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PARLIAMENTARY GOVERNMENT AND THE ECONOMIC PROBLEM

THE title of this lecture might suggest a connexion with contemporary party controversies. Dismiss any such apprehensions from your mind. Once I have assumed the academic panoply, I present myself before you as a Seeker after truth; and if haply in my quest I should discern some glimpses of the more obvious forms of truth, the seeker will not hesitate to become the guide.

It has been accepted generally until quite recent times that the best way of governing states is by talking. An assemblage of persons who represent, or who claim to represent, the nation meet together face to face and argue out our affairs. The public at large having perforce chosen these persons from among those who were put before them submits itself in spite of some misgivings and repinings to their judgement. The public are accustomed to obey the decisions of Parliament, and the rulers who rest upon a parliamentary majority are not afraid to use compulsion upon recalcitrants. Of this method the English may not be the inventors; but they are undoubtedly the patentees. Here in this island have sprung and grown all those representative and parliamentary institutions which so many countries new and old alike have adopted and which still hold the field in the more powerful communities of the world.

However, we have seen that this system of government seems to lose much of its authority when based upon universal suffrage. So many various odd and unwritten processes are interposed between the elector and the assembly, and that assembly itself is subjected to so

much extraneous pressure, that the famous phrase 'Government of the people by the people for the people' has in many states proved a mere illusion. Many of the parliaments so hopefully erected in Europe in the nineteenth century have already in the first quarter of the twentieth century been pulled down. Democracy has shown itself careless about those very institutions by which its own political status has been achieved. It seems ready to yield up the tangible rights hard won in rugged centuries to party organizations, to leagues and societies, to military chiefs or to dictatorships in various forms. Nevertheless, we may say that representative institutions still command a consensus of world opinion. In the United States representative institutions have expressed themselves almost entirely through the machinery of party; but here at home, although the party organization is necessary and powerful, the parliamentary conception is still dominant.

I see the Houses of Parliament—and particularly the House of Commons—alone among the senates and chambers of the world a living and ruling entity; the swift vehicle of public opinion; the arena—perhaps fortunately the padded arena—of the inevitable class and social conflict; the College from which the Ministers of State are chosen, and hitherto the solid and unfailing foundation of the executive power. I regard these parliamentary institutions as precious to us almost beyond compare. They seem to give by far the closest association yet achieved between the life of the people and the action of the state. They possess apparently an unlimited capacity of adaptiveness, and they stand an effective buffer against every form of revolutionary and reactionary violence. It should be the duty of faithful subjects to preserve these institutions in their

healthy vigour, to guard them against the encroachment of external forces, and to revivify them from one generation to another from the springs of national talent, interest, and esteem.

We must, however, recognize in good time the great change which since the war has come over our public life in Great Britain. Before the war the issues fought out in Parliament were political and social. The parties fought one another heartily in a series of well-known stock and conventional quarrels, and the life of the nation proceeded underneath this agitated froth. Since the war, however, the issues are not political; they are economic. It is no longer a case of one party fighting another nor of one set of politicians scoring off another set. It is the case of successive governments facing economic problems, and being judged by their success or failure in the duel. The nation is not interested in politics, it is interested in economics. It has in the main got the political system it wants, what it now asks for is more money, better times, regular employment, expanding comfort, and material prosperity. It feels that it is not having its share in the development of the modern world, and that it is losing its relative position. It feels that science and machinery ought to procure a much more rapid progress. It complains that the phenomena of production, consumption, and employment are at this time in our country exceptionally ill-related. It turns to Parliament asking for guidance, and Parliament, though voluble in so many matters, is on this one paramount topic dumb.

Never was a body more capable of dealing with political issues than the House of Commons. Its structure has stood the strain of the most violent contentions. Its long tradition, its collective personality, its flexible procedure, its social life, its unwritten inviolable conven-

tions have made an organism more effective for the purpose of assimilation than any of which there is record. Every new extension of the franchise has altered the character, outlook, and worldly wealth of its members. The Whig and Tory squires of the eighteenth century and the gifted nominees or sprigs of the nobility have given place to the mercantile and middle classes, and these in turn receive into their midst hundreds of working men. Yet though the human element has undergone these substantial changes, the nature and spirit of the assembly is the same. We may be sure that Fox or Burke, that Disraeli or Gladstone, if they returned to-day, would in a few months feel quite at home and speedily reclaim their rightful place. Indeed, they might find it an all too-easy conquest.

In the present period the House of Commons is engaged in digesting and assimilating a large new party founded, in theory at any rate, upon the basis of manual labour. It is a very heavy meal and the process of deglutition must take time. The constitutional boa-constrictor which has already devoured and absorbed the donkeys of so many generations only requires reasonable time to convert to its own nourishment and advantage almost any number of rabbits. And similarly the House of Commons tames, calms, instructs, reconciles, and rallies to the fundamental institutions of the State all sorts and conditions of men; and even women! But these latter dainty morsels are not always so tender as one would suppose. Taking a general view, we may say, that in dealing with practical politics the House of Commons has no rival.

But it is otherwise when we come to economic problems. Members elected as the result of the antagonisms and partisanship of class and party may find in Parliament the means of adjusting their differences and

providing a continual process by which the necessary changes in national life can be made. Political questions can be settled to a very large extent by counting noses, and by the recognized rough and tumble of electioneering. One feels grave doubt whether our economic problems will be solved by such methods. One may even be pardoned in doubting whether institutions based on adult suffrage could possibly arrive at the right decisions upon the intricate propositions of modern business and finance. Of course if the House of Commons shut itself up for three or four weeks to debate upon a long and profoundly considered series of resolutions on the present new and serious economic position of this island, and of the Empire of which it is the heart, it might well be that when the doors were opened some one would emerge with a bold plan and a resolute majority. But the attempt to find the best way out of our economic difficulties by party politicians urgently looking for popular election cries, or the means to work up prejudice against those cries, is hardly likely to lead to a successful result. Yet we do most grievously need to find in a reasonably short time a national policy to reinvigorate our economic life and achieve a more rapid progress in the material well-being of the whole people. It might well be that the measures which in the course of several years would vastly improve our economic position actually and relatively, and open broadly to us the high roads of the future, would be extremely unpopular, and that no single party, even if they possessed the secret, would be able to carry their policy through in the face of opposition by the others. In fact it would probably be safe to say that nothing that is popular and likely to gather a large number of votes will do what is wanted and win the prize which all desire.

Let us now look at some of the economic issues about which our partisans contend so loudly and about which great numbers of intelligent people are in honest doubt.

The classical doctrines of economics have for nearly a century found their citadels in the Treasury and the Bank of England. In their pristine vigour these doctrines comprise among others the following tenets: Free imports, irrespective of what other countries may do and heedless of the consequences to any particular native industry or interest. Ruthless direct taxation for the repayment of debt without regard to the effects of such taxation upon individuals or their enterprise or initiative. Rigorous economy in all forms of expenditure whether social or military. Stern assertion of the rights of the creditor, national or private, and full and effectual discharge of all liabilities. Profound distrust of State-stimulated industry in all its forms, or of State borrowing for the purpose of creating employment. Absolute reliance upon private enterprise, unfettered and unfavoured by the State. These principles, and others akin to them, are all part of one general economic conception, amplified and expounded in all the Victorian text-books and endorsed by most modern histories extant and current.

Whatever we may think about these doctrines—and I am not to-day pronouncing upon them—we can clearly see that they do not correspond to what is going on now. No doubt each political party picks out unconsciously from these tables of economic law the tenets which they think will be most agreeable to the crowd that votes for them, or which they hope will vote for them. They ignore or transgress the others. They then proceed to plume themselves upon their orthodoxy. But the growth of public opinion, and still more of voting opinion, violently

and instinctively rejects many features in this massive creed. No one, for instance, will agree that wages should be settled only by the higgling of the market. No one would agree that modern world dislocation of industry through new processes, or the development of new regions, or the improvement of international communications, or through gigantic speculations, should simply be met by preaching thrift and zeal to the displaced worker. Few would agree that private enterprise is the sole agency by which fruitful economic undertakings can be launched or conducted. An adverse conviction on all these points is general, and practice has long outstripped conviction. The climate of opinion in which we live to-day assigns the highest importance to minimum standards of life and labour. It is generally conceded that the humble local toiler must be protected or insured against exceptional external disturbance. It is admitted increasingly every day that the State should interfere in industry—some say by tariffs, some by credits, some say by direct control, and all by workshop regulations; and far-reaching structures of law are already in existence under several of these heads. Enormous expenditures have grown up for social and compassionate purposes. Direct taxation has risen to heights never dreamed of by the old economists and statesmen, and at these heights has set up many far-reaching reactions of an infrugal and even vicious character. We are in presence of new forces not existing when the text-books were written. There are the violent changes in world prices and in the localities where the leadership of particular industries is situated all unmitigated by any steady uptide of British population and consuming power. There is the power of vast accumulations of capital to foresee and to forestall

beneficial expenditure in new regions or upon new processes. There are the remarkable economies with their consequent competitive dominance which flow from scientific mass production. There is the vast network of cartels and trading agreements which has grown up irrespective of frontiers, national sentiments, and fiscal laws. All these are new factors. These examples could be multiplied, but enough will suffice. It is certain that the economic problem with which we are now confronted is not adequately solved, indeed is not solved at all, by the teachings of the text-books however grand may be their logic, however illustrious may be their authors.

But a harder task lies before us than the mere breaking up of old-established conclusions. It may well be indeed that these conclusions are sound, that they are the true foundations of the palace in which we seek some day to dwell. Our task is not to break up these foundations and use the fragments as missiles in party warfare. Our task is to build another storey upon them equally well-proportioned, symmetrical and unified. This then and nothing else is the dangerous puzzle with which you now confront your ancient and admirable Parliamentary institutions and the harassed managers or leaders of your political parties. If the doctrines of the old economists no longer serve for the purposes of our society, they must be replaced by a new body of doctrine equally well-related in itself, and equally well-fitting into a general theme. There is no reason that the new system should be at variance with the old. There are many reasons why it should be a consistent, but a more complex, secondary application.

I will take a sharp illustration. On the one hand we are told that imports injure our prosperity, and that we should insulate ourselves against them and substantially

abate their volume. Something like this, you will remember, was done for us in the war by the German submarines. On the other hand there is the view that it is what comes into the island rather than what goes out of it that we enjoy: and that to refuse imports is to refuse the payment for your exports and consequently to impede your exports, or else it is to refuse to receive the interest upon your immense foreign investments. Therefore, it is argued, the more imports the merrier. But why should we accept this bleak dichotomy? Could we not by a selective process so handle the matter that while the volume of imports actually increased or remained constant, its character would be changed, and the commodities which compose it and the sources from which they come would be quite differently proportioned. What is required is not a simple Aye or No, but a discriminating process based upon systematized principles. These principles, no doubt, exist; but they are hardly likely to be discovered for regulating either imports or exports, by candidates for Parliament promising to protect their local industries; or by any favours which Ministers may bestow upon the mining constituencies whose support they enjoy.

It is evidently a matter requiring high, cold, technical, and dispassionate or disinterested decision. It is a matter requiring stiff rules to which local and individual interests can be made to conform.

I cannot believe that the true principles will be discovered by our excellent Parliamentary and electoral institutions—not even if they are guided by our faithful and energetic Press. We might have a General Election in which eight million voters were taught to sing in chorus, 'Make the foreigner pay', and eight million more to chant in unison, 'Give the rich man's money to the poor, and so increase the consuming power'; and

five other millions to intone, 'Your food will cost you more'. We might have all this; we probably shall! But even so we may be none the wiser or the better off.

Beyond our immediate difficulty lies the root problem of modern world economics; namely, the strange discordance between the consuming and producing power. Is it not astonishing that with all our knowledge and science, with the swift and easy means of communication and correspondence which exist all over the world, that the most powerful and highly organized communities should remain the sport and prey of these perverse tides and currents? Who would have thought that it should be easier to produce by toil and skill all the most necessary or desirable commodities than it is to find consumers for them? Who would have thought that cheap and abundant supplies of all the basic commodities should find the science and civilization of the world unable to utilize them? Have all our triumphs of research and organization bequeathed us only a new punishment—the Curse of Plenty? Are we really to believe that no better adjustment can be made between supply and demand? Yet the fact remains that every attempt has so far failed. Many various attempts have been made, from the extremes of Communism in Russia to the extremes of Capitalism in the United States. They include every form of fiscal policy and currency policy. But all have failed, and we have advanced little further in this quest than in barbaric times. Surely it is this mysterious crack and fissure at the basis of all our arrangements and apparatus upon which the keenest minds throughout the world should be concentrated. Lasting fame and great advantage would attend the nation which first secured the prize. But here again it is doubtful whether Democracy or Parliamentary government, or

even a General Election, will make a decisively helpful contribution.

Are we, or are we not, capable of a higher and more complex economic, fiscal, and financial policy? Are we not capable of evolving a united body of doctrine adapted to our actual conditions and requirements? Could not such a system of policy be presented and accepted upon a national and not a party basis? Could it not when devised be taken out of the political brawling and given a fair trial by overwhelming national consent? Here then is the crux for Parliament. Many dangers threaten representative institutions once they have confided themselves to adult suffrage. There are dangers from the right and dangers from the left. We see examples of both in Europe to-day. But the British Parliamentary system will not be overthrown by political agitation: for that is what it specially comprehends. It will pass only when it has shown itself incapable of dealing with some fundamental and imperative economic need; and such a challenge is now open.

It must be observed that economic problems, unlike political issues, cannot be solved by any expression, however vehement, of the national will, but only by taking the right action. You cannot cure cancer by a majority. What is wanted is a remedy. Every one knows what the people wish. They wish for more prosperity. How to get it? That is the grim question, and neither the electors nor their representatives are competent to answer it. Governments and the various parties moving in the political sphere are not free to proclaim the proper remedies in their completeness, even if they knew them. All kinds of popular cries can be presented for an election, and each may contain some measure of the truth. None in itself will provide us with the key. For this reason opinion has

been turning towards the treatment of the subject on national and non-party lines. The leaders of parties, we are told, should meet together and arrive at a common policy. But these leaders, having their being in the political sphere, would not be able at such a conference to do much more than to restate in civil terms the well-known differences and antagonisms which they represent.

It would seem, therefore, that if new light is to be thrown upon this grave and clamant problem, it must in the first instance receive examination from a non-political body, free altogether from party exigencies, and composed of persons possessing special qualifications in economic matters. Parliament would, therefore, be well advised to create such a body subordinate to itself, and assist its deliberations to the utmost. The spectacle of an Economic sub-Parliament debating day after day with fearless detachment from public opinion all the most disputed questions of Finance and Trade and reaching conclusions by voting, would be an innovation, but an innovation easily to be embraced by our flexible constitutional system. I see no reason why the political Parliament should not choose in proportion to its party groupings a subordinate Economic Parliament of say one-fifth of its numbers, and composed of persons of high technical and business qualifications. This idea has received much countenance in Germany. I see no reason why such an assembly should not debate in the open light of day and without caring a half-penny who won the General Election, or who had the best slogan for curing Unemployment, all the grave economic issues by which we are now confronted and afflicted. I see no reason why the Economic Parliament should not for the time being command a greater interest than the political Parliament; nor why the

political Parliament should not assist it with its training and experience in methods of debate and procedure. What is required is a new *personnel* adapted to the task which has to be done, and pursuing that task day after day without the distractions of other affairs and without fear, favour, or affection. The conclusions of such a body, although themselves devoid of legal force, might well, if they commanded a consensus of opinion, supply us with a comprehensive and unified view of high expert authority, which could then be remitted in its integrity to the political sphere.

Let me recapitulate the argument I have submitted to you upon this aspect of political science. The economic problem for Great Britain and her Empire is urgent, vital, and dominant. There exists at the present time no constitutional machinery for dealing with it on its merits, with competent examination and without political bias and antagonisms. The House of Commons, to which the anxious nation looks to provide a solution, is unsuited both by its character and the conditions which govern its life to fulfil such a task. Nevertheless, the task has to be done. Britain is unconquerable and will not fail to find a way through her difficulties. Parliament is therefore upon its trial, and if it continues to show itself incapable of offering sincere and effective guidance at this juncture, our Parliamentary institutions, so admirable in the political sphere, may well fall under a far-reaching condemnation. If Parliament, and the Ministries dependent upon Parliament, cannot proclaim a new policy, the question arises whether they should not, while time remains, create a new instrument specially adapted for the purpose, and delegate to that instrument all the necessary powers and facilities.

I hope you will feel I have been justified in troubling

you to-day with these anxious matters. These eventful years through which we are passing are not less serious for us than the years of the Great War. They belong to the same period. The grand and victorious summits which the British Empire won in that war are being lost, have indeed largely been lost in the years which followed the peace. We see our race doubtful of its mission and no longer confident about its principles, infirm of purpose, drifting to and fro with the tides and currents of a deeply disturbed ocean. The compass has been damaged. The charts are out of date. The crew have to take it in turns to be Captain; and every captain before every movement of the helm has to take a ballot not only of the crew but of an ever-increasing number of passengers. Yet within this vessel there abides all the might and fame of the British race and all the treasures of all the peoples in one-fifth of the habitable globe. Let this University bear her part in raising our economic thought to the height of the situation with which we are confronted and thereafter in enforcing action, without which such thought is vain.

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