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THE MOBILISATION OF NATIONAL CREDIT.

THE natural and almost inevitable tendency in discussing the internal social problems raised, or intensified, by the war will be to emphasize the economic and statistical, financial and philanthropic aspects. But the essential aim of a sociological inquiry should be to press forward and emphasize the social aspects of the whole set of internal war problems. As well as labour, unemployment, and short time, we must consider the reduction of the income of professional, scientific, literary, artistic and other classes, the effect on trades and industries that serve these classes, and the reaction of diminished cultural activity on all classes, a reaction affecting a whole generation and more. From this point of view, the problem is one of maintaining the civilization of the community while at war; and further, there is the problem of utilizing the awakensness evoked by war to direct attention to problems of civilization relatively dormant in peace times. How, for instance, to use the artistic and literary classes largely unoccupied during war, not only for maintaining but even for raising the standard of education and popular taste.

The suggestion of course is not to abandon the conventional standpoint, but, starting from this, to see how as sociologists we are inevitably led on to further issues. Let us then make our approach by two stages, (1) economic and statistical, and (2) social proper.

I. *Economical and Statistical Problems.*

(a) How maintain as near as possible at its normal that flow of goods and services which constitutes the aggregate income of the nation?

(b) How estimate the amount and distribution of unemployment and distress, actual and prospective?

(c) How relieve existing unemployment and distress? How prevent their increase?

(d) How effect such relief and prevention by constructive or educational work rather than by eleemosynary aid or merely by occupational makeshifts?

As regards the problems (c) and (d) above, these have been treated with great fulness and clearness by Mr. Sidney Webb in

his statesmen-like paper, "The Workers and the War" (Fabian Society, *id.*), which is doubtless already in the hands of many members of the Sociological Society.

As regards (b), that investigation is in the hands of a Statistical Committee appointed by the Government, under the able and devoted chairmanship of Mr. Seeböhm Rowntree.

We fall back, therefore, on the first of the problems:—How to maintain the flow of goods and services that make the national income. The core of this question has been recognized by business men and by the Government as essentially a matter of credit. The home trade depends for its continuance upon the payment of goods in advance of manufacture, and the foreign trade on payment in advance of delivery. In the former case the intermediate operation of converting bookkeeping debits and credits into money is effected by the banks and discount houses, in the latter by the accepting houses. All three institutions are alike in that their business consists in the simple operation of buying debts and credits of others and selling their own credit, which credit is by custom convertible into cash. When war broke out people became afraid that the custom of converting the credit of banks, discount houses and accepting houses would not hold and a certain paralysis of trade was threatening. Government aid was invoked and various measures were taken. The chief and essential measure was a national guarantee of certain debts and credits on a wholesale scale. This was a new and unprecedented proceeding, and important questions arose. Whose debts and credits were to be guaranteed? The selection rests in the last resort on the governors of the Bank of England. This means that the Bank has been endowed with a power of selection, determining the economic survival of many firms and individuals in the present time of storm and stress. The wise exercise of this power of economic selection and determination of survival by the governors of the Bank of England will not be questioned. On the contrary, the social observer notes it as an instance of the sociological law that economic power tends to replace political power, and he asks—would it not be well consciously to extend it still further? Do not the needs of the hour demand that the national credit be used to maintain the productive activities beyond the inner circle of great bankers, merchants and manufacturers? And if so in whose hands should be placed the authority to wield the power of economic selection? Where can be found the experience, the wise counsel and judicious administration which in the delegation of national credit could serve the outer economic circles as the governors of the Bank of England serve the inner? Or, putting the question in another way, what administrative machinery exists or could readily be created for extending these new national functions of the Bank of England to the confines

of the economic circle? How can we secure that no producer, however humble, be deprived of his morsel of national credit, if he needs it and can prove to his peers that its use would raise his economic potential?

Though this is hardly the time to invoke the example of Germany, so often appealed to by social reformers, yet there are signs that one of the staying factors of Germany in the present crisis is the organisation of credit for small people. Thus, for example, a writer in the *Westminster Gazette* of September 21st, in an article on the internal condition of Germany, said: "Everywhere throughout Germany credit banks are projected or being established with the idea of helping the small man. The capital is guaranteed by the commune, or a co-operative society, supported by the larger firms. The amount of credit which these banks are prepared to advance is amazing. At Frankfort, for example, it is proposed that credit to the amount of ten million marks shall be advanced on a cash deposit of 1-20th of that sum." The writer then went on to explain that "the experiment is only possible because the German mind, as revealed in the German press, up till ten days ago was full of confidence owing to the advance of the army in France." A deeper explanation may be found in the fact—apparently unknown to the *Westminster Gazette's* contributor—that in Germany the social use of organized credit has long been understood, and its application to the linking up of small people to the great banking system has long been practised.

The beginnings of a similar social use of credit exist in Great Britain and Ireland. One should say Ireland and Great Britain, since the pioneer in this movement has been the Irish Agricultural Organisation Society, founded by our foremost rural statesman, Sir Horace Plunkett. There followed the (English) Agricultural Organisation Society, whose general secretary, Mr. Nugent Harris, is one of the ablest disciples of Sir Horace Plunkett, and then the Scottish Agricultural Organisation Society. The Rural Housing Organisation has applied co-operative principles in another field, and here again control of capital is most desirable; and most recently has been founded, on lines similar to the Agricultural Organisation Society, the Fisheries Organisation Society. The Co-operative Banks Association, the pioneer of co-operative credit in England, was long ago merged in the Agricultural Organisation Society, but its offshoot, the Urban Banks Association, continues, though fitfully, the effort to apply the principles of co-operative credit in the towns and cities. These organisations, along with other bodies, such as the Urban Co-partnership Tenants Societies, constitute a group in which may be found the elements of that administrative machinery needed to make a similar application of the national credit to the outer economic circles which the Bank of England

and its governors is now, under pressure of the war, making to the inner circles. Initiatives towards this already exist. Through their operation, the national credit has already been used to divert large capital sums to the financing of *petite culture*, or to the building of artisan dwellings in towns and rural labourers' cottages. From a social banking point of view, the problem is to co-ordinate these too sporadic initiatives towards the financing of small people, and deliberately incorporate them into that great system of joint-stock and private banks which the present crisis has revealed as resting in the last resort on national credit.

Now the banking point of view comes very close to the sociologist's outlook, for, of all economic operations, banking is the most generalized. Thus the sociological importance of the banker was recognized by the founder of Sociology, though since overlooked by most sociologists. The concentration of selective control, which we are to-day witnessing in the Governor's Court of the Bank of England, is suggestive of the "triumvirate of bankers," which Comte foresaw at the apex of the temporal power in the modern state.

The new Council of State sitting in Threadneedle Street represents the private and joint-stock banking system. Can we not supplement it by a similar council representing the co-operative credit system; or more simply and more directly, can we not introduce into its counsels a leaven of co-operative credit? If so then the activities of the new Council of State would be notably advanced. We should be on the way towards achieving the systematic extension of national credit to the small people outside the ordinary banking circles, and thus aid not only in maintaining their economic potential in wartime, but even raising it to higher levels. And simultaneously would a deliberate step be taken towards the long overdue "socialising of finance."

II. *Social Problems.*

The whole set of organisation societies we are considering associate themselves with business enterprise, not in order to make other than a limited profit, but primarily to improve the quality of business, and this alike in its economic and social aspects. They organise to retain the stimulus of competition, while replacing its waste and friction by the economies of a humanising co-operation. They organise to ensure that business enterprise shall result in a real betterment of environment. Expressing the genius of the Irish Agricultural Organisation Society, there runs as a refrain through the writings of Sir Horace Plunkett the saying, "Better business, better farming, better living." The practical results of this combination of business and statesmanship are revealed to the traveller in Ireland by the sight of renovated villages and their

prospering inhabitants. In England the public is familiar with the reconstruction of environment resulting from the activities of societies, trusts or associations which, though calling themselves by such appellations as co-partnerships, garden city, or garden suburb, are essentially housing and town-planning organisation societies.

To ensure the continuance of all such efforts, at once commercial and social, during the crisis of war is manifestly a matter of no small national concern. There is reason to fear that not a few may be in jeopardy, notably, for instance, many of the *petite culture* societies, created with such painstaking industry during the past decade. The collapse of any considerable number of these would not only be a disaster to the rural revival movement but would also react on the national food supply. All that is needed to ensure the survival of these and other similar societies, so hopeful for the future, is an application of national credit wholly insignificant in amount in comparison with that extended to the mercantile community, and pound for pound, certainly not more attended by risk. But on other grounds also the plea is advanced, for the initiative would constitute a banking reform of first-rate social significance.

The organisation societies are concerned with the transformation of environment. Add to their work a spiritual and æsthetic leaven, and there follows not only that ennobling and dignifying of life which inspires genuinely creative work, but also a positive increase of economic efficiency. A friendly critic of the present thesis denies all value in war time to the man of artistic capacity who can neither fight nor make crude material. The immemorial tradition of regimental music sufficiently counters that argument; and stories such as that of the Russian tenor—veritable reincarnation of Tyrtæus—maintaining and heightening the spirit of troops in the trenches, show how the same principle might advantageously be extended even on the field of battle. But the question is as to its organised application to the secondary purposes of war. The social evils inevitably emerging in the new military camps are already clamant for artistic leadership in providing the finer in place of the coarser pleasures. The higher military efficiency that would ensue is surely matched by the higher economic efficiency that would result from a due introduction of artistic leadership in internal problems, industrial and social, of a people at war. Hence the plea of mobilising credit for the maintenance at full and even enhanced activity, not only of the organisation societies but also those of a recreational and æsthetic order. And above all, perhaps, is there need in the supreme national crisis of war alike to ensure the survival of those marginal organisations which devote themselves to the high tasks of co-ordination, and also to call upon

them for guidance and thus utilise for the nation their accumulated experience. Were the credit resources of the nation adequately utilised under the direction of bankers with the gift of far-seeing statesmanship, it would be recognised that there are not a few societies, endowed with some vision of unity, which are capable of giving invaluable aid in the distribution of credit.

Among the varying types of such societies there exist a few, which, by reason of their scientific grasp of national wealth as something concrete and definite which can be planned ahead in orderly development of the present for the future, have particular relevance to the subject of credit. For in credit there are three main factors. The first is the honour and the instinct of workmanship, of the labouring and professional classes, which assures the future supply of goods and service. The second is the skill of accountants in devising and applying abstract notations for the accurate record of debts and credits, and their periodical balancings. The third is the practical wisdom of banker-statesmen in assessing the present value of unliquidated debts and redistributing that value as credits. Now the planning of home, village, suburb, town, city—each as a unit in itself but also as collectively integrated into the larger units, regional, national and international—is the pre-occupation of that rising profession whose representative organisation is the Town-Planning Institute. The legitimate specialism of these new students and practitioners of co-ordination is the whole material environment of society and its orderly transformation. But may there not be also a legitimate specialism in the foresight and purposive planning of human life, in its individual phases, domestic, parochial, suburban, civic, regional, national and international, each and all in due correlation with the corresponding transformations of the material environment? At any rate such is the problem towards which studies have for long been accumulating, with some modest initiative of practical endeavour, among the students of Civics as practical sociology in Edinburgh and elsewhere, of which the central concept of realisable ideals as regional Utopias is becoming widely known.¹ The suggestion is that it belongs to the accountant to think out and apply to such specialised activities the appropriate notation for record of their debts and credits and the balancing of their long-distance periodicities—that it belongs to the banker-statesman practically to recognise and estimate the corresponding present values with due allocation of that credit which means control or direction of capital. And here, in such practical recognitions, is, it is contended, a deep selective factor in the struggle of nations for survival in war and peace.

1. See Branford's *Interpretations and Forecasts*. (Duckworth, 1914.)

The business of the banker is to allocate credit (which in the last resort we know to be national credit) to approved types of society (such as joint stock companies) or individuals. The banker is thus one of the most potent agents of social selection, and it becomes important to inquire into his criteria of approval. To what extent is the making of the fortune of the more complex and lasting societies we call village, town, city, nation, on all fours with the making of the fortune of individuals and commercial societies (such as joint stock companies) approved by bankers? There is a gathering feeling that too many individuals and joint stock companies make their fortune to the deterioration of nations, the detriment of cities and the decay of villages. The banker's criteria of social selection manifestly need revision from time to time, and that by a more continuous and searching criticism than the customary process of fortuitous amendment. To discuss this sociological question alike in its general bearings and in reference to the needs of certain betterment societies and organisations in the present crisis would be a natural topic of the proposed conferences.

In considering the relation of banking to betterment let us not forget the third term of Sir Horace Plunkett's triad. Better living implies a bettered environment, but it implies more. And so in supplement to societies for the organisation of betterment, there is a growing host of secular societies for the direct uplift of life. The instruments of the former are the sciences; of the latter the arts. Now, the economic value of (say) good mural decoration is obvious enough. Less so that of drama and pageant, song and dance, because the productive returns of these, like those of afforestation, have to be looked for not in annual balance-sheets, but in the improved social values of the coming generation.

It should surely be recognised as a definite part of the policy of such co-operative associations as we have mentioned or their affiliated societies, that they put aside part of the profits for the promotion of this fullness of life among their members. This is to some extent a tradition of the co-operative movement, but it required development and leadership. To provide that leadership was one of the purposes with which Octavia Hill founded the Kyrle Society. Its offspring are seen in many local betterment and embellishment associations. It would be a fitting movement to the memory of Octavia Hill if all these and other cognate societies could be given organised support and recognition as part of a general policy of social uplift designed to provide work at the present time for unemployed painters and musicians, actors and writers who, too proud to ask or even accept charity, would joyfully give of their best creative work for a subsistence wage. All these have to be maintained in some way or another during war

time. It is surely uneconomic to the last degree that these, the natural leaders in any organised effort for the general uplift of life, should be numbered amongst the unemployed. Such wastage could be converted into a great national asset if the organised associations concerned were encouraged to address themselves to the problem. And as a suggestion of financial method we may take the analogy of certain loan funds for starting needy but clever young professional men on their career, by making advances repayable in subsequent prosperity. This is a principle capable of extension not only to individuals but to many kinds of societies organised for betterment or uplift through long-distance returns. Such principles and their practical application are aspects of those problems of social finance which call for investigation by sociologists.

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