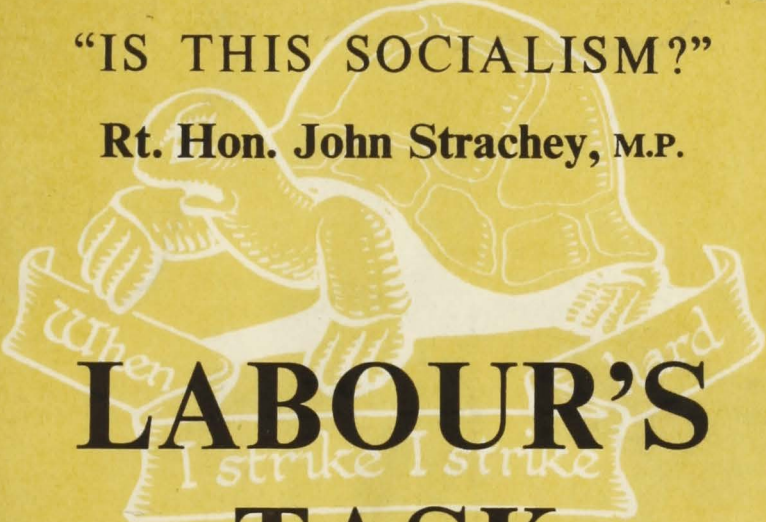


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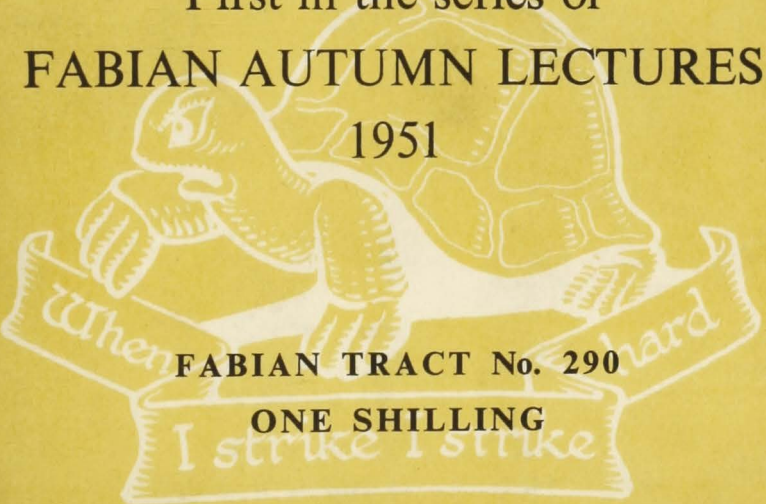
"IS THIS SOCIALISM?"

Rt. Hon. John Strachey, M.P.



# LABOUR'S TASK

First in the series of  
FABIAN AUTUMN LECTURES  
1951



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# LABOUR'S TASK

Rt. Hon. JOHN STRACHEY, M.P.

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on 30th October, 1951.*

THE SOCIETY chose the title *Is this Socialism?* for the 1951 series of Fabian lectures. If that question was intended to mean: "Did the Labour Government make Britain into a Socialist Commonwealth?" then the short answer is: "Of course not." But if it was intended to ask whether we succeeded in seriously modifying the nature of capitalism—then that is a far more interesting question.

I propose to ask, therefore, whether the *internal* structure of British capitalism has been sensibly modified: whether in particular the *internal* unbalance, as between different social groups and interests, has been in any way redressed, and if so what have been the economic consequences?

That is the first part of the lecture. But this internal unbalance between groups or classes has always been only one of the two main troubles of capitalism. And in the second part of the lecture I will come on to what may be called the *external* unbalance; to the now extreme disproportion between the rates of development of different parts of the world; and this will take me to the problem of imperialism. Finally I will attempt one or two political deductions. And it will be in the course of these that I shall attempt to suggest what appears to be the British task, or mission, in the second half of the twentieth century.

## PART ONE

### The Internal Question

First, then, on the internal question. It was always a commonplace of orthodox Socialist thought that capitalism could solve its problems if it could do two things: if it could devote its ever-growing productivity to raising the standard of life of the population as a whole, and if, partly consequentially, it could develop agriculture, rousing agriculture from its long period of comparative technical torpor. For if these two things could be done the main difficulties of the system need not necessarily arise. We should no longer be confronted with its recurrent inability to dispose of its products: there would be no need for periodic gluts, slumps and crises, nor of semi-chronic stagnation. And freedom from these internal morbid symptoms would in turn remove the pressure on the system at all costs to seek overseas markets for its surplus products: moreover the old necessity to export, not only commodities, but above all capital, which could not be used at home, would disappear; consequently, the pressure to monopolise at all costs overseas markets and fields of investment would be removed. And it is that pressure which Socialists have always seen as the main underlying cause of modern war.

Orthodox Socialists have, however, held that these things could not in fact be done under capitalism: for in order to do them policies would



have to be adopted which entailed accepting a lower rate of profit than that obtainable by adhering to the traditional policies of the system. And this, it was held, capitalism, almost by definition, could not do. For it was a system of which the essence was that it followed the attraction of profit and the repulsion of loss, and in this found its one indispensable principle of regulation. Hence it was unthinkable that it should actually begin to pursue courses which entailed deliberately accepting lower rather than higher rates of profit: if it did so it would in fact no longer be capitalism.

### **What Changed My Views**

This was my own view until about 1938. About 1938 I began to modify these views; but not—as, to judge from the synopsis of his forthcoming lecture, Kingsley Martin supposes—but not, I repeat, as a result of what Kingsley Martin calls “the experiences of office.” I was a long way from expecting to have any such experiences in those days! No, it was the work of a new school of economists—notably, of course, Keynes’ General Theory, but also works like Douglas Jay’s *The Socialist Case*, which affected my mind. And I set out my revised views in detail in a book called *A Programme for Progress*. Incidentally the programme set out in that book is a much less far-reaching programme than the one which the Labour Government has actually carried out in the last six years. So it cannot be “the disillusioning experience of office”—as Kingsley Martin calls it—which has made me “change my tune.” What the experience of office *has* done is to convince me that there is far more possibility for the success of what Martin calls “Fabian tactics”—by which he means democratic socialism, I take it—even than I had supposed in 1938. How queer then that he should call the experience of office disillusioning!

### **British Capitalism Modified**

I will now present the evidence for the conclusion that we have appreciably modified the nature of British capitalism.

The best test of that is, surely, afforded by observing whether or not British capitalism is still producing those intractable problems with which we were so painfully familiar before the war. For if British capitalism has in fact been modified in its basic nature during the past six years, we shall expect to find that the political and social problems with which we are now confronted are of a different—and perhaps even an opposite—kind. Let us recall for a moment what the old problems were and see whether or not they persist to-day.

The most painful of all our social problems before the war was mass unemployment: the inability of the system to employ a significant part of the available labour force. What has happened to this chronic excess of the supply of labour over the demand for it? As we all know, it has disappeared from the social scene and has in fact turned into a chronic excess of the demand for labour over its supply. Nor has this chronic labour shortage been, as is sometimes now suggested, a consequence of rearmament. It was almost as marked in 1948, 1949 and the first half of 1950 as it is to-day. Indeed, it has been vigorously held



that rearmament, by giving rise to a shortage of raw materials might endanger, instead of promoting, full employment.

A second morbid symptom of our pre-war system was its inability to find employment for all our available savings and capital: the chronic, if always abortive, tendency of savings to exceed investment—no doubt the economists would tell us that this was the same symptom as mass unemployment seen from a different angle. What has happened here?

In this case again we are now faced with the opposite problem. In spite of the fact that we are now saving more than before the war there are never enough savings to provide for all the new objects of investment which are clamouring for execution. I have annually taken part with my colleagues in laborious efforts to reduce our home investment programme to manageable proportions. Our national savings have on the whole been made in new ways—out of corporate, undistributed profits and out of a large budget surplus. But in sum, they have been, I repeat, on the whole larger rather than smaller than before the war. In fact we have probably been saving and investing a higher proportion of the national income in these past six years than ever before. Nevertheless, there have never been enough resources saved to cover all the projects which either private firms or public corporations or Government Departments ardently wished to put in hand immediately. If we had re-equipped all the mines and railways, and built all the power stations, factories, ships, houses, schools, hospitals, etc., etc., which Government Departments, public corporations and private firms alike demanded to build we should have had hardly any resources left to live on! A drastic pruning has had to be undertaken every year there has been no trace of the old malignant disease of under-investment. Once again symptoms of chronic stagnation have turned into symptoms of only too buoyant activity.

### **India "Lost": Lancashire "Saved."**

A third symptom of the pre-war system was its inability to find adequate overseas markets for our exports—whether of commodities or of capital. British industry could have produced many more goods for export: British investors would have been glad to place considerably greater amounts of capital overseas: outlets for neither appeared to exist. To-day there is no difficulty in finding the markets for our exports: the difficulty is to spare for export commodities for which the home market is clamouring. Again there are hundreds of projects of overseas development for which British capital is desperately needed. The trouble is to spare any from the large home investment programme which we all agree in wishing to execute.

As a direct result of this reversal of the economic situation there has been a relaxation of the old familiar pressure to keep for ourselves what opportunities for overseas investment did arise—a relaxation of the pressure to *monopolise* overseas markets for commodities and capital. Indeed this pressure has in some respects disappeared altogether. During the past six years the greater part of the British Empire has become independent, either within or without the Commonwealth—I wonder if



either we or our opponents always realise that tremendous fact. Nevertheless this world-shaking development has taken place, and yet none of those dire predictions as to catastrophic economic effects upon us have been fulfilled. "Lose India," we were told, "and half Lancashire will be unemployed." On the contrary, India has become independent and Lancashire, which *was* half unemployed, is now working all out.

In general, far from our wanting to prevent other countries from providing capital or even commodities to the undeveloped areas of the world, we are now only too thankful if they will shoulder the major part of what is now seen as the immense *burden* of developing the vast under-industrialised continents of Asia and Africa.

Fourth, amidst the general tendency to stagnation which marked the economy as a whole, the tendency for British agriculture to stagnate was especially marked. There is not the slightest sign of this symptom to-day. On the contrary we appear to be in the midst of a veritable agricultural revolution, comparable in speed and intensity to the most turbulent periods of the industrial revolution. The mechanisation of agricultural processes is at last going forward on a really great scale both at home and overseas.

#### Stagnation Then: Expansion Now

In these four major respects, therefore, our economy is exhibiting behaviour quite different from that which it exhibited during the whole of the inter-war period. I have deliberately left out of account the question of boom and slump—of the trade cycle—since it may be argued that it is as yet too early to claim that we have succeeded in eliminating cyclical depressions. But the above comparisons hold good even if we compare our economy's performance over the past six years with its performance at the crests of the inter-war booms, with 1929 and 1937 for instance. Even on this basis there can be no denying the striking contrast between its relative stagnation then, and its extreme stimulation—some would say over-stimulation—now.

We may summarise the main figures, pointing this contrast between a rapidly expanding economy—indeed an uncomfortably rapidly expanding economy—*now*, and a semi-stagnant economy *then*, as follows:—

|   | 1938      | 1950    |
|---|-----------|---------|
| Electricity generated (m. kilowatt hours) ...       | 24*       | 55      |
| Steel ingots and castings (millions of tons) ...    | 10*       | 16      |
| Passenger cars (thousands) ... ..                   | 341       | 522     |
| Tractors (thousands) ... ..                         | 10        | 120     |
| Exports (Volume index, 1939=100) ... ..             | 100       | 162     |
| Industrial production all industries (1946=100) ... | 100†      | 140     |
| Unemployed ... ..                                   | 1,700,000 | 274,000 |

\* Figures to the nearest million. (Source: *Statistical Digest*, February, 1951.)

† It is the statistician's best guess that 1938 was the same as 1946.

The question we have to ask is what has been done to the old, staid—indeed stagnant—British economy to make it behave in this way? Was it really the measures of the Labour Government which wrought this remarkable change? And if so, which measures?



In attempting to answer this question we should at the outset notice that it is not the British economy alone which has begun to behave in this new way. Several other of the larger capitalist nations show a comparable change in the behaviour of their economies. It is especially important to notice that the economy of the United States is decidedly one of these. Here are some comparable figures from the United States:—

|  | 1938       | 1950      |
|--|------------|-----------|
| Electricity generated (m. kilowatt hours) ...                    | 115        | 329       |
| Steel ingots and sheet for castings (million metric tons) ... .. | 29         | 88        |
| Passenger cars (millions) ... ..                                 | 2          | 7         |
| Exports (1938=100) ... ..  | 100        | 179       |
| Industrial production all industries (1937=100)...               | 79         | 177       |
| Unemployed ... ..  | 10,390,000 | 3,142,000 |

(Source: *U.N. Monthly Bulletin of Statistics*, July, 1951.)

In my opinion, what originally produced these remarkable effects in America was a combination of the pre-war measures of the New Deal with the immense stimulus of war production. And then in the past six years the continuance of New Deal and Fair Deal measures have sufficed to prevent the economy dropping back into that semi-stagnation to which it had become as prone as our own. Of all the measures of the two "Deals"—New and Fair—we may pick out as the ones which have had decisive economic effects, first the appreciable redistribution of the national income by a much more progressive system of taxation than had ever existed before in America; and second—and perhaps even more important—the measures by which agricultural prices have been taken right out of the free market system and largely fixed by statute.

### The Basic Cause

The first conclusion to be drawn from these figures is that the extreme buoyancy of the British economy cannot be wholly attributed to the particular reforms of the British Labour Government. American experience shows that it is possible to produce the same results by different measures and methods, so long—as I shall argue in a moment—as those measures add up to a real change in the balance of the social system. We should recognise that. For my part, I hold that our nationalisation measures, for example, have been foundation stones for building a new type of economy permanently suitable for the modern world. But it would be wrong to claim for them that they, in themselves, have produced the extraordinary stimulation of the economy. No, we must look deeper than that for the causes of what has happened. I have no doubt that the real cause of the re-animation of the British economy lies in the shift of political power and influence between social groups which has taken place in Britain. This shift of power has expressed itself financially in a redistribution of the national income. This redistribution has as yet been limited in extent, but it has sufficed for the specific purpose of releasing the forces of production. The extent of redistribution may



be indicated by these figures taken from Command Paper 8203. Before the war the share of the national income going to rent, interest and profit, etc., was 37 per cent.; by 1950 it had fallen, after taxes had been paid, to 25 per cent. Similarly, the share going to wages was, before the war, 37 per cent.; in 1950, after tax, it has risen to 47 per cent. But this is a narrowly financial way of putting the issue. In one sense the exact extent of the redistribution at any given moment is not the essential thing. In one sense, what is essential is that the distribution of the national income has ceased to be a largely automatic function of the way the economy works—of the play of the profit motive—and has become something which is consciously, politically, settled by the community's own decisions. That is itself a revolution.

Here then is my first conclusion. What all these figures indicate is that British capitalism *has* been compelled, by the sheer pressure of the British people, acting through our effective democratic political institutions, to do what we used to say it would never, by definition, do: it has been forced to devote its productive resources to raising the standard of life of the population as a whole and of developing agriculture in particular. Moreover—and whether we, or they, admit it or not—this shift in the balance of social forces has occurred, though to a lesser degree and in a different way, in America also. In America the long rule of the Democratic Party, under Roosevelt and Truman, has done one fundamental thing for the American industrial workers and one fundamental thing for the American farmers. It has enabled the American workers at length to establish solid, large and, it is now safe to say, indestructable trade unions. And it has given the American farmers, I repeat, fixed prices for their products, thus effectively protecting them from the slumps to which they are peculiarly vulnerable. These two profound developments have, in my opinion, changed the balance of social forces in America almost to a comparable extent, though in a different way, to the change that has taken place in Britain.

In general, the grip of the major central monopoly-capitalists on the economy has been, not indeed removed, but appreciably loosened, in each country. And this has been sufficient to release very great productive forces—to produce in fact the remarkable economic re-animation which the figures I have given illustrate.

### **The Conditions for Success**

What should be our political conclusion from these, so far as I can see, incontrovertible economic facts? Are we not driven to the conclusion that it *is* possible in favourable circumstances for the popular forces, *if they possess well-developed and effective democratic institutions*, to drive contemporary capitalism out of its normal channels of development, to drive it to devote its vast productive energies to raising the standard of life of its own population, instead of taking the fatal course of stagnation at home qualified by imperialist expansion abroad—the course which can lead to nothing but recurrent war?

Hence everything turns on the effectiveness of democracy—in the simple sense of the existence of representative Governments which can



be made genuinely responsive to the wants of the population. Moreover, everything turns not only on the formal existence of such democratic institutions *but on the ability of the people to use them effectively*. Everything turns not only, that is to say, on the existence of free elections, but also and at least equally, on the existence of a politically mature electorate and of effective and united popular political parties, capable of sustaining Governments of the Left. Otherwise, the popular effort will be dissipated and frustrated.

And then, of course, there is one more indispensable condition for success. The Governments of the Left when installed must know *how* to give effect to the push of the democratic forces. They must possess an economic *technique* for releasing the productive powers of the system and turning its energies towards the task of raising the general standard of life. What happens when such a Government possesses no such economic technique is illustrated by the failure of M. Blum's Popular Front Government in France in the nineteen thirties. This Government satisfied most of the other conditions but it simply did not know how to make the wheels of the economic system go round. One cannot altogether blame the Blum Government for this—a worse case still is afforded of course by the British Labour Government of 1929-1931. The techniques for making an economic system work at full power—granted one has the will to do so—were in fact only worked out in the nineteen thirties. The elucidations of the late Lord Keynes have in this respect played a genuine historical role. But we must not forget that several young Socialist economists also made notable contributions. Between them all they have shown *how* a Government can, if it wants to, set the wheels going at full speed. Nevertheless, the major factor must always be the shift in social and political power by which alone forces which even *want* to run the economy at full speed may come to the controls. Without that shift of power no mere economic technique can have any effect.

### The Two Pictures

The above picture of the British economy, as buoyant and re-animated to a degree unknown for several decades, is, I suggest, incontrovertibly true on the figures. But it is different indeed from the picture of our economy diurnally presented to us by the spokesmen of the political forces and parties of the Right. They describe the British economy, for example, as "bound and shackled" by disastrous controls and penal taxation at home, "staggering from crisis to crisis" and "living on foreign charity" in its external economic relations. It is, of course, perfectly natural that those who speak for the social interests which the pre-war condition of things suited far better than do our present arrangements should emphasise the negative aspects of the existing situation: it would be very odd if they did not; while we, equally naturally, emphasise the positive aspects. But there is really nothing essentially contradictory about the two accounts. The same phenomena are being observed but from an opposite point of view. For clearly if you attempt, as we did, at one and the same time—



- (a) to eliminate gross want from the population; and if you succeed in doing so to the remarkable extent now revealed by Mr. Rowntree in his *Poverty and the Welfare State*;
- (b) to eliminate the major economic hazards of working-class life—unemployment, sickness, old age—by the first really comprehensive system of social insurances ever to be applied in the world;
- (c) to endow the family by children's allowances;
- (d) to undertake both in the public and private sectors a massive programme of investment, amounting to a general re-equipment of sections of British industry and absorbing over 20 per cent. of the national income;
- (e) to build 200,000 houses a year, year after year;
- (f) to raise the school leaving age;
- (g) to raise the volume of British exports to over 160 per cent. of their pre-war volume; and
- (h) finally to pile on top of all that a rearmament programme of some £1,500 million a year;

well, you *will* strain the resources of the economy to their very limits. You *will* find that you have to use all sorts of controls to prevent resources being used up on inessentials: it *will* be a constant struggle to divert sufficient resources to exports to pay for all the imports that you will need. And you *will* gratefully accept any help from external sources that may be offered to you, especially in the early post-war years.

Not that it has been wrong, in my view, thus to drive the economy to the very limit. It was only by doing so that the all-important increase of production has been secured. Moreover, the problems and difficulties—acute though they have been and are—which this hard driving has thrown up have been the problems and difficulties of *growth*, instead of the incomparably more morbid symptoms of stagnation and decay. In fact, the only really grave difficulty has been, and is, the balance of external payments. Let me say something about that difficulty here: in its wider setting I will come to it in the second part of my lecture.

### **The Balance of Payments**

The consequences of world rearmament—rather than our own programme in itself—are causing the difficulty of the balance of overseas payments to re-appear just when it appeared to have been mastered. I do not want to minimise our balance of payment troubles in any way. Nevertheless we must reject the view that this is some fatal nemesis which now hangs over the British economy, and which must sooner or later bring us to ruin. What, after all, is the basic task which we have to perform in order to balance our overseas payments? We must set aside exports—both visible and invisible—to a sufficient value to pay for those imports, visible and invisible, which we decide to buy. We must give the provision of these indispensable exports priority over every other call on our productive resources, over consumption, over investment,



and for that matter over re-armament—for a nation must eat before it can fight. Who can possibly say that there is anything inherently impossible about doing that?

Of course the actual problem in any given year is immensely more complex than this suggests. There are really two balance of payments questions to consider, first the United Kingdom's balance with the rest of the world, and second the sterling area's balance with the dollar world. Then again, it is not indispensable, or for that matter possible, to balance our payments exactly in each year. Fluctuations in the world situation are much too wide for that. After all, only last year we not only balanced our payments but added 1,612 million dollars to the gold reserves of the sterling area. In fact the question of the size of our reserves is extremely important. For with adequate reserves we can ride out bad years without having to make disturbing readjustments.

Nevertheless and at bottom it *is* a question of providing an adequate value of exports of all kinds to meet our imports bill. We did this amply in 1950. We were not doing it in the four immediately post-war years, and it would then have been very difficult for us to have done it—I take up this issue in a moment. We shall not do it again, owing to world re-armament, in 1951. Unquestionably we *must* do it, taking one year with another, in the future.

### The Terms of Trade

How large the bill will be and what volume of exports we must set aside to meet it will depend of course on those increasingly famous, or notorious, things "the terms of trade": *i.e.* on the prices we have to pay for our imports and the prices we can get for our exports. Undoubtedly, if the terms of trade turned sufficiently against us the burden of providing the necessary exports would become heavy indeed, and this would be a grave factor preventing our standard of life from rising as fast as it otherwise would. Some economists paint a gloomy prospect for us in this respect. They believe that the terms of trade are going to be permanently very adverse to us. If they mean that the terms of trade are not for a long while going to be so extremely favourable to us as they were in the nineteen thirties, then I agree. But this is no disaster. After all, they never were anything like as favourable as that before the nineteen thirties, and we managed all right. And I doubt not only whether they ever will be so favourable again, but even whether they ever ought to be—for in the 'thirties the terms of trade represented a real and in the end mutually disastrous exploitation of the primary producers. But if the economists mean that the terms of trade are going to go on getting worse and worse, then I do not believe that there is any real reason why they should. No doubt they may do so if the industrial nations do not make a sustained effort to help the primary producers of the underdeveloped world—and I should take it kindly if I heard any one murmuring the word 'groundnuts' at this point. But so long as we face up to that necessity of the world-wide development of primary production I cannot see that there is any need to panic about the terms of trade. This necessity for the development of the undeveloped world is one aspect of



the theme to which I am devoting the second part of this lecture.

In any case I believe that the worst that can happen to us in this respect is that relatively adverse terms of trade may prove a drag on the rate at which we can raise our standard of life.

### **Production and Productivity**

At what pace, then, *can* we expect to raise our standard of life if we can continue to keep our economic system running at full blast? It all depends, of course, on the rate at which our total production is rising and will rise. And that is a highly controversial question. The Government's *Digest of Statistics* informs us that physical production—the material products of industry and agriculture—have been increasing by more than 5 per cent. a year cumulative. (In itself, remember, that gives an increase of 100 per cent. in 14 years.) Moreover, the largest increase took place in 1950 over 1949, well after the productive system had been fully redeployed and there was no more labour to re-absorb from war industries and the forces. Therefore, one might suppose that there had been an increase not only of production but also of *productivity* of this order of magnitude. But such a conclusion is hotly disputed. Many economists and statisticians declare that on the contrary productivity is only rising slowly. Apparently they consider that the “invisible” output of those of us who are not engaged in material production has fallen so much that it is nearly off-setting the rise in the output of the “material” industries. I find it hard to believe that all professional people have suddenly become much less efficient: that administrators are administering, journalists writing, clerks clerking—and lecturers lecturing—far more slowly than ever before. As, however, no one has yet found a satisfactory method of measuring such non-material output, the discussion is likely to be a barren one. Nevertheless, it is true that one cannot assume that if physical output is going up at the rate of 5 per cent. a year, we shall all get 5 per cent. a year richer. Even apart from the tangled statistical issue about productivity, it all depends, of course, on the population trend, on whether we continue to put aside the same amount for capital development, on whether we distribute the national income in the same way, and on the question of whether a further turn for the worse in the terms of trade might make us have to set aside more for export.

### **The Problem of Production**

No doubt, any of these factors *might* have an adverse effect. What is there to set against these uncertainties and anxieties? We can set against them the major factor of the present pace of technical progress. And my own belief is that the pace of technical progress is now *so hot*, that in spite of everything a remarkable increase in the standard of life is possible for us over, say, two decades of peace—if, *but only if*, we keep our economy going at full blast.

No doubt many Socialists—and not only Socialists—have in the past exaggerated the growth in our power of production. “The problem of production has been solved,” proved to be a very premature slogan. As soon as a reasonable degree of the redistribution of income had broken



the artificial barriers restricting demand, millions of consumers turned out to have a more or less unlimited "propensity to consume"—to use the Keynesian phrase. We now know that people will *consume* all right as soon as they are given half a chance to do so. But have we not *now* gone to the other extreme? Modern methods of production really are pretty remarkable. I cannot doubt that productivity will in fact rise fast and far, if only we continue to give the economy its head. After all, we have no experience of what it would mean to keep modern methods of production going at full blast over, say, a decade and a half of peace. Latter day capitalism only worked by fits and starts, and never at anything like full power. No, when all the ifs and buts have been taken into account, I believe that there is a prospect of economic progress before us, such as we have never known; always provided that we continue boldly to correct the fatal tendency of our economy to so marked an internal unbalance that the wheels of production can hardly move.

### They Will Not Deflate

But—it will be asked—has not last week's loss of Labour's hold upon the executive condemned us to a return to precisely the old situation of extreme social unbalance, with its fatal economic consequences of glut, stagnation and mass unemployment at home, together with attempts at renewed imperialist domination abroad? Has the prospect of steady and cumulative progress become illusory with the return of the Conservatives to office?

I have no doubt that the instinctive *intentions* of the controlling forces of the Conservative Party are to reproduce as exactly as possible the social and economic pattern of the inter-war period. The only thing they really believe in is a good old-fashioned dose of deflation—as a means to the restoration of the former order of things.

Unquestionably that is what they would like to do: that is what all their guides, philosophers and friends, from Mr. Geoffrey Crowther to the simplest-minded broker, will insist that they must do: that is the thing they believe in.

But will they really dare to deflate? When one envisages the probable industrial, social and political consequences of an attempt to meet our present problems by the deflationary method, one can hardly see a Conservative Government with this majority embarking upon it. What then will they do? If they dare not apply the solutions on which they rely what *will* they attempt? That is a question for them to answer. For our part we may legitimately conclude that it is much too soon to suppose that the essentials of what has been accomplished in these six years of Labour rule are about to be destroyed. The power of the Labour movement both within and without the House of Commons will be very great indeed. Wisely used it can preserve the essence of the Labour achievement intact.

Moreover, if the Conservative Government is stopped, not only by our opposition, but by the whole social and economic climate of the period, from doing what it really believes in, it is unlikely that it will find any but the most temporary expedients with which to meet our national



problems. In such a situation the prognosis for the new administration can hardly be favourable.

### **Firmness and Boldness**

This is not the place to consider the answer to our national problems which the next Labour administration will have to provide. Suffice it to say that the next Labour Government will have to combine great boldness with great firmness. On the one hand it will be indispensable to maintain a Crippsian austerity in the control of the economy. The characteristic problem of our new social and economic arrangements is a tendency to inflation—just as the fatal defect of the old order was its extreme deflationary bias. The next Labour administration must keep a tight hand upon all the levers of control, both physical and fiscal, in order to ensure that scarce resources are devoted to the tasks of first priority, such as exports.

But such firmness must be matched by an equal boldness. Our present social and economic arrangements are essentially transitional. We must push on to socialism or, inevitably, in the end we shall be pushed back to unreformed, pre-war, capitalism. What then will prove to be the best, most practicable and most direct road forward? I have recently suggested in a pamphlet called *The Just Society* that the movement should carefully examine the new ideas being put forward in many quarters for the transformation of our basic existing productive units, the joint stock companies. It may be that the swiftest progress towards socialism can be made, not by fusing these existing productive teams into great centralised public corporations, but by drastically altering their very nature. After all, what is the matter with the joint stock company is the irresponsible dictatorship exercised over it, nominally by its shareholders, actually in many cases by one or two self-appointing and self-perpetuating directors. Make—say on Austin Albu's lines—public companies effectively responsible both to the community and to the whole body of those engaged in their activities, and they would become institutions of a very different kind.

I am far from suggesting that such a line of advance should supersede our familiar measures of public ownership—whether national, municipal or co-operative. But it does seem that there is here something worthy of the close attention of the movement. Indeed there is a remarkable convergence of opinions towards this concept, both within and without the movement. The danger is that unless Socialists apply themselves closely to working out something really effective and drastic in this field, the whole idea will peter out in futile, and indeed often definitely bogus, schemes of co-partnership, with which we have long been familiar. But, in Socialist hands, I believe that there is something really big to be done in this field.

Be all that as it may, the essential thing is that the Labour movement should lead the country boldly forward towards Socialism. If it did not, all that has been won in the last six years would in the end be lost again.

And so much is at stake! Far more is at stake even than whether our national standard of life should steadily rise over the next two



decades. For if we do *not* continue the social and economic policies which will alone enable it so to rise, not only will the old symptoms of glut, mass unemployment and stagnation at home re-appear, but also, and far worse, the old need to monopolise this or that part of the world as *our* market or *our* field of investment will be with us again. In that event the nation will be only too likely to attempt to retread that imperialist road which the Labour Government left decisively when it recognised the independence of India, Pakistan, Ceylon and Burma. And the imperialist road leads only to world war.

## PART TWO

### The External Unbalance

This last consideration brings me to the second part of my lecture. It brings me to the problem of the *external* unbalance between different nations and parts of the world; and from that to a consideration of contemporary imperialism.

What I have been saying, you will have noticed, is in effect that what was basically wrong *within* each national-capitalism was an unbalance between the social groups and interests; it was the resultant maldistribution of income which produced the morbid symptoms of mass unemployment, under-investment and general stagnation. In Britain this *internal* unbalance has been largely corrected and the morbid symptoms have duly disappeared. But capitalism as a whole—capitalism considered not within each nation but throughout its part of the world—exhibits another and perhaps even more dangerous lack of balance. This second unbalance is the extreme discrepancy between the rates of development of the different nations. This *external* unbalance has now become extreme. For the United States alone has not been injured in either world war. In size and strength the economy of the United States now towers above any other national capitalist system. I have already given figures showing the rate at which United States' production has increased. The result is that the United States to-day consumes, for example, 50 per cent. of the world's output of copper, lead, zinc and tin; 60 per cent. of the world's aluminium and 75 per cent. of the world's wood-pulp. (I am indebted to Harold Wilson's address to the Fabian Conference on 23rd June this year for these figures.) Moreover, it is now proposed to increase the gross national product of the United States from the rate of \$300 billion at the end of 1950, by a further 15 per cent. or \$45 billions in the next three years—quite a reasonable rate of increase. And, as a matter of fact, figures for March, 1951, showed deliveries to the home market at a rate 15 per cent. above March, 1950—though *that* rate of increase must only be a temporary one.

Now—and this is the essence of the matter—left to itself such a discrepancy in sheer size as now exists between the economy of the United States and all other economies—would be bound to grow continually more extreme. Far from catching up, the rest of the capitalist



world would continue to develop much more slowly than America: the gap would continually widen. Capitalism left to itself necessarily tends to work on the principle of "to him that hath shall be given."

### Export of Capital—The Old Way

True, the system has always had a method of attempting to overcome these discrepancies between the economies of different nations. It has had the method of the export of capital; the method of foreign investment on private account and for profit. As masses of capital accumulated in the one or two most advanced nations, it was lent to or directly invested in the less developed or undeveloped parts of the world.

Socialists have always considered this process to be the economic root of imperialism. For the great organisations of foreign investment, themselves increasingly monopolistic at home, and acting through their respective Governments, sought to monopolise the remaining fields of profitable investment abroad. This form of overseas expansion led, even more than did the mere export of commodities, to the extension of the actual sovereignty of what we may call the capital exporting, or "metropolitan," nations over the areas into which their investors sank their capital. The whole world became increasingly "colonialised," for only so could the investors be assured of the safety of their capital. It is above all this method which has led to the partitioning and then the re-partitioning of the globe, and so to those frightful collisions between the major industrial metropolises, which we know as the first and second world wars.

No Socialist—no sane citizen—can wish to see this method of the redistribution of capital through the world re-established. Yet let us face this fact: this has been, hitherto, the *only* known method by means of which the ever-accumulating capital of the industrial metropolises could be spread through the world. Again, this method of moving accumulated capital across national frontiers by means of the pull of a higher rate of profit could not, I think, be restored even if we wished to do so. The world to-day is too inhospitable a place for the old-fashioned type of foreign investor: the whole mental climate of our times is inimical to this type of enterprise.

*Nevertheless—and this is the essential point—let us not overlook the fact that if the thing cannot be done in the old way, some new way of doing it simply must be found.*

Nothing is more certain than that breakdown must await all efforts to build a workable economy for the Western World, unless *some* way can be found of transferring the large masses of capital which rapidly accumulate in the one or two highly-developed metropolises across national frontiers. Some way simply must be found by which this accumulated capital can be used to develop—not without reasonable return—the undeveloped or lagging parts of the world. For unless a way of doing this can be found, unless, in a word, we can find a substitute for imperialism, the already enormous discrepancies and disproportions—the huge *external* unbalance between different parts of the world, will get entirely out of hand. A small fraction of the human race would in that



event begin to suffer again from the old morbid symptoms of a plethora of capital, while at the same time by far the larger part of the human race would remain sunk in destitution, condemned to primitive and capital-starved methods of production.

### The Marshall Plan

This crucial problem of the transfer of capital across national frontiers has arisen during these six post-war years in two distinct, though related, parts. There has been first of all a problem of the revival of the now secondary, yet still very important, industrial metropolises, Britain, France, Germany, the rest of Western Europe and Japan. All of them were in varying degrees shattered by the second world war. They would have had the greatest difficulty in reviving their economies without capital imports from the great industrial metropolis of metropolises, the United States, which alone has been actually increasing its accumulation throughout the whole period.

In the past this problem would have been met by raising loans from private investors in the United States. This is how it was met after the first world war: the revival of the German economy, for instance, in the nineteen twenties was almost entirely based upon the raising of ordinary commercial loans in the United States. This time nobody even supposed that that was a possible method. In the event, as we all know, the problem was met by the Marshall Plan. Substantial amounts of American capital resources were transferred to the other industrial metropolises of the non-Soviet world. (The original offer included Russia and her dependants, and it was Russia who opted out of the Plan, let it be remembered.) This was done either under the Marshall Plan itself or under similar arrangements. Some of the capital was exported as a free gift, some of it carries a moderate fixed rate of interest. The capital was not raised voluntarily from individual American investors, but was provided by the American Government out of taxation, *i.e.* it was compulsorily levied on the American taxpayers. And we ought not to forget this remarkable fact for, whatever was the mixture of motives in the doing of it, no other country has ever done anything of the kind before. By the end of 1950 this remarkable salvage operation had largely succeeded. The secondary industrial metropolises were going concerns again.

It is in this wider context that we must see our acceptance of Marshall Aid. And it is equally in this context that we must put our own rendering of a nearly equal quantity of aid to countries far worse hit than ourselves immediately after the war. In those years there was nothing in the least wrong or "weak" in the acceptance of such aid. It was a generous and imaginative act on the part of the United States to proffer it, and it was necessary for the secondary industrial centres to accept it, if the truly frightful unbalance between them and the United States which the second world war had caused was to be even mitigated. But by 1950 *this* particular external unbalance—the unbalance *between* the different industrial countries—had been largely got under control. True, it is breaking out again to-day—as a result of world-wide re-armament. But in general the period of the need to transfer help from the main industrial centre—



the United States—to the secondary countries is over. In particular we in Britain must in future stand on our own feet as a going concern. This period is being succeeded by another period in which the problem of the transfer of capital across frontiers will arise in a different way, *and on a far greater scale*. For the problem will be that of the transfer of capital from the industrial countries taken together to the vast undeveloped areas of the world: to Asia, Africa and South America. But before going on to that major question we ought to make up our minds as Socialists what we really think and feel about what we may call the Marshall Aid period.

### **Djilas on Unpaid-for Aid**

It may not be without interest to consider the views of the Yugo-Slav statesman, M. Djilas, in this connection. In a recent article in *Borba* (a Yugo-Slav newspaper) for 26th November, 1950, Djilas sets out the problem. He writes that the second world war "ruined the productive forces of Europe to a tremendous extent. But the very same wars pushed productive forces in the United States to unprecedented heights. The result was a profound economic gulf between the U.S.A. and the remainder of the world." "Leading American circles," he considers, saw that this extreme unbalance must produce "serious economic upheavals and an economic crisis" in the United States itself; that this would be "catastrophic for the world," and that there was no hope of meeting the situation by the old methods of the export of capital on private account and for profit. In Djilas's words, "so long as the world remained as they found it, with the exportation of capital as the basic form of economic and other expansion," the difficulty was insoluble. So the American leaders had to do something about it, he considers; and what they did was to think up and put into operation "unpaid-for aid." "This aid first began to appear," he writes, "more or less extensively during, and at the close of, the second world war (lend-lease, UNRRA) while since the war it has been further continued in various forms (the Marshall Plan)."

The American leaders preferred to do this giving away, Djilas continues. "For what profit would it be to the capitalists to have a superfluity of goods (or of capital) without any purchasers? What profit to be able to make machinery but not to sell it? It was at least better to give away products than to burn them or throw them into the sea; if only with an eye to the future their commodity nature could be retained."

No doubt there is some force in this attribution of fear of an internal glut and slump as the motive of successive American foreign aid programmes. But taken by itself it strikes me as one sided. After all, through the 'thirties America *did* prefer, precisely, to burn or "plough under" her unsaleable surplus products rather than to give them away. It marks a real revolution in American opinion that they are now giving them away. No doubt one of the main reasons for that mental revolution, as well as the fear of glut, is fear of Russia. The truth is that the existence of an alternative social system has made the whole of the



Western World feel that it simply cannot and must not let there be another major slump of the 1929-1931 order, ever again. But when all that is allowed for it is surely wrong to overlook the reality of the idealistic and humanitarian impulses which moved the American people, and which alone enabled their Government to act in the enlightened way it did.

In any case, Djilas comes to the conclusion that the lend-lease, UNRRA, Marshall Aid, and now, he might have added, the Foreign Aid and Point Four, forms of the transfer of capital *from* the industrial metropolises where it accumulates, across frontiers, *to* the places where it is desperately needed is, for the present at least, the main form which this indispensable economic operation takes.

### **Russian Methods Described**

Djilas asks the question: Is this "Marshall Aid" type of the transfer, or export, of capital a form of imperialism? His answer appears to be that it is; but that it is a new, mild and etiolated form of imperialism. It carries with it some elements of subjection and exploitation to the receiving country, he considers, but far less than any other previous form of imperialism. In fact it tends to break up the old colonial systems, which were much more exploitative. Finally, he favourably contrasts this type of contemporary American economic expansion with the Russian post-war expansion, and with the Russian treatment of the Eastern European countries which have been brought into the Russian orbit.

He has some extremely harsh things to say of Russian methods in this connection. For instance he writes, "But where in this respect does the new 'soviet' imperialism stand? Are there new developments in this too, such as those characteristic of the old private capitalist monopolies? All that is new here is the fact that the State which all, or nearly all, believed to be socialist, has through its own internal State capitalist development, turned into an imperialist power of the first order. But as for the actual forms, through the relatively poor development of its forces of production, what characterises this new, State-capitalist, imperialism is precisely that it has the old, colonial-conquest imperialist forms accompanied, albeit in socialist uniforms, by the old political relations: the export of capital is accompanied by a semi-military occupation, by the rule of an official caste and the police, by the strangling of any democratic tendencies, by the establishment of obedient governments, by the most extensive corruption and by unscrupulous deception of the working people."

Before we reject this verdict on Russia's treatment of the countries for which she forms the capital exporting metropolis, we should recall that Djilas has actually experienced the thing, while we have not.

### **The End of the Marshall Period**

Djilas therefore concludes that the American type of post-war economic expansion is imperialistic, but that it is a much superior and less exploitative type of imperialism, as compared both to any previous imperialism, and, notably, as compared to the contemporary Russian way



of attempting to do the same thing. He concludes that in the successive external aid programmes America found a way of making those indispensable transfers of capital across frontiers without which the Western World would have come to grief.

For my part it seems to be stretching language very far indeed to call a process by which capital is largely given away, even though the giver thereby inevitably acquires some measure of influence and control over the recipients, a form of imperialism. Is not the real question rather one of whether the American people can be expected to continue to tax themselves for this purpose?

We certainly cannot expect them—and do not even desire them—to go on taxing themselves in this way for *our* benefit. Except possibly for the special case of rapid re-armament—which after all America herself is urging on us—*we must not take any more American help*. We must, I repeat, set aside the volume of exports necessary to balance our external payments, taking one year with another, as an almost absolute priority, taking precedence over all other demands on our national product. Moreover, the other secondary industrial metropolises must, and surely can, also stand on their own feet in the fairly near future. The speed of their revival is now rapid.

No, it is not in order to provide further aid to ourselves that the American people may be asked to tax themselves in future. It is rather to join with us, as the senior partner, in a joint endeavour of unprecedented magnitude to develop the under-developed continents. And, with respect for Comrade Djilas, it would be a great pity to call them “imperialists”—of however enlightened a kind—if they do so.

### What Has To Be Done

For the revival of the secondary industrial centres is only the first and smaller of the two things which have got to be done if the Western World is to go forward, reasonably in balance and as a whole. As soon as the other industrial metropolises have been got going, it is indispensable that they and the United States together should turn to the far vaster business of pouring capital into the relatively undeveloped parts of the world—into, essentially, Asia, Africa and South America. That is the real and gigantic job that has got to be done if we are to make our world work. It has got to be done not only, and even in a sense not principally, because of strictly economic considerations. Not only will the economic unbalance of the world get out of hand, but intolerable political consequences will certainly ensue unless we can find ways of steadily developing the vast pre-capitalist areas of the world. From China to Peru the great majority of the human race is still but slightly touched by the industrial revolution. But, psychologically, politically, they are waking up; and, unless acceptable ways and means of enabling them to develop their countries can be found, they will certainly be lost to the Western World. They will pass into the Russian orbit—into the orbit, that is to say, of a far less highly developed industrial metropolis which can do far less for them economically.

The American Government, just before Korea, was turning its atten-



tion to this—the basic world problem. By announcing Point Four of the Truman Programme it sought to prepare the American people for an unprecedented feat of political imagination and overseas economic enterprise, without hope of high material reward in the short run. Since then the Korean war has touched off the re-armament programme of the Western World. To some extent this must postpone the implementation of a Point Four type of programme for the publicly controlled and directed export of capital to the under-developed world. But it need not—in fact it *must* not—postpone it for more than a year or so. For such a programme is a necessity—both an economic and a political necessity—if our part of the world is to be made to work.

### A Bye-Product of Rearmament

Meanwhile the re-armament programme, burdensome as it is for us, is, curiously enough, by no means all loss to the under-developed continents. For these are the areas of the production of the main raw materials and primary products. And, as we know to our cost, worldwide re-armament has sent the prices of these raw materials and primary products sky high. The turn of the terms of trade *against* the industrial metropolises and in favour of the primary producers, which is for us the most costly feature of re-armament, is pouring money into the hands of the primary producers. It is true that they may find difficulty in spending that money on the capital resources which they need, since the industries of Britain and America in particular are so heavily committed. But this will be a passing phase, and moreover the revival of several other industrial centres, notably Germany and Japan, which are not engaged on re-armament, means that the under-developed areas may even now find it possible to spend their big takings effectively on industrial imports. (Germany's exports actually doubled last year, I understand.)

However, this is merely an often overlooked by-product of re-armament. In the long run nothing will do but the conscious direction by the Governments of all the industrial metropolises of the export of substantial masses of capital to the undeveloped areas of the world. If we can do this the Western World will work; if not, not.

(Professor Colin Clark told me, in conversation, just before the Korean war that he and his fellow statistical economists calculated that it would be from about 1955 onwards that the necessity to move really large masses of capital from the industrial metropolises to the undeveloped areas would arise.)

## SUMMARY OF PARTS ONE AND TWO

To sum up the argument of both parts of my lecture. A shift of power away from a narrow and monopolistic group towards the people has occurred to a lesser or greater extent in the main Western industrial metropolises—most perhaps in Britain, least in, say, Italy. This has been enough to force capitalism to devote itself to a significant degree



to using its resources to raising the general standard of life. There has been a redistribution of the national income and a development of agriculture. This has largely removed the old morbid symptoms of glut and stagnation. For these were symptoms of the internal unbalance of the social classes within each national capitalism. A re-animation of these economies has resulted. A remarkable prospect of economic progress, with a general and steady raising of the standard of life, appears to be opening up before us in Britain—if, but only if, our economy is not allowed to slip back into its old unbalance.

But this was only one of the essential unbalances of capitalism. The other was, and is, the ever-growing disproportion between the development of the different industrial metropolises, and still more between these industrial metropolises taken together and the undeveloped parts of the world. These disproportions, which in the case of the United States have now reached an extreme degree, can only be dealt with by the transfer to the undeveloped world of large quantities of capital by, primarily, the United States, but also by the other industrial centres, as they revive. The old method of exporting capital on private account, with all its fatal imperialist consequences, neither should, nor for that matter can, be revived.

What then can be put in its place? *Only a publicly controlled and directed export of capital.* Examples of this are afforded by the American foreign aid programme. These programmes have achieved a remarkable degree of success in reviving the secondary industrial metropolises. But this phase is nearly over. For the future, if we are to make a success of the Western World, the United States will have to join with us in a sustained effort to develop the undeveloped continents. If, but only if, this can be done there is no reason why a period of great and stable progress should not lie ahead of the Western World.

### **The Russian Angle**

What political conclusions are suggested by this analysis? To my mind the question of the hour is whether the key countries of the world will recognise that a possibility of unprecedented economic progress now exists, and will be willing to work for it—or at least, not to work against it. If Britain and America will seize this chance, and if Russia will at least recognise its existence, it will not fail. In that event we shall avoid world war, in the only way that it can be avoided in the long run, namely, by maintaining a peace that is genuinely tolerable and possible for the peoples of the world.

Let us look at the thing from the point of view of Russia, America and Britain in turn. Take the Russian angle first.

In my view there is now no possibility that Russia will ever *take part* with us in any great programme of world development of this kind—as for a moment she seemed willing to do when she came to Paris at the initiation of the Marshall Plan.

I have always thought that that Russian walk out—however inevitable it now seems to us to have been—marked the decisive turn towards the cold war. As it happens I was seeing Ernest Bevin in his room at



the Foreign Office on the morning that the first news that the Russians would come to the Conference was received. Bevin was deeply stirred by it. I had come to discuss some Food Ministry problem with him. But he kept saying, "Perhaps they *will* play after all." A few days later the Russians went home and pulled the wretched Czechs after them. But that is now all water under the bridge. The most that is now possible—and this is all that is necessary—is that the Russian Government will recognise the possibility—and the actual beginning—of progressive development in the Western World.

Curiously enough, the leading Russian economist, Professor Varga, at the very outset of the post-war period *did* recognise all this. Varga saw and wrote that in the West the power of that tiny section of monopolists whose interests had conflicted with *all* expansion between the wars had been shaken: that democratic pressure in the West bid fair to push capitalism, however unwillingly, along the road of raising the general standard of life and developing agriculture. (I am not aware whether he dealt with the next problem of finding new, non-imperialist forms for the transfer of capital across frontiers to the under-developed continents.) He held that it would be rash for the Russian Government to assume any early Western collapse or slump of the pre-war kind: he concluded that democratic pressure was making of Western capitalism a going concern, at least for the present period. And his implication was obviously that Russia must be prepared to "co-exist" with this going concern for the time being: that it would be rash indeed to try to "break" such a system by head-on opposition.

### Varga Rejected

I have no doubt that had the Politbureau accepted Varga's thesis they would have been, if not co-operative, at least moderate and reserved in their opposition to the West in the past six years. For Stalin and his colleagues have always shown themselves willing to face facts, if only they can be convinced of the existence of the facts. But the Politbureau did not accept Varga's thesis. On the contrary he lost his job—though not his head—and had to recant utterly. That meant that the Politbureau had taken its stand on the view that nothing had really changed in Western capitalism: that the New Deals and Fair Deals in America, the central planning, nationalisations, redistribution of the national income, social services—the Welfare State—in Britain; and the less marked, but perceptible, corresponding measures in Western Europe, were all quite negligible: that just the same forces as before were at work: that capital would accumulate in great unmanageable piles at the centre: that the standard of life, and so power to consume, of the population would be held down: that slump and crisis at the centre and a feverish drive to imperialist expansion at the peripheries would quickly re-appear.

On such a view Russian policy since the war is thoroughly comprehensible. "How *can* we 'co-exist' with such a system?", the Politbureau no doubt concluded. "It is inherently incapable of co-existing peacefully with any one. We must utilise every hour to strengthen our power for the coming clash of arms: at all costs we must fortify the



Socialist bastion, Bolshevise our satellites, and weaken the imperialists from within. No matter what the sacrifices, no matter how aggressive we appear to the world, we must at all costs strengthen ourselves. For, as we alone can foresee, the inherent nature of their system will before long leave the imperialists no option but to attack us."

We can but adjure the Politbureau, in the words of that great English revolutionary, Oliver Cromwell, "I beseech you, in the bowels of Christ, think it possible you may be mistaken." If only the members of the Politbureau will cease to believe that they possess an exclusive and infallible revelation, which absolves them from looking at the *facts* of the world about them, they will see that things are *not* going according to their preconception. They will see that the democratic forces in the West *have* modified the traditional development of capitalism: that if Russia continues to act as if nothing in the West had changed, only a head-on collision can result. Of course we cannot *prove* that the democratic forces and parties in the West will succeed in making things go their way—any more than the Politbureau can *prove* that they will succeed in their vast and still hazardous reconstruction of the basis of the Russian economy—though, from what indications one can get, that development too is going ahead fairly effectively. We need not despair however that in the end the Politbureau will take account of the real facts; for they respect facts, just as they respect resistance—and they are encountering resistance. We can only hope that certain recent indications mean that they are at least beginning to review their disastrously schematic, and therefore basically mistaken, appreciation of Western development.

### The American Angle

Now let us look at the contemporary scene from the American angle. Whether or not we avoid the third world war will be partly determined by the degree to which America is able to do two very difficult things—the one in the short run, the other in the long. In the short run she will need to show extraordinary patience combined with firmness. If peace is to be saved America must show herself capable of *neither yielding nor attacking*. And that will not come easily to the American temperament. For a number of years the West must simply "man the walls." Peace *can* be preserved but only if the Russian leaders find, as a fact of experience, that the West is both completely firm and completely unaggressive.

But this is only the first and easier part of the job. We must be strong not only in the military sphere—though that is indispensable in the short run. In the long run it is not merely, or even mainly, the outer military crust of the West which we must prove to be firm and solid. It is above all the inner economic, social and political heart of the West which we must prove to be sound and viable.

And this is the second difficult enterprise in which America must play a part commensurate to her position in the world. In the long run no amount of American or anyone else's re-armament, no thousands of atom bombs, no hundreds of divisions, no production of tanks or aircraft by the hundreds of thousands, will save the West, unless it continues to



find a way of making its economic system work. That, I repeat again, means turning our marvellous productive resources on to the task of steadily, and to an indefinite extent, raising the standard of life of the whole population of our world. And that in turn, and above all in the case of America, but also for ourselves, means finding a way of regularly transferring great amounts of capital, as they accumulate, across national frontiers, from the industrial centres to the undeveloped parts of the world. It can be done—but it is no small task. It will not do itself; the old method of profit seeking overseas investment on private account can never again fill the bill. Great and continuing programmes on Point Four lines, directed to Asia, Africa and South America, are indispensable to the salvation of our world. Britain must play her full part in them—but the greater part of the capital can only come from the United States. It is a vast, difficult, but surely inspiring, mission which faces the American people. Let them not doubt that if they wish to confound the Russian view of the world, this is the way to do it.

### The Task of British Labour

Finally, let us look at the world scene from our own British angle. I cannot doubt what is the British task and mission. It is in Britain that the democratic forces have really got a grip on the economy and begun to transform its nature. It is here that the democratic forces have been solidly united in one political party which has had the executive in its control for six consecutive years. It is here that the technique of contemporary central planning, either by means of physical controls or Keynesian fiscal means, is best understood. It is here that the redistribution of the national income, and the turning of the economy to its true task of steadily raising the general standard of life, has been carried farthest.

And everything, I repeat once again, turns on this. Unless this is done—and preserved—the Politbureau has *not* miscalculated. It is only to the extent that this is accomplished that the Western World can become progressive or even viable. To the extent that this is *not* done all the old, morbid, fatal tendencies to glut, slump and crisis at home, and to aggressive imperialism abroad, will re-appear. And to-day such imperialist tendencies could not fail to produce the third world war.

Our task is, then, to preserve, to perfect, to extend our newly developing social and economic system. Our national mission is to carry through the peaceful social revolution which we have begun. *Unless* we can do these things we have nothing very special to say to the world in this second half of the twentieth century. *If* we can do them we can lead the world by our example. Pericles said that Athens must make herself "the education of Helas." It is surely not wrong for us to aspire, in all humility, to play some such a role in the West to-day. We shall not do it, of course, by preaching at other peoples: probably the less we say about what we are doing the better in the long run. Sooner or later what is being accomplished here will be apparent to the world and we shall not lack imitators.

Therefore our supreme role is *to stick to it*. We have made no more



than a beginning: but it is a good beginning and it can be indefinitely extended. True, our political opponents will always seek to undo some at least of what we have done. That is natural enough and we can meet them in fair political fight.

### **Our Instrument of Social Change**

Nor should we do anything but welcome those critics in our own ranks who urge us to go faster and farther. There is a constant danger of stagnation and complacency in any huge and powerful movement such as ours. But when we remember what is at stake, how can we avoid impatience with that small section of opinion which tells us that everything that British labour has so far accomplished is "really" no good: that nothing has "really" been changed: that anyhow we are all inevitably drifting to world disaster: that *we* are helpless, and that *everything* is hopeless? These defeatists are, whether they know it or not, at one with the Politbureau in declaring that nothing can be altered short of world catastrophe. It is not true. In six years the shape and direction of the British economy *has* been altered. In the Labour movement the British people have forged an unmatched instrument of continuing social change. It is our national task—our mission to the world—to develop, to sharpen, and to use, that instrument.



NOTE.—THIS PAMPHLET, LIKE ALL PUBLICATIONS OF THE FABIAN SOCIETY, REPRESENTS NOT THE COLLECTIVE VIEW OF THE SOCIETY BUT ONLY THE VIEW OF THE INDIVIDUAL WHO PREPARED IT. THE RESPONSIBILITY OF THE SOCIETY IS LIMITED TO APPROVING THE PUBLICATIONS WHICH IT ISSUES AS WORTHY OF CONSIDERATION WITHIN THE LABOUR MOVEMENT.

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