CHAPTER TEN

THE RICH, THE POOR, AND THEIR TRADITIONAL ANTAGONISM

§ 1. Short Studies in the Acquisition or Attempted Acquisition of Wealth.
Hetty Green as an Uncreative Accumulator.
The Landgrave of Hesse-Cassel, the Rothschilds, and National Loans.
Cornelius Vanderbilt, Jay Gould, and Railway Development.
J. D. Rockefeller and the Organization of Oil Production.
Thomas Alva Edison.
Henry Ford.
Alfred Loewenstein.
Men Who Have Gone Beyond the Permitted Limits.


§ 3. The Alleged Social Advantages of a Rich Class.

§ 4. The Ideal of Equal Pay for All.

§ 5. Do the Modern Rich Want the Poor to Be Kept Poor?

§ 6. The Poor.


§ 8. The Attempt of Soviet Russia to Abolish Rich and Poor Together.

CHAPTER TEN

THE RICH, THE POOR, AND THEIR TRADITIONAL ANTAGONISM

§ 1. Short Studies in the Acquisition or Attempted Acquisition of
Wealth

In the preceding chapter we have had to display the financial
organization of man's economic life as loose, vague, experi-
mental and extremely dangerous. We have had to show that
money is still a most imperfect counter for social service, and that
the getting of money, which for the most obvious reasons should be
the correlative of productive exertion, becomes in many instances
and very easily, a process parasitic upon, rather than contributory
to, the progressive development of the economic organization. We
have seen how badly the machinery as a whole is working at the
present time. We now propose to show how it has worked in recent
times in certain individual instances. We are going to put before the
reader a selection of individual accumulators for his consideration.

Our studies will be chosen chiefly to illustrate the working of
generally accepted property and money ideas and conventions. But
one or two of our cases will anticipate certain issues about legislation
and administration that we shall deal with in Chapter XII.

The study of individual instances of wealth-getting is a depart-
ment of social research of growing value and importance. A
number of scattered writers* have directed their attention to these
enquiries, but so far they have scarcely got beyond the anecdotical
stage. Their studies are not yet numerous enough and searching
even for even a pretence of scientific treatment. The subject is at
a stage comparable to that early phase of natural history when the
collection of "curios" was preparing the way for the systematic
marshalling of specimens in museum galleries.

* For example, Richard Lewinsohn with his A la Conquête de la Richesse,
Zaharoff, and Histoire de l'Inflation. A more comprehensive study which Professor
Laski recommends is G. Meyer's History of the Great American Fortunes.
THE WORK, WEALTH & HAPPINESS OF MANKIND

HETTY GREEN AS AN UNCREATIVE ACCUMULATOR

For our first exhibit, a very wealthy product indeed of the current phase of financial organization, we will take Mrs. Hetty Green, who was born in 1825 at New Bedford and died in New York at the age of eighty-one worth a fortune of certainly over thirteen million pounds and probably of half as much again. She may be described as a pure accumulator. Her life has been written very ably by Boyden Sparks and Samuel Taylor Moore,* to whom I make my acknowledgments, and it is essentially the history, as they put it, of a woman with a genius for acquiring and making money and an inability to spend it. She is therefore a very good test of the social value of the money incentive under modern conditions.

Apart from her passion for acquiring and holding money she seems to have been a humorous, industrious woman with a certain personal attractiveness, considerable homely skill in nursing and a taste for domestic drudgery. But she was by nature self-centred and acquisitive, and all the circumstances of her education developed a vindictive persona. Her habits were miserly from the beginning, and they became more so; in her phase of maximum business energy she wore newspapers in winter to avoid buying warm underclothing, and she lived in cheap lodging houses, moving from one to another in order to evade taxation. Her only luxury was hatred. Her self-esteem took the form of revenges of which she was proud. She liked to get equal with people who had thwarted her in her more question-able projects. She was one of those people who nurse grievances and pursue them, and she succeeded in ruining several men and in worrying one unfortunate trustee to death. These were her greater passions. She loved her son—to what extent we shall see—and she gradually dispossessed her husband of his property and separated herself from him on account of his habit of expenditure, in spite of her undeniable affection for him.

She was the daughter of a hard-fisted shipowner and trader, who followed the fashions of New English Puritans in leading a life of successful acquisition; she was at first a bold, handsome girl, whose face hardened quickly; she bullied her mother; perhaps she learnt that from her father; and when she was sent to New York for the winter with $1,200 to spend she invested a thousand in bonds and

* Boyden Sparks and Samuel T. Moore; Hetty Green: A Woman who loved Money.

416
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

went on investing thereafter. If she had the passions and vanities of a girl, she had them well under control. Her hostess in New York, being ashamed of her guest's dowdiness, bought smart and fashionable clothes for her, which Hetty put aside as too valuable to wear. After the death of her mother she lived with an invalid aunt whom also she bullied, making stupendous scenes on the slightest occasion—generally on such scores as the rate of domestic expenditure or the denial of access to her aunt's private papers.

Hetty was heiress both to this aunt and to her father. Her father left her nearly a million dollars as well as other property in trust; her aunt, who died worth about $2,000,000, had covertly made a will devoting about half of this sum to various charitable purposes and giving Hetty only the income for life of the residue. Hetty attempted to set this will aside in order to secure control of her aunt's entire capital, and she seems to have committed forgery, perjury and fraud in her unsuccessful attempts to do this. Then, being married to Mr. E. H. Green, who was also worth at least another million dollars, she set herself single-mindedly to the task of increasing her wealth. The tangle of litigation about the will ended in a compromise that left her with an income of 65,000 dollars a year from tied-up capital, and free cash to the value of about 650,000 dollars. Already before that she had been operating on an original fortune of a million, inherited from her father.

She and her husband lived for a time in Europe to escape the disagreeable atmosphere (and perhaps even the possibility of worse consequences) created by the will case, and in London—from their headquarters at the then most famous and splendid Langham Hotel—she and her husband engaged in discreet but successful speculative operations. He was an able enough business man, and at first he had considerable influence over her and gave her valuable advice. It is evident from her subsequent history that the choice of that particular hotel was his. He had none of her retentive acquisitiveness. He speculated to spend; he did not know how to hold, and while he consumed what he had and made, Hetty acquired and acquired. In one year she made more than a million and a quarter dollars through the purchase of United States gold bonds. London knew little or nothing of American conditions; there was considerable doubt whether the Washington Government might not break faith in regard to these bonds, and at times the un-
certainly deepened to panic. There came the sort of opportunity for which Hetty lived.

The Greens returned to America in 1874, by which time the statute of limitations made any further annoyance on account of that will impossible, and they returned in a period of depression when buying cheap was easy.

Sparks and Moore (op. cit.) quote her own explanation of her method:

"I believe in getting in at the bottom and out at the top. I like to buy railroad stock or mortgage bonds. When I see a good thing going cheap because nobody wants it, I buy a lot of it and tuck it away. Then when the time comes they have to hunt me up and pay me a good price for my holdings. I own a lot of city mortgages in crowded sections. They seem to me as good as anything.

"I don't much believe in stocks. I never buy industrials. Railroads and real estate are the things I like. Before deciding on an investment I seek out every kind of information about it. There is no great secret in fortune-making. All you have to do is buy cheap and sell dear, act with thrift and shrewdness and be persistent."

She pursued that system of buying, add our authors, in every transaction in which she engaged, whether she was buying a mortgage, a peck of potatoes, a house or a horse. In the spending of money she might have been compared to an athlete who never broke training. She spent nothing. In Green she possessed a steward who did not charge for his services, who supplied her with food, shelter and clothing, as any husband is required to do. Also in the earlier stages of their married life he gave her some very sound and shrewd counsels. Consequently there was not the slightest drain on her own fortune, and it grew monstrously. A time came when she separated her life and estate from Green's altogether, and he ended his days an elderly, impoverished loafer in a New York club.

She became a grotesque, familiar figure in the financial world of New York, a dingy, alert old woman in a hackney carriage, flitting from bank to bank, with bales and valises of securities. She would invade bank premises with her auriferous litter to save herself the expense of offices; she would borrow clerks and so recoup herself for
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

the charges the banks made for the business they did for her. She would scold and weep and make a terrible fuss if things were not done as she desired.

The reader must go to the biography I have quoted for a fuller account of the habits of this astounding creature, of her gradual effacement of her husband in the conduct of her affairs, and of how she sacrificed the leg of her son, whom she certainly loved very greatly, to her hatred of paying doctors' fees. The leg was injured in a toboggan accident, and failing proper treatment became so bad that at last it had to be amputated. She used to dress herself and her son in their shabbiest clothing in order to get advice and treatment in free clinics. But the doctors knew her. The clinics were warned against her. She grudged the cost of a competent specialist until it was too late. And yet they say she nursed that son, skilfully and devotedly.

Enough has been said here to show the quality of her life. The aspect that most concerns us is that she was able to lead such a life and keep her self-respect. She was proud of herself. Her personal habits sanctioned these things. The system of ideas in which she was reared, and which prevailed in the world about her, justified her career.

She had grown up in a community which held the getting of money to be the test of a satisfactory life, and where want of money was considered more hideous than any deformity. She was ego-centred, responsive to the standards about her, and capable of great sacrifices, so far as immediate satisfactions were concerned, to the ruling ideas in her mind. In happier circumstances she might have had altogether different ruling ideas; she might have been a fanatic of faith or works; or if money had really been a fair measure of public service, even her avarice might have become an incentive to vigorous efforts for the community. As it was, she became a morbid accumulation and an arrest of spending power. She stimulated no wholesome human activity.

She was misguided. It is the way in which she was misguided that concerns us. She was misguided by our monetary-credit system and by our reliance upon competition in getting as a test of worth. Her significance in this study of human work and wealth lies in her demonstration of the entire ineffectiveness of that money-credit system. The money-credit system should be a system for stimulat-
THE WORK, WEALTH & HAPPINESS OF MANKIND

ing and rewarding productive energy. Here we see in the plainest way how its fluctuations can be diverted entirely to unproductive accumulation. That is the fundamental unsoundness of the money motive. We see the surplus profits of the activities of city and railroad converging upward to this sordid, clutching old woman, who desired no progress, imagined no increase in the grace and sweetness of life, opposed any development that touched her monopolies and securities.

Slowly, inevitably, her fortune grew. She was a patient, implacable creditor. Only her death arrested the growth and concentration of her property. An immortal Hetty Green would have become step by step, and in strict accordance with the rules of the money-credit game, the owner of an economically arrested world.

And it happened as a further mitigation of her activities that, as her hoard accumulated, money cheapened. She added million to million and became a legendary figure in Wall Street, but all the while something else was happening in the world on a larger scale than any of her operations. New sources of gold had been discovered and were yielding abundantly; cheques quickened and multiplied payments, production increased immensely, and the gross increase of wealth in the world was out of all proportion greater than her individual gettings. In a world of falling prices her strangulating influence would have been a very serious thing, but that abundant later nineteenth century, with its amplying financial resources, could carry Hetty Green without much discomfort.

THE LANDGRAVE OF HESSE-CASSEL, THE ROTHSCHILDS AND NATIONAL LOANS

Mrs. Hetty Green is a single specimen, a solitary acquisitive individual reacting to the ideas current in her time and circle, of ownership and success. She succeeded, and the world that had made her disliked her. How many minor Hetty Greens, male and female, there are in the world, individual centres of sterilizing ownership, it is impossible to estimate. So it is impossible to estimate their arresting action upon the general economic process. There may be multitudes of minor hoards of the same moral quality.
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

We will turn now to a larger system of acquisitions, to that great family of money accumulators and operators, the Rothschild family.

The beginning of the story goes far back beyond the beginnings of Hetty Green. It goes back into the period before railways and the gold discoveries of the middle nineteenth century, to the days when the supply of gold was restricted, and almost the only way to wealth and power lay through the acquisition either of land or of the key-metal. Land aggregation, saving and usury, were the older ways in which one grew rich. You saved, you tried to monopolize, you squeezed the needy. The story opens with a territorial prince selling men and lending money, and a Jew trader selling jewels wisely. It brings us into the modern period, when the finance of great industrial undertakings was beginning to overshadow the loans of militant states.

The Rothschilds were shop-keeping Jews in the Frankfort ghetto, general dealers. It was a prosperous but not conspicuously rich family, until the days of Meyer Anselm Rothschild, in the latter half of the eighteenth century. He was interested in coins; he became among other things an expert dealer in medals and jewels, and in those days of small states and diverse coinages his knowledge and advice were useful to his contemporary, the Count of Hanau-Nunzenburg, who presently became Landgrave of Hesse-Cassel. The landgrave was a seller of men. Human flesh was one of the chief exports of Hesse-Cassel. He took his subjects, made soldiers of them, and sold them by the regiment to various foreign powers, particularly to the English Government, at that time in conflict with its North American colonies. When any of his men were killed or maimed he received compensation from the hiring government. There is no record of the payment being handed on to the wounded men or the families of those who were killed. He inherited very considerable wealth by the standards of that time, he was insanely avaricious, and he had marked financial ability. Rothschild, who had won his confidence steadily, became his "Agent-General" and ally, and in various transactions his partner. Loans were made to the rulers of Denmark, Hesse-Darmstadt and Baden. Rothschild was already in possession of a respectable fortune in the dawn of the Napoleonic age. When the landgrave had to flee before Napoleon in 1806, Rothschild, in association with friendly bankers in Frank-
THE WORK, WEALTH & HAPPINESS OF MANKIND

fort, was able to save the larger part of his fortune for him.

This Meyer Anselm Rothschild died in 1812, leaving a widow of
vigoroues character and five sons. The old general shop still flour-
ished beside the new and growing bank. The unmarried daughters,
the sons and the daughters-in-law, says Lewinsohn,* all took part
in the shop; one was cashier; the sons travelled to deal personally
with the more important transactions of the firm.

A year or so before his death old Meyer Anselm sold his business
to his five sons for a sum which he then bequeathed to his wife and
daughters. This was done in accordance with one of the funda-
mental principles of Rothschild policy—all money, and the sole
control of the business, must be kept in the family. To this end he
shut out his daughters’ husbands from the common interest, and to
this end the third and fourth generations intermarried, but without
any intensification of the ancestral business ability.

At the time when their father died the sons had already begun to
spread themselves in Europe. The most talented, Nathan Meyer
Rothschild, had established himself in England, and in order to
facilitate his transactions with the continent had arranged that
another brother—James—should settle in Paris. It was this
willingness to adventure themselves in foreign countries, together
with their strong family sentiment, which gave the Rothschilds both
their strength and their opportunities. Through all wars, invasions,
blockades and changes of government, they could trust one another
in a manner impossible to the mere groups of banks and merchants
who were their rivals. They could supply one another with the
most dangerous and intimate information, information the collection
of which they organized with the greatest care. Later they in-
stituted a special system of couriers. In spite of the enormous
expense, they found this worth their while, for they not only secured
for their business a privacy which could not be counted upon by
any other firm in Europe, but they left themselves free to send
through the post or in embassy bags any documents which they
wanted the governments of the moment to read. Further, on the
basis of this entire confidence, they were able to let themselves be
absorbed each in the life of his own adopted country, naturalize
himself, and work in the interests of its government, as long, of
course, as it did not threaten Rothschilds in particular or Jews in

* A la Conquête de la Richesse.

422
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

general. They knew that, under this scheme, if all the Rothschilds could not be on the winning side, at least one must be, and in a position powerfully to assist the others. It is said, moreover, that no one of them ever criticized another's business policy.

The most dramatic example of this international co-operation was perhaps the system by which Nathan and James in London and Paris were able to keep Wellington in the Peninsula supplied with money for his armies. Nathan had already made a considerable fortune by ordinary trading when he was entrusted, through his father's influence, with the making of some important English investments on behalf of the Elector. This gave him the command, if only for short periods, of large sums of money, and he used them to buy gold and silver and smuggle them across the Channel into France. This in itself was extremely profitable so long as he could be certain that the French would give a passage to his consignments, and to secure consent he arranged that James should go to Paris and interview the authorities. The Continental blockade was in force, but Napoleon had found that he must either allow his allies a certain amount of permitted smuggling into, and out of, England or lose them as allies; and James, by representing that the English were extremely anxious to prevent the precious metals from leaving their country, was able to obtain permission to receive his parcels from Nathan. The English were, in fact, most anxious to get money through to Wellington, and this James, by using Rothschild connections to buy bills on bankers in the south of Europe, could do with uninterrupted success.

Later England herself ran short of gold, and Nathan was able to make very large profits, first by knowing where to buy gold, which he sold to the English Government, and then by undertaking its transport to the troops abroad. He succeeded also in getting across to Holland, where he bought up the French money with which the Continent was flooded, and again through his brother in Paris conveyed it to Spain.

His services to the English were fully recognized by the Chancellor of the Exchequer, and he made use of his new credit to suggest at once that the Rothschilds should be given part of the work of transmitting the British subsidies to Austria. At this time the expenses of handling these subsidies from Britain were very high. Metternich reckoned that what with loss on the exchange,
commissions, and bankers' charges, one third of the money—two millions out of six—would disappear before it reached his hands. The British Government naturally desired that as much of its money as possible should be spent on the upkeep of the Austrian armies and it was glad to support the advances of the Rothschilds when they offered to undertake the work without upsetting the exchanges and to guarantee the money's safe arrival. But the Austrians at that time preferred to have their affairs mismanaged by Austrians and Christians rather than that they should be handled prudently and honestly by foreign Jews.

In spite of this check, however, the reputation of the firm was spreading all over Europe. The renown of Nathan in particular was growing, and it assumed a legendary tinge when one of his agents brought him the news of the victory of Waterloo a day sooner than the official despatches reached the British Government. It was said that Nathan's information had been obtained by a special secret pigeon post, and also that he himself brought it across the Channel through a raging storm, and laid the foundations of his incredible fortune by utilizing his knowledge on the London Stock Exchange. If, as is highly probable, he did use his early information in this fashion, he can have made only a small amount in comparison with the enormous sums he had already earned. What in fact he did with the news was to take it at once to the government, which refused to believe it, and was correspondingly impressed when it was confirmed next day.

The financial readjustments which followed Waterloo were the perfect opportunity for the Rothschilds. To begin with, the war indemnities imposed on France had to be conveyed across a distracted Europe. To every other agent this meant the physical moving of cash and bullion in large amounts, with its attendant risks. The Rothschilds alone were in a position to give an absolute guarantee against losses, for they alone could raise the money where they wanted it without any movement of cash at all. They were, in fact, immediately entrusted with the handling of over £20,000,000; and they received for their successful conduct of the business a commission of 1½ per cent, the warm thanks of the English Chancellor, and their longed-for opening in Austria. The government of that country, heavily in debt to its own bankers, not only now consented to receive its share of the indemnities from their
hands, but also allowed them to advance large sums on account of future payments. These transactions went off so well that the Emperor—after a good deal of solicitation—granted titles of nobility to all the brothers except Nathan. In fact, so convenient did the Austrian ministers find it to deal with this family, who kept their engagements, who carried through their business with the minimum of disturbance, who took the trouble to have their letters written in a hand which ministers could read, and phrased in a manner which laymen could understand, that in complete reversal of their previous most Catholic attitude, Solomon was invited to set up a branch in Vienna and entrusted with the issue of a lottery loan of twenty million gulden. In the meantime Meyer Anselm (Meyer Anselm II), the eldest brother, who had remained in Frankfort, had lent several millions to Prussia, and the new Viennese branch was soon to finance a loan of £6,000,000 to Russia. All governments at this time needed money even more urgently than usual, and for the Rothschilds it was for a time a question of naming their own terms and picking and choosing among their possible debtors. The nobility of Prussia and Austria were equally in need; so that both the Viennese and Frankfort branches of the firm were also able to build up a lucrative business in making private loans.

The partition of Europe between the brothers was now completed by Metternich, who sent Carl Rothchild to Naples where the Austrians had been crushing a revolution. It was Carl’s business to manage the loans forced on the people of Naples by their conquerors and to represent the Austrian interest. A true Rothschild, however, financier rather than partisan, he began to identify himself with the country in which he settled, to oppose the continuance of the Austrian occupation, and to stand out against the more outrageous of the Austrian claims. In order to re-establish Neapolitan finances he lent the little kingdom very large sums on his own account, and when its rulers proved incapable of prudent administration, he forced them to accept his nominee as Minister of Finance, got their affairs into some sort of order, procured a loan for them from England, and so improved his reputation that he achieved finally the unexpected position of banker to the Pope!

In the meantime James had opened a bank in Paris, where loans were as much in request as everywhere else. It was an immediate success. He soon became, after the King, the richest man in France,
THE WORK, WEALTH & HAPPINESS OF MANKIND

and Metternich said to him: "The house of Rothschild plays a much more important rôle in France than any foreign power, with the possible exception of England." The Rothschilds were now the greatest financiers in the world, and for the next twenty years, at least, their fortunes continued to increase.

It is unnecessary, for the purpose of this book, to trace the remainder of their careers in further detail, for they did not alter their policy, the third and fourth generations produced no dominant figures, and on the whole they held aloof from the real business of the new age, the industrialization of Europe. Solomon in Vienna financed Austrian railways indeed, and interested himself in mines and blast-furnaces. But he supported these enterprises solely as a financier—the organization of a great industry, its technical side, made no appeal to him. The French Rothschilds bought oil-fields in Russia, but sold them in 1911 to the Royal Dutch Shell group. First and last the Rothschilds have been dealers in money, with only one other spontaneous interest. If they begged for titles and pushed their way into the social life of the capitals of Europe, it was because that method of approach was forced upon them. Without titles they could not have entered into the personal relations with the nobles who held what was almost a monopoly of offices of state. Old Meyer Anselm had made his way by his knowledge of coins and jewels; his sons patronized the arts in the same spirit—it helped them to obtain what the Americans call "contacts." The head of the firm in Frankfort led a simple bourgeois life—if James in Paris threw money out of his window he did not throw it for the fun of the thing, but as means to an end. Their descendants have acquiesced in wealth—they have never produced a new idea for the handling or spending of it.

They ceased to dominate the finance of Europe, not because of failure or disaster—they have saved themselves from that with remarkable skill—but because the gold discoveries of the last century, flowing into the new channels provided by the growth of industry, went to build up not only great accumulations but millions of small middle-class fortunes, and thus made possible our joint-stock banking system and its towering structure of credit. There is too much money in the world to-day for the resources of one family to be any longer of dominating importance. The Rothschilds are said, by refusing a loan, to have prevented Metter-
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

... from making war upon Belgium. In 1930 ten million small investors would rush to take their place.

To return to the one great unmercenary activity which has been mentioned—the assistance of their fellow Jews. From the beginning they used both their money and their interest on behalf first of the Frankfort Jews and later of Jewry wherever it may be found. To the present day that tradition holds them. It is easy to set this down to calculation, to say that when they freed their fellow Jews they freed themselves, and that the money expended came back to them in grateful co-operation. The letters they wrote, the way they went to work, do not give that impression. Racial loyalty seems to have been as much part of the instinctive make-up of these remarkable men as their family solidarity or their persistence in business.

If the Rothschilds had never lived, would the world have been worse or better off? There is no decisive answer to the question. They accumulated enormous fortunes—constellations of enormous fortunes; their rate of profit was extremely high, and the states which harboured them paid dearly for their assistance. On the other hand, they worked very hard for what they earned, and rendered what are called "distinguished services." We may say a great deal against them. They charged too much. Though they turned their coats when governments changed, on the whole they supported reaction. They deteriorated under the strain of wealth. They used their wealth and intelligence to set an example of ostentation, and supported no great principle or cause but the grievances of their own race. They were the first to manipulate the Stock Exchange on a large scale. Finally, they were and are, in respect of their own jobs, totally unscientific. In the financial welter which followed the present war, no single Rothschild came forward to unite the enormous fund of information which the family must possess with the theoretic knowledge now at the command of economists. One such man might have saved a thousand blunders and been of incalculable service to the world.

To their credit one must place this—they were honest. To arrive, they made use of the methods of the age, but what they promised they performed. No one had ever been honest before on so large a scale, in respect of transactions passing through so many hands and in such troubled times. They not only honoured their own obligations, they introduced financial integrity and sound financial
THE WORK, WEALTH & HAPPINESS OF MANKIND

methods into courts and places where such things had never been seriously thought of. Dishonesty is one of the most wasteful and destructive of anti-social vices, and the prestige the Rothschilds gave to probity in finance was a very great contribution to the economic development of the new time. Whether that contribution could have been made at a lesser cost to the community is now only an historical speculation. All that they did was just and justifiable by contemporary standards.

CORNELIUS VANDERBILT, JAY GOULD AND RAILWAY DEVELOPMENT

We turn now to two men whose money-getting lives are best considered together in contrast and conflict. They lived in the same financial world; they played their games on the same board, but while Gould was essentially a maker of money, Vanderbilt was a man of a more complex intellectual and moral quality. Both were fairly unscrupulous when it came to bribing a legislator or a judge. Neither of them amassed his fortune simply by buying cheap and selling dear and by loans and usuries. They won their gettings by much more active and aggressive proceedings. They played a complicated part in the process of replacing old methods of transport by new—the cardinal fact of human history in the middle of the nineteenth century.

That period saw a very great stimulation of productive industry by the discovery of new supplies of gold in California, Australia and other regions. This meant, as we have already pointed out in our discussion of money and credit, a rise in prices, a fall in the real value of debts, and so a relief of debtors and an unburthening of business. Everywhere enterprise found money easier to obtain, became brisker; in particular, the spread of the new railroads and steamships was quickened.

Material forces and social needs were all on the side of a rapid extension of the new transport over the whole United States. On the other hand, as we have noted in Chapter III, the early disposition was to use railways only for heavy traffic of not very long range, and it was only slowly—and too late to get wide gauges—that men realized the immense possibilities of long-range trains and continental railway transport. Consequently, the story of railway
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

development in America begins with the appearance of a miscellany of petty lines. The linking of these into systems of wider range involved huge operations and bargainings, struggles to "capture" railways and so forth of the most extraordinary sort, made all the more extraordinary by the feeble grip of the legal and police organization, in many of the states, upon bold and resolute men who knew when to employ violent methods. With this linking up of the American network is associated the rise of such names as Morgan, Harriman and others, but it is on Jay Gould and Vanderbilt that we will focus the light for our present study.

Vanderbilt was the older, abler, and greater man, but it suits our present purpose better to make Jay Gould the jeune premier of our display.

Jay Gould was born in Roxbury, New York State, in 1836. He came of a respectable English family. The Christian names of his forebears included Nathan, Abel and Abraham, and his build and appearance were Hebraic, but according to his biographer, Mr. Robert Irving Warshow,* there is little other evidence of a Jewish origin. His parents were extremely poor, and his health suffered all his life from the privations he endured as a child. And, for an American millionaire, his religious training seems to have been superficial.

He was obliged to work far too hard on his father's little farm, and when, after only a year's schooling, he got a job in a country store, his hours were from six in the morning until ten at night. He said afterwards that he used to get up at three in order to study mathematics and surveying, and that during this time he arrived at the hard and permanent realization that one must look after oneself and let others do the same. At seventeen he obtained a post as a map-maker, working first for a firm that went bankrupt and then on his own account. He was more or less successful, and local people began to talk of him as a promising young man, but the chief advantage he gained from his surveying work was that it took him from one area of exploitation to another and introduced him to wealthy people. With one of these, a rich retired tanner named Zadoc Pratt, he managed to establish a friendship so close that the old man finally offered to set him up in a tannery. The two were

* Author of Jay Gould. The Story of a Fortune, from which many of the facts in this account are taken.

429
to be equal partners, Gould was to do the work, and Pratt to furnish the capital of $120,000. Gould seized his opportunity, made a success of his tannery, and was soon recognized as an able man of business by the leather merchants in New York. Unfortunately for Pratt, he was also one of those men who find it impossible to be honest. He could not keep his fingers off money, and within a year the old tanner found that his protégé had been falsifying the books. He did not prosecute, but merely told Gould that he must either buy his, Pratt’s, share in the business for $60,000 or be bought out himself. Gould went to New York, where he soon found financial backing in a wealthy and respected leather merchant called Leupp, and Pratt retired, having lost $60,000 through his generosity.

Leupp did not live long to regret his bargain. Three years later a wave of depression swept over the country, and in the middle of the business anxieties occasioned by this he discovered that Gould had been using his name to make large purchases with the idea of arranging a corner in hides. Overwhelmed by the fear of disgrace, this second benefactor shot himself, and Gould was left to struggle with the heirs for the control of the tannery. In the end it came to an actual fight between two bands of armed men. Gould apparently tried to best Leupp’s son-in-law over some detail of the negotiations, and both sides tried to secure possession of the tannery by force. Gould’s army of fifty men were victors in the battle, but his opponent managed so to tie up the business by litigation that Gould abandoned it and set off for New York with the few thousand dollars he had been able to retain.

In that city he found almost at once another wealthy man to befriend him. This time it was a grocer named Philip Miller, upon whom Gould made so favourable an impression that he was soon accepted as a son-in-law. The marriage seems to have been completely happy, for Gould, it seems, possessed an affectionate and gentle side, which he reserved almost exclusively for domestic use. At that time Miller owned a large block of worthless shares in a derelict railway—the Rutland and Washington—and Gould, who appears to have had no particular occupation, suggested that he might be sent to inspect and report on the line. It ran through country he had covered during one of his surveys; he knew the railway had possibilities and advised his father-in-law to purchase control. This was done, Gould was made president, secretary,
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

treasurer and superintendent, and succeeded within a few months in selling his own share of the railway to a neighbouring line for $130,000.

With the profits from this he purchased control of other small lines, pulled them together, or made a show of doing so, and then sold them to the big railway combinations which were forming at that time. He had a quick eye for the potentialities of these little railways, and in less than a year he had made a profit of $100,000. If in fact he reorganized these lines before he parted with them, it was the last constructive work he ever did. He used his winnings to set up in Wall Street as a partner in a firm of brokers, Smith, Gould & Martin, and from that time forward, whatever he may have said he was doing, he devoted himself to the manipulation of share values.

Little is known about this firm, or about Gould’s transactions while a member of it, but neither of his partners came to a good end, and both became his enemies. Martin died bankrupt in an insane asylum, and Smith was ruined by Gould. From the first Gould seems to have worked on his own account rather than in conjunction with the firm, using his connection with it principally to bring himself to the notice of bigger men. The great event of this phase—which covered the period of the Civil War—was that he came into touch with the once notorious Daniel Drew.

Drew was the treasurer and director and virtual controller of the Erie Railroad—the most important of the growing and extending railway systems which connected the Middle West and the Great Lakes with New York. He had got himself on to its board of directors first by spreading rumours about its financial stability at a moment when it needed money, and then himself, for a very high price, lending it the funds required. He was by origin a circus man and cattle drover who had “got religion” and subsequently made a large fortune out of steamships on the river Hudson, and after that another large one on Wall Street. He was now using his position—with an entire disregard for the interests of the shareholders—to cause movements in the price of Erie shares. He could, apparently, make them rise and fall as far and as quickly as he chose, and though the line was a valuable property and doing an excellent business, Drew was making more from it on the Stock Exchange than the railway itself made from its total traffic receipts. When he met
THE WORK, WEALTH & HAPPINESS OF MANKIND

Gould he was in need of an ally. His hold on the Erie was threatened by New York's greatest financier at that time, Cornelius Vanderbilt, and he felt himself inadequate for a single-handed struggle. Vanderbilt was proposing to rescue the Erie Railroad from Drew's unrighteous hands.

So we bring Cornelius Vanderbilt into the picture. Let us explain who he was and why Drew should have found him too formidable to resist alone. Drew had already had some disagreeable experiences of Vanderbilt. Vanderbilt at this time (1869-70) was over seventy years old. He was born in Port Richmond, Staten Island, and— with his possibly abler son William—he occupied a dominant position in the railway world.

He was essentially an improver of business; Gould essentially a plunderer and wrecker. Throughout his life Vanderbilt had been taking hold of things and making them go better—with very great profit to himself and his family.

His father was a poor farmer, and as a boy of sixteen he left the farm and started a modest ferry-boat service of his own between Staten Island and New York. These ferry-boats then were small sailing boats. It needed little capital to start such an enterprise. By efficiency and ruthless overwork, and by equally ruthless economy at home, he made his service trustworthy and respected. By the time he was twenty-three he had got together three boats and $9,000—as well as a wife and family. The boats were bringing in a steady income, and most men would have settled down at that in gradually expanding contentment. But steam was now appearing in the world, and he sold out his ferry service and began life again as an employee, as captain on a rackety primitive steamship, in order that he might study and follow up the possibilities of the new power.

At that time the state of New York had granted a monopoly of steamboat traffic to two men, Fulton and Livingston. But this monopoly applied only to the New York landings. The boat Vanderbilt commanded was a "pirate," dodging between the state of New York and the state of New Jersey, and he had not only to secure punctual running with thoroughly unreliable engines, but also he had to protect his boat and his crew from the sabotage and persecution of his competitors and himself evade arrest whenever they stopped within the New York jurisdiction. In spite of the
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

handicap of these conditions, he built up a service, and made it pay so well that to break the competition Fulton and Livingston offered him four times his salary and the command of their largest steamer, if he would abandon his employer and come into their pay. He refused, for he intended to become an owner himself, and to make that possible it was necessary to break the New York monopoly. He remained therefore the manager and inspiration of his original employer in the legal struggle that followed. The details of it may be read in Commodore Vanderbilt, by J. A. Howden Smith. In 1824 Chief Justice Marshall, in the Supreme Court of the United States, decided that any shipowner might take his vessels to any landing in the States so long as he possessed a coasting licence. So the New York–New Jersey service won its freedom. Steamboat traffic was increasing rapidly on all the American rivers, and Vanderbilt next organized a service for his employer between New York and Philadelphia (25 miles in 22 hours for $3.00), which was the cheapest, fastest, and most comfortable in the country. By 1829 he had $30,000 saved and felt able to set up for himself, move to New York, and build up a fleet of his own.

His driving force, his courage, and the quickness with which he seized upon new developments—such as the water-tube boilers stoked with anthracite which were everywhere displacing the old wood-burning engines—enabled him to cut prices and drive out competitors, and in the years which followed he became a wealthy man, the owner by 1848 not only of some of the finest ships in the country, but also of ironworks and shipyards. At that time Daniel Drew was also running steamships; the two men made friends and together bought the Boston & Stonington Railway, which, with their steamers, gave them a through route from New York to Boston.

It was the Californian gold-rush of 1849 which enabled Vanderbilt to take his next step towards financial greatness. At that time transcontinental railways were undreamt of, and the shortest route to the gold-fields was via Panama. He saw that if he could run boats up the River San Juan—which flows between Nicaragua and Costa Rica—organize a steamship service across Lake Nicaragua and make a canal of a few miles to the Pacific, it would give him a route 500 miles shorter and far less expensive to work than the one in use. He travelled to London to get money for this scheme,
THE WORK, WEALTH & HAPPINESS OF MANKIND

but without success, for not only was the San Juan River considered to be unnavigable on account of rapids, but Lake Nicaragua lies so high above sea level that a canal would involve the construction of extremely extensive locks. Not to be discouraged, Vanderbilt went to Nicaragua himself in a small boat with a wooden bottom, determined to steam up the river anyhow. He took command himself, and said afterwards that when they reached the rapids, "I just tied down the safety valve and jumped the damn rocks." He did finally organize his "Transit," taking the passengers as far as the worst rapids in iron-hulled boats "which used to clang merrily as they jumped from rock to rock," and then sending the traveller on by a porterage, another stretch by steamship, and finally a coach service. The scheme succeeded, for the journey was shorter by two days than the Panama route and cost only $300 as against $600. This achievement both made him famous and brought him a fortune; by 1853 he was worth $11,000,000. When he went to Europe again in an immense yacht of his own building, he was received by the Lord Mayor of London at the Mansion House and by the Czar of Russia.

When he got back he found the "Transit" involved in a filibustering war, and he seems for some years rather to have enjoyed taking a vicarious part in it by means of agents, subsidies and political intrigues. But he finally abandoned the enterprise when he sold his ships in 1859. At that time he was running an Atlantic service and was able to compete successfully with other American lines, but taxes placed by Congress on hulls, engines, iron, steel, copper, lead, spars, sails and cordage made it impossible for American boats to hold the sea against the French and British. He decided, therefore, to leave shipping and concentrate on railways.

A large number of railways had already been built in New York State, but they were short, wastefully planned, and over-capitalized, and many of them had gone bankrupt or almost bankrupt in a financial panic which had swept America in 1857. Yet the need of great transcontinental lines, the great future of American railways, was becoming more and more plainly manifest.

And now Cornelius was to find congenial help in his own household for his new creative task. During the Civil War his eldest son William had asked him whether he might be made receiver of a small derelict line in Staten Island. He wanted to try out his
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

administrative ability. He reorganized and re-equipped this line so successfully that in five years its shares had risen from a few dollars to $175. Manifestly, then, this might be worth doing on a larger scale. In 1862 Cornelius began to buy stock of the New York & Harlem Railway, when it stood at $9.00. He got control, gave the line to William to reorganize, and the stock rose to $50. A year later he did the same with the New York & Hudson River. During these operations he was twice assailed by Daniel Drew, and twice defeated him. On the first occasion Drew persuaded the New York Common Council to sell Harlem Railway short, and then break its price by suddenly rescinding an ordinance which gave Vanderbilt permission to run a tramway line in conjunction with the railway. The councillors sold at $100 thousands of shares which they did not possess, only to find that Vanderbilt was the purchaser, and that all the real shares of the company were also in his hands. The bears were ruined, all but Drew, who persuaded Vanderbilt, apparently for the sake of their old association, to let him off for half a million dollars.

The next encounter was of a similar character. Vanderbilt had brought before the State Legislature a bill allowing him to amalgamate the two railways. To do this he was obliged to bribe legislators, and he bought enough promises to get a majority. Drew, however, arriving later at Albany, persuaded the people's representatives that they were missing a chance of making large profits. Hudson Railway shares, he explained, stood at $150; if they sold short and then defeated Vanderbilt's bill they would be able to bring the price down to $50. But again the same thing happened. Vanderbilt, with the support of his friends, was able to buy up all they dared sell, until finally he had bought 27,000 more shares than in fact existed. When delivery became due the price rose to $285—it could as easily have gone to $1,000, but Vanderbilt's friends begged him to settle in order to avoid ruining every broker in Wall Street. Drew, this time, is said to have lost $1,000,000. Even without his bill Vanderbilt was able to effect a practical consolidation of the two lines.

After that he set out to acquire the New York Central, a line running from Buffalo down the Hudson to Albany, where boats or the Hudson Railway carried on to New York. It was not until 1867 that he was able to effect this, and to hand over the line to
THE WORK, WEALTH & HAPPINESS OF MANKIND

William Vanderbuilt, so that its rails might be relaid, and its engines and cars replaced. In 1869 he secured a Consolidation Bill for all three lines, which now became an efficiently worked and exceedingly valuable property. He was strongly blamed for increasing the stock of the combine from $44,000,000 to $86,000,000, which with a profit in cash of $6,000,000 was said to be an excessive reward. But the service rendered was great, and the shares of the combined enterprise rose ultimately to $200.

And here we take up the story of Jay Gould again, for it was at this point in his career that Cornelius Vanderbuilt came into collision with Drew and with Gould his ally, over the control of the Erie. If once he could add that line to the other three his hold over the traffic of New York would be complete. It must have irked his efficient, constructive mind to see a great railway allowed to fall into an almost derelict condition—its rails rusting away, its rolling-stock in shocking disrepair, its service untrustworthy—while men whom he regarded as common thieves gambled with its stock. He announced publicly that he meant to clear out the whole pack of them, and he set confidently to work to secure the election of sufficient of his nominees as directors to control the line. It could not have seemed a difficult undertaking. Drew was not popular with the stockholders; proxies (the power to vote in elections of directors) were usually purchasable, and Vanderbuilt must have thought that it would be easy to buy enough of them to enable him to win the forthcoming election, do what he wished about its reorganization, and save himself the expense of actually buying the line.

Daniel Drew was fully aware of his danger, and he invited Gould on to the board in order to strengthen his position. From that moment Gould wielded an increasing influence over the policy of the Erie Railroad. For some time Drew remained as the figurehead, but he was by nature treacherous, and Gould found that his natural ally on the board was not its treasurer, but another director called Fisk, also a protégé of Drew’s, and also invited to the board by him in order to defend the railway against the purifying domination of Vanderbuilt. These three, Drew, Gould and Fisk, acted in common throughout the struggle which followed.

It was long and complicated, and its ins and outs are described in a confused but extremely amusing series of articles written at the
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

time by the two brothers, Charles Francis and Henry Adams.*

It appeared probable that Vanderbilt's nominees would win the
election and get control, and Drew, Gould and Fisk decided to
provide for this contingency. Drew, by arrangement with them,
went to Vanderbilt and offered to cease certain of his market
operations, and in particular to send Erie shares up instead of
down, in return for an agreement that if he were defeated he should
be reinstated on the board after the election and sit there in the
Vanderbilt interest.

There is really no reasonable explanation of the fact that Vander-
bilt accepted. He knew Drew, he knew the man was incapable of
an honest intention, much less straightforward conduct, and yet,
after the election had resulted in a victory for Vanderbilt's side, he
replaced his old enemy on the board. Then he began to draw up
plans for an amalgamation of all four railways.

This was the last thing Drew wanted, for it would have put an
end to his manipulation of Erie stock. Quietly, therefore, behind
Vanderbilt's back, he began to agitate against the proposed amal-
gamation. Its actual terms when they were stated gave him an
excuse. Vanderbilt intended to divide the profits of the new pool
between all four lines in such a way that Erie, which earned more
than half of the total, would receive only one third. The Erie
directors joined together to refuse this, and Vanderbilt found
himself defeated.

There was no doubt that he had been betrayed by Drew, and he
was extremely angry. In addition, he had been made a fool of in
public. He announced, therefore, that he intended to buy up the
line and ordered his brokers to purchase enough Erie stock to give
him and his friends control.

At that time there was in existence about $86,000,000 worth of
shares. A large amount of this was held in England by persons not
favourable to Drew, the whereabouts of the rest was pretty well
known, and Vanderbilt felt confident of his ability to carry out his
purpose. Only one danger seemed to him serious, and that was that
the Drew party might issue more fresh stock than he could buy.
Once before Drew had sold short of Erie and then produced, at the
last moment, 58,000 fresh share certificates printed to meet the

* Reprinted 1929 and published as High Finance in the Sixties, Yale University
Press
THE WORK, WEALTH & HAPPINESS OF MANKIND

occasion. Now again Drew’s game was trending in the same direction. Under a statute of the state of New York, a railway company might create and issue its own stock in exchange for the stock of any line which was under lease to it, and Drew and his friends had recently bought and leased to the Erie a little railway called the Buffalo, Bradford & Pittsburgh. By creating and issuing new Erie stock in exchange for the Buffalo, Bradford & Pittsburgh stock, the Erie gang could greatly increase the load of stock Vanderbilt would have to buy.

To prevent this manoeuvre Vanderbilt decided to litigate. His lawyers applied to the Supreme Court of New York, and, on the strength of some of Drew’s past transactions, asked for a series of legal injunctions which would suspend Drew from his office of treasurer, order him to return to the Erie Railroad 68,000 shares of its stock said to be improperly held by him, and debar the directors from adding in any way to the amount of the company’s stock then in existence. These injunctions were granted by the judge—a certain Judge Barnard, who was destined to be turned off the bench at a later date for his activities on behalf of Gould and Fisk—and their effect should have been to lessen the amount of stock which Vanderbilt would have to buy by one-fourth of the whole amount.

Drew, Fisk and Gould, who were all selling short, seemed to be heading for ruin. Nevertheless, they continued to carry on business and to sell to Vanderbilt, day after day, stock which they did not hold. As for the injunctions, they went to another judge who, under the American legal system, had co-ordinate authority in New York State with the first, and from him they obtained another injunction suspending one of the directors who was a friend of Vanderbilt’s and his channel of information, and staying all proceedings in the suit commenced before Judge Barnard. Vanderbilt replied by getting the latter to forbid any meeting of the Erie Board or the transaction of any work by them, unless his director was at liberty to participate. The Drew, Gould and Fisk group thereupon applied to yet a third judge, before whom they accused Judge Barnard of having entered into a conspiracy to speculate in Erie stock and of using the process of the court in order to aid his speculations. Thereupon this third judge issued an injunction restraining all parties from committing any acts “in furtherance of said conspiracy,” and ordering the Erie directors, other than Vanderbilt’s
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

nominee, to continue in their duties and in particular not to desist from converting bonds into stock. In the meantime Judge Barnard was "issuing half a dozen injunctions a day," but being now commanded by the law both to do and not to do everything possible Gould, Drew and Fisk left the judges to fight it out while they perfected their preparations for their final struggle with Vanderbilt.

Before the first injunction they had held a meeting of the directors which authorized an issue of convertible bonds for $10,000,000 for "completing, finishing and altering the road." They said that it was to be spent in replacing the company's worn-out rails with steel rails and in laying a third rail which would enable trains of standard gauge to run over the Erie's permanent way. Ten minutes after the meeting closed they had a second secret meeting and agreed to sell these bonds to Drew and his friends at 72½ per cent. Half of these bonds were at once converted into stock and sent to Drew's brokers. As for the rails, Drew gave orders that the old rails were to be relaid inside out, so as to present their unworn edges to the wheels; of the third rail nothing more was heard.

Then the first injunction came into action, and the price of Erie rose, for the public seems to have imagined that the Erie directors would be deterred by it from adding to the amount of stock on the market. They did not know their men, for the vice-president of the company immediately signed fresh share certificates for the whole of the remaining $5,000,000 worth, stating that he did so "in case a modification of the injunction could be obtained." The secretary then told a messenger to take the books containing these signed certificates and lock them in the safe. A few minutes later the messenger returned, saying that Mr. Fisk had met him, taken the books away from him, and carried them off. That meant that, unknown to Vanderbilt, another $5,000,000 was interposed between him and the control of Erie.

On the day after that, these new shares were placed upon the market. At first Vanderbilt's brokers and friends continued to buy, and the price of Erie continued to rise. Then somebody noticed the dates on the new certificates. It was realized that the Erie directors had disregarded the injunction, but nobody could tell to what extent. The price fell from 80 to 70. Vanderbilt went on buying, but when night fell it was clear that he had failed to obtain the control he desired.
THE WORK, WEALTH & HAPPINESS OF MANKIND

On the contrary, the Erie directors had obtained $7,000,000 in return for practically worthless stock, at least $4,000,000 of which came from Vanderbilt. This $7,000,000 had been obtained in despite of injunctions, and the Erie gang was subject to all sorts of pains and penalties in the sovereign state of New York. But before warrants for contempt of court could be issued the offenders were over the Jersey ferry, safe in the sovereign state of New Jersey.

In Jersey City these financiers took up their quarters in a hotel, surrounded themselves with an armed bodyguard, mounted three 12-pounder guns on the waterfront, filled patrol boats with riflemen, and announced that Vanderbilt and Judge Barnard were trying to have them kidnapped. They were said to have taken with them in a cab $6,000,000 in notes; at any rate, they had with them enough money to secure the passing of a bill by the New Jersey legislature in two hours, making the Erie Railroad a corporation of New Jersey. Then they set on foot a newspaper campaign against railway monopolies, reduced the Erie rates and fares in order to embarrass Vanderbilt still further, and squabbled over the division of the spoils. For a while they were safe, and as arrests could not take place in New York on the Sabbath Day, they could even visit their friends from time to time.

But they wanted to go back to New York for good, and Gould drew up a bill which he proposed to pass through the legislature of New York State, legalizing the recent transactions and making it impossible for the Erie Railroad to be absorbed into Vanderbilt’s group. The first time it was introduced the bill failed to pass, and Gould was obliged to take the risk of going himself to Albany, where the New York State legislature has its seat, in order to interview members of the legislature. He was arrested, but succeeded first in getting bail and then giving his custodian the slip. He had taken with him $250,000 of the money recently acquired, and Vanderbilt’s papers soon began to bring against him charges of corruption. He was never prosecuted, but subsequent inquiry proved that while in Albany he signed a large number of cheques for large amounts and distributed them among senators without—according to his own statement—being able to remember why he paid them or what he did with them. In any case, he spent enough in the town, in whatever manner and for whatever reason, to make Vanderbilt feel that opposition would be likely to fail. Vanderbilt at this moment was
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

not in a happy position. The carrying off of the $6,000,000 had brought about a monetary stringency and forced down the prices of all stocks, and he was loaded with Erie shares whose price he was only just able to maintain. The price of the legislators at Albany on the other hand was high, and when Senators disembarked from the special trains which it had seemed worth hiring for such an occasion, they found that Vanderbilt’s agents were not in the lobby to buy them. Their disappointment and spite were such that they passed not only the Erie bill, but two other railway bills which they hoped might prove harassing to the Vanderbilt railroads.

Soon after this Drew opened secret negotiations with Vanderbilt, hoping no doubt to make something for himself at the expense of Fisk and Gould. But his partners got wind of it, appeared themselves at the rendezvous, and insisted that any settlement must include Drew’s retirement from the Erie Board. Terms were arranged. As Vanderbilt said, he could buy up the Erie Railroad, but not the bond printing press. It was agreed that all suits were to be dismissed and offences condoned; Vanderbilt got $4,000,000 back in return for Erie shares, various of his friends got money—the property of the railway—Drew retired with a certain amount of plunder, and Gould and Fisk got the line.

This settlement cost the Erie treasury $9,000,000 and left the company burdened with 150,000 additional shares. Gould and Fisk held themselves out as exceedingly indignant—"thunderstruck and dumbfounded" was the way Fisk put it—and stated that in their opinion the line was likely to go bankrupt. But it was all they could get, and they proceeded to make the most of it. They turned all but their own friends off the Board and brought on instead Tweed and Sweeney, the bosses of Tammany. Tweed had been an ally of Vanderbilt, but he had been rewarded for his services to that financier with Erie stock, and he therefore thought it better to go over to Gould, taking with him control of the politics of New York City and the services of certain of her judges. Among them was Judge Barnard, and from that moment his injunctions were as freely at Gould’s disposal as they had been at Vanderbilt’s.

Thus protected, Fisk and Gould started once more to manipulate Erie stock. In the course of the next few months they manufactured another 250,000 shares, broke the price from 80 to 40, and then—when they had bought all they wanted and desired to force a rise—
THE WORK, WEALTH & HAPPINESS OF MANKIND

obtained from Judge Barnard a ruling authorizing the railway to buy the new stock back at par. This ruling directly contravened a law forbidding railway companies to traffic in their own stock, and it led to the bringing of various legal actions. At one time no less than six judges were issuing contrary injunctions in different courts on behalf of different parties, and no less than three different receivers and a referee were judicially appointed to control of the railway on behalf of different applicants. But Gould and Fisk were not, in the end, discharged. Gould stated in evidence before one committee of enquiry that he thought himself entitled to issue as much stock as he wanted when elections were pending, in order to keep the railway out of Vanderbilt's hands, and this argument is said to have made a favourable impression on the committee. In any case, they came to another agreement with Vanderbilt, by which he was to have a bill he wanted to consolidate the lines he owned already, and they were to have a bill allowing them to issue as much stock as they pleased, and be subject to re-election only once in five years instead of every year. After that they were the undisputed masters of Erie.

One more brush with Vanderbilt took place before hostilities between the two parties ceased. The rate for a carload of cattle from Buffalo to New York was at that time $125. Vanderbilt cut his rate on the New York Central to $100. Gould reduced his to $75; Vanderbilt went down to $50. Gould retaliated by offering to carry at $25 the carload, and Vanderbilt went down to $1.00. Gould, apparently, was beaten, and the whole of the cattle-carrying trade went to the New York Central. In the meantime, however, Gould had been buying all the cattle west of Buffalo, and he had made a very large profit out of what was practically free carriage to New York. It is said that when Vanderbilt heard that he was carrying Gould's cattle for a dollar a load he resolved never to try conclusions with him again.

All the same, the two men, from policy and conviction rather than from personal feeling, were usually to be found on opposite sides on Wall Street. Vanderbilt worked for prosperity, he took control of enterprises in order to make them flourish; Gould's method was to manufacture disaster in order that he might pick up shares cheap. When Gould and Fisk in 1858 and 1869 respectively, cornered bank notes and attempted to corner gold, it was Vanderbilt who steadied

442
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

the market and saved numerous firms from ruin. In those days it was easy to corner bank notes. The supply was inadequate to the needs of an expanding commerce, in the autumn when crops were being moved there was always a shortage, and the banks were obliged to keep a cash reserve of 25 per cent against their advances. When Gould and Fisk, together with Drew, managed to raise $14,000,000 and turn it into notes, which they then withdrew, the banks were obliged to call in loans to the extent of $56,000,000. There was an acute crisis; prices fell, shares slumped heavily; the confederates who had been selling short for months made enormous profits, and numbers of innocent people were ruined.

Of the unsuccessful attempt of Fisk and Gould to buy up and corner gold we will not tell here. By a treacherous manœuvre Gould managed to sell most of his holding to Fisk, while Fisk, under an agreement with him, was continuing to buy at top prices, and harmony was only restored between them later after Gould had assisted in an ingenious plan for shifting the liabilities Fisk had incurred, to a man of straw. In the later days of their association Gould and Fisk established themselves very sumptuously in New York. They had an office in the buildings of the Grand Opera Company, and Fisk had made for himself a private banqueting hall and a private passage-way connecting his apartment with the stage. The troupe of the opera kept him supplied not only with mistresses but with a permanent attraction for his business associates. He is said to have remarked of them: "I travel on my shape, and I like these scarlet women: they're approachable!" Gould took no part in such activities, he stuck to the office, he preferred in the intervals of his piracies to cultivate flowers and lead a peaceful domestic life. His preference was wise—Fisk was murdered later on by the lover of one of his mistresses; but in the meantime the two men worked very well together.

To Gould the murder of Fisk was a great loss. He had been liked by the shareholders and the railway employees, and was useful when it came to a rough-and-tumble. After his death the English shareholders—of whom there had always been a surprisingly large number—decided to get rid of Gould. They organized an opposition on the Board, and when he refused a directors' meeting the English party held one, marched to the Opera House, broke through its guard, held their meeting in the face of an assortment of warrants,
THE WORK, WEALTH & HAPPINESS OF MANKIND

and elected a new Board. Their hands were strengthened by Gould’s old partner Martin. He had been brought near to ruin by one of Gould’s corners, and now he offered his enemies the firm’s old books, knowing that they contained evidence which would have sent the great financier to prison. For once Gould could do nothing, and he retired from the Erie followed by a suit on behalf of the company for nearly $13,000,000 and various criminal charges. He was again arrested, but even out of that he made money. By stating that he intended to make restitution, he sent up the price of Erie stock; by denying it, he brought the price down again. When he had done this two or three times he had got rid of all his shares and made enough to indemnify himself against pretty nearly anything that might happen. In the end he did actually hand over a number of securities with a par value of $6,000,000 in return for a withdrawal of the criminal charges, but these papers were found later to be worth practically nothing.

Gould left the Erie Railroad with $86,000,000 of stock and funded debt as against the $22,000,000 it had carried when he joined the Board. Not one dollar of the increase represented any real improvement. Erie, like all Gould’s lines in his later life, remained notorious for its mismanagement, inefficiency and dangerous state of neglect. It did a magnificent business, but it was a long time before it emerged from the receiver’s hands, and nineteen years after Gould left it before it was able to pay a dividend.

We will not deal in detail with any of Gould’s other enterprises. Our story is already too long. A consolidation of the various “elevated” lines in New York brought him fresh unpopularity. Part was due to his having acquired control of the Manhattan by a bear campaign in the course of which, speaking as one of its directors, he made a sworn statement that the line was “hopelessly and irretrievably insolvent.” Shortly afterwards it became known that he had been purchasing a majority of its stock, and as soon as this was done the price returned to the point from which he had depressed it. Further, by posing as a friend, he deliberately ruined Cyrus Field, one of his associates in the transaction, for suggesting that the Elevated Railways ought to be a public service.

From that time forward he became less active. In 1884 there was a Wall Street panic in which he is said to have lost very nearly $20,000,000. Whatever his losses he was able to leave to his
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

descendants one of the largest fortunes in America. He was not and
had never been a man who gave to charity. By this time his health
was failing—although he could not bear to admit the fact, he had
developed tuberculosis. In 1892 he died. When the news of his
death reached Wall Street, all the securities in which he was known
to have large holdings went up.

The nomad, the pirate, was written all over the life of Jay Gould.
He played a rôle in the spreading American community parallel to
that of the early nomad raider towards the early agriculturalists
in the alluvial plains of the Old World. He plundered and he devas-
tated. Were he taken as the test instance for freedom of private
enterprise and the contemporary cash and credit system, they
would stand condemned for having produced and tolerated him.
In the conflict between the State in the person of Judge Barnard,
for example, and this anti-social individual, the latter seems to be
given all the power and freedom, and the former is a mere weak
bribable piece in the game. But the Vanderbilt story throws its
light on our problems from a different angle. This is even more the
case with the Rockefeller history to which we shall next proceed.
We find Vanderbilt and Rockefeller the instruments of very broad
economic reconstructions, which it is hard to imagine achieved in
any other fashion. Reactionary and conservative-minded thinkers
would argue that Jay Gould was an unavoidable evil, that he was
the shadow of the freedoms in which alone progress could occur.
But progressive and socialist would dispute this. They would main-
tain that all the good and little of the evil of the Vanderbilt-
Rockefeller type could be released in quite a different fashion.

J. D. ROCKEFELLER AND THE ORGANIZATION OF OIL PRODUCTION

In our second chapter (§§ 6, 7 and 8), we have described the
amazing increase in available substances and the development of
new sources of power that are making over man’s world anew. Each
extensive exploitation of new substances, and each new utilization
of power since the onset of this period of science and invention, has
had for its correlative the development of great fortunes. We may
take as the typical story of this species of wealth the history of oil
and the Rockefeller fortune.

While Vanderbilt was extending his railways, J. D. Rockefeller
THE WORK, WEALTH & HAPPINESS OF MANKIND

was building up that "Mother of Trusts," the Standard Oil Company, and amassing what many people believe to be the greatest single fortune in the world. The life history of Rockefeller is the history of his trust; he made it, and equally it has made him; he has grown and adapted himself to it as it grew, so that apart from its story it seems hardly necessary to detail his personal life in chronological order.

A fact outside his business life on which hostile critics have laid stress is that he is unquestionably a sincere Baptist, that he attended his church every Sunday until age forbade, and brought up his family as believing Christians. They found that inconsistent with many of his business acts. There is, for example, legal proof, in judgments and accepted evidence, for the statements that his business methods have included lying, perjury, the bearing of false witness against his neighbours, widespread bribery, the corruption of other men's servants and of public officials, the use of threats, and the obtaining of illegal drawbacks and rebates. His whole career indeed has displayed a very complete disregard for the rights or interests of anyone opposed to himself and his projects. "The little revolutions" he has stirred up in Mexico and South America have cost many lives, and he has ruined by the thousand not only the fortunes of his fellow citizens, but what—if we are to hold to the precise teachings of his sect—he should regard as their immortal souls. But while doing all this, he has been accustomed to collect money for his church with great energy and ability. He also gave abundantly and freely; and he has certainly always been a charitable man. Such apparent inconsistencies of doctrine and method may be due to nothing more than intense preoccupation with his main concern. A man concentrated upon an accumulative effort that rapidly developed vast creative possibilities may have had no time to turn back on his upbringing and scrutinize the precise formula of his faith. And there is a sort of constructive excitement, an intensity of conviction, that can make men extraordinarily ruthless and unscrupulous in their dealings with antagonists and obstacles. Theologically J. D. Rockefeller has remained what he was as a boy; in substance and effort he has changed with his times, his successes and his opportunities.

All his life he has given generously. It is estimated that his benefactions must by now have amounted to £600,000,000. And
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

they have been made—we have had occasion to note it already in this work—with distinguished wisdom and ability. They have left a perceptible mark on the advancement of science. A "perplexing psychological dichotomy," say some observers, a man whose right hand is abnormally unaware of what his left hand is doing. But before we dismiss the personal make-up of J. D. Rockefeller in this way, as a monstrosity, we have to bear in mind the standards of honesty and enterprise, the legal and political unscrupulousness, the ready resort to violence, prevalent in the American community at the time of his ascent. He bore false witness perhaps in a crisis, but what was the tangle he was pushing through? He stirred up revolutions in little states, but what had the governments of those little states done to him? We have already had a sample of those standards in our study of Jay Gould as a money-maker.

The importance of J. D. Rockefeller in the development of modern economic conditions is very great. Two great achievements are his. In the first place, he organized the collection and marketing of mineral oil and the comparative stabilization of its price throughout the world. In the second, he inaugurated, by his immense success, the era of Big Business.

Even now it amazes that from his first entry into the oil business it was under ten years before he attained virtual control of the entire industry—before he was in such a position that he alone could fix the prices of both crude and refined oils. When he went to the oil-fields, an unknown man of no particular wealth, he found that every section of the trade was suffering from over-production, wasteful methods and confusion. The getting of the oil to the surface was carried on by that type of greedy, emotional, optimistic pioneer which is attracted by risky enterprises promising enormous profits. These men were in many cases able and ingenious, but one fact always defeated them—the fact that if a man refrained from drilling for his own oil it might be drained away from under his land by the drilling of his neighbour. The "oil men" were never able to overcome the suspicions to which this gave rise and combine to restrict their output when some hitch occurred in transport or marketing. Only once did they stop the drills and for only a few months. They would let the oil run to waste on the ground rather than not drill. Any accident, therefore, might break the price of oil, and with production continually pressing upon storage capacity.
THE WORK, WEALTH & HAPPINESS OF MANKIND

new oil-fields being discovered and old wells running dry, prices fluctuated from dollars to cents, and individuals alternated between wealth and ruin.

The refining section of the industry was run by ordinary business men, but as in the early days it had been impossible to get their machinery and materials to the wells, the stills had been started wherever transport conditions made it feasible. As the railways built branches to the actual oil-fields, these refineries found themselves being undercut by new enterprises starting at the mouth of the wells. As for the railways—the four roads in question were in a state of what almost amounted to open warfare. As will be evident from the section on Gould, they were precluded by the personnel of their governing bodies, and the fraud, violence and treachery which had characterized their relations, from entering into any durable or trustworthy agreements. Their officials, though probably less corrupt than their directorates, seem to have been incapable of refusing bribes, and various oil refineries had already found it practicable to extort illegal rebates on their cargoes. And all these causes of difficulty and uncertainty were accentuated by the activities of speculators.

It was the refining section of the industry which Rockefeller entered when he turned from a mixed transport and commission business to deal with oil. Within three or four years, through sheer ability, he had become the largest refiner in the country, only to find himself faced with falling prices due to reckless over-production on the fields. He had every reason to desire that some sort of order might be introduced and some attempt made to limit production and to stabilize prices, and the plan he produced was always stated by him to have been drawn up solely for the good of the industry. There is no reason why we should not take his word for it. For good or evil, had the plan remained secret it must have succeeded. First he persuaded the leading firms of the Cleveland district to enter a common company and allow him to arrange for their buying and selling. This made him by far the railroad’s largest customer. Next he used this position to bully and bribe the railways and extort from them concessions which would involve the ruin of his competitors. The scheme took some time to arrange, for he had to convince the railway chiefs (or so they swore) that his company intended to take in all the existing refineries, but in the end he secured three things:

448
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

a heavy rebate on all his own oil, a cash payment for every barrel of oil carried for a firm outside the company, and a promise of the fullest and earliest information of any moves on the part of his competitors. Armed with this agreement, he was able to go to the refiners who had not already joined his company, and make it clear to them that if they would not sell out to him at what he considered a reasonable price, they would have to go out of business.

As far as the refiners were concerned, his plan succeeded—he was able to buy up on very advantageous terms all the remaining stills in the district. He shut down the less efficient and less favourably placed, and limited the production of the others; he introduced improved methods and took over the buying and selling for the industry. In fact, he rationalized the industry on the refinery side.

For a time, however, as far as the producers were concerned, his scheme failed. His secret leaked out, and when they found their transport charges being raised, the oil men organized to attack him. The story of this struggle is extremely interesting and very valuable to anyone who wishes to understand the social behaviour of human beings, but there is neither space nor need to tell it here. With the rest of the early story of Standard Oil it may be found in Ida Tarbell’s well-known indictment, *The History of the Standard Oil Company*. It is enough to say that the organized oil men so far won that they got Rockefeller’s company condemned in the courts as an illegal conspiracy in restraint of trade, forced him to dissolve it, and made him sign an undertaking to take no more rebates from the railway companies. For some months they boycotted him, and they succeeded in rousing a great deal of sympathy. In fact, they won the first engagement in that prolonged fight between the Standard and public agitations which was to continue until the Great War. By then, on the one hand, Mr. Rockefeller’s benefactions had for more than a decade maintained their exculpatory flow, and on the other, the importance of a steady, efficient production of petrol to mechanized armies and navies had placed the great oil companies under the protection of their governments and beyond the reach of newspaper criticism.

This initial check, however, did not frighten Rockefeller in the least, or succeed in changing even the details of his procedure. By this time he had made up his mind to obtain, through control of transport, effective control of the whole industry, and he did it. He
THE WORK, WEALTH & HAPPINESS OF MANKIND

bribed his way through the boycott, bought up some of his chief enemies, and had concluded a fresh arrangement for railway rebates some days before the date on which he had promised to forswear them for ever. It was his pull with the railways which made it impossible to defeat him. He kept to himself the names of all the firms he had bought or brought in—he could tell every railway in turn that he would withdraw all freight if they dared to disoblige him, and none of them knew that he was, in fact, dividing it between them all. As long as cars were the only means of moving oil, he could undercut everyone else on account of his rebates, and if that did not force his competitors to sell, he could either see that they were refused cars or storage, or he could tamper with their supplies of raw material. Whenever the producers organized against him he had only to wait, choking their outlets, until they could hold up oil no longer, or at worst to buy enough men among them to defeat the others. When judgments were given against him in the courts, ordering him to dissolve his trust, he pretended to obey them, changed a name or two, and went on conducting his affairs in all other respects precisely as he had before. When he was personally indicted for conspiracy, he contrived to get the suits withdrawn at the cost of a bargain which he did not keep.

The railways themselves were able to do nothing against him. When one of them, the Pennsylvania, dared to resist his demands in order to protect the rights of the last considerable group of independent refiners, an all too manifestly arranged strike broke out on their line which crippled its working, and a drop took place in the price of oil which forced the refiners to sell out.

When it became clear that the pipe line would supersede the railroads as carriers of oil, Rockefeller extended to pipe lines the methods he had adopted with refineries. When the producers attempted to construct a line of their own to do what was supposed to be impossible—to pump crude oil over the Alleghany Mountains to the sea—he obstructed them at every step. His newspapers attacked the characters of the chiefs of the enterprise in order to damage its credit. His agents frightened the farmers over whose lands the pipes must pass, by stories of poisonous leakages and unquenchable fires, and gangs of railway employees attacked the workmen laying the pipes.

The first attempt to get a free pipe line past him was killed by
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

this sort of opposition. A second succeeded, only for it to appear that a third of the company's shares were in Rockefeller's hands, and that his nominees were so strongly entrenched in its councils that he was able to impose a working alliance upon it.

As he monopolized the pipe lines, he also reorganized them. That is a very important point on his credit side. He did not monopolize to extort and stagnate. In his hands the pipe-line organization became a service of extreme efficiency. When in 1878 a new oil-field was discovered, in three years United Pipe Lines created a whole new system of pipes to carry this fresh oil. But the cost of this extraordinary achievement was recovered from the men in possession of the fields by Rockefeller forcing down the price of crude oil while he kept up the price of refined. It was complained that at one time he was eating up the whole of their profits by his charges for transport and storage. Perhaps it is truer to say almost all. They could do nothing effective against him because he was the only carrier and also the only purchaser for their oil.

While he was completing his control inside the industry, he was carrying on a tremendous campaign for markets, not only throughout the United States, but in every country in the world. As always, his method was to make his own enterprise extremely efficient, to insist on the highest skill and integrity among his own people, and to take every possible advantage of the timidity, greed or dishonesty of everyone else. By the end of the century he had built up in his own country a system of espionage and corruption so complete that he was said to receive information about every movement of every barrel of independent oil. If a peddler hawking paraffin on a barrow purchased a gallon from an outsider, he was confronted by a Standard agent and bought up or intimidated or systematically undersold.

Standard Oil was also engaged throughout this period in fighting anti-trust legislation, as well as the private bills by which the dwindling number of independents sought to secure way leaves or charters. Rockefeller was said to have bought a seat in the Senate of the United States for the uncle of Standard's treasurer, and his agents were familiar figures in the lobbies of all lesser legislatures.

Gradually the knowledge of these methods leaked out. It did not simply leak out, it came out presently in a blaze of denunciation—perhaps of exaggeration. Whenever, as happened frequently, a
suit was brought against the Standard Oil Company—and it was a rich corporation to bring suits against—the evidence given would be published as loudly as possible in the press and more than once it roused—or was used to rouse—a great popular campaign against trusts. At every step in his career Rockefeller had engendered envy and resentment, and every corner grocer by now was feeling that although he was living in the land of the free, the Standard would break him if he did not knuckle under to its regulations. In those prosperous days there seemed to be enough wealth for all—men might easily believe that only wanton rapacity could spread far-reaching frustration in order to organize a trade. And in fact the success of his methods had been so great and manifest that nobody felt safe; small men in every industry wondered when they went to bed whether they might not wake to find their independent livelihoods menaced by such another frustrator, and the ordinary consumer was induced to believe that the Standard kept up the price of oil systematically, except when it was undercutting to ruin someone. A campaign against the trusts became a leading issue of party politics; there was a burst of legislation, and in 1907, at the end of a tremendous lawsuit, the Standard were ordered once again to be dissolved and to pay $29,000,000 in costs and penalties to the State. Rockefeller is said to have received this news while he was playing golf, to have paused, observed: "It will be some time before that judgment is carried out," and to have gone on with his game.

In fact, the fine was never paid, nor was the judgment ever made effective. In 1911 there was a show of dissolution, but nobody supposed for a moment that either the direction or the policy of the Standard would be changed. It was rumoured that Rockefeller had made another fortune on the Stock Exchange by anticipating movements in his shares. Nor did anyone credit his statement that he had retired from control of the Standard in 1895—when the first dissolution was supposed to be taking place—and was living now as a private citizen concerned only with his family and his charities. In fact such was the public state of mind that nobody believed a word to which the Standard officials swore unless it served to condemn them. When on one occasion a man brought to trial for tapping one of the Standard's pipe lines admitted that he had stolen a considerable quantity of their oil, the jury acquitted him forthwith.
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

The hatred that was felt for Rockefeller seems to have died down. That may be due in part to his age and in part to his liberality. But much more is it due to changing views of the utility of his achievement. In the days of his ascent the social ideal in America was a mosaic of small independent, prosperous undertakings. It was a jostling conflict in which no doubt many failed, but wherein also with a certain smartness but with no steadfast wickedness, and with loud protestations of “live and let live” and “give everyone a chance,” everyone might expect to do as well as his neighbour—and perhaps a little better. The reality to which this ideal led was a clumsy, socially wasteful life of petty competition, keen rivalries and mean triumphs. Politics were profoundly corrupt, the law courts untrustworthy, the press blatant and unscrupulous. There was no living spirit of public service, no “sense of the State,” no co-operative end. It was an Individualist’s heaven, Babbitt land. That was the world into which J. D. Rockefeller was born, with a relative steadfastness of purpose and a power of organization greater than he knew. In a muddle-headed and unscrupulous scramble he was clear-headed, creative and unscrupulous. He did not play a much wickeder game than everyone about him was playing, but he certainly played that wicked game better. And so the world about him was filled with the resentment of the defeated and the protests of besters out-bested. Most of the literature against him is saturated with the paradoxical implication that in a competitive world one should not compete too much.

No one who understands anything of the conditions out of which he arose can believe that this organization of business on a new scale, the elevation of a private business to the dimensions of a world power, could have been achieved by generosity or scrupulous fairness. Generosity in his dealings would have been exploited and fairness misunderstood. He competed after the patterns of competition all about him, and so—to the great economic advantage of mankind—he killed competition. If his success was a scandal, then the competitive system in business is responsible for the scandal. He is the supreme individualist working out individualism to its logical end in monopolization. And of all the base criticisms his career has evoked, the charge that his magnificently intelligent endowments have been planned to buy off criticism or save his soul from the slow but sure vindictiveness of his Baptist God is surely
THE WORK, WEALTH & HAPPINESS OF MANKIND

the most absurd. It is made a grievance against him that, unlike most of the successful financiers and industrial adventurers of our time, he has not bought yachts and palaces and women, run theatres, gambled, been a "good feller," and bred a family of spendthrift sons. His worst enemy cannot accuse him of a trace of the normal snobbery of the nouveau riche. He has deposed and bought legislatures, but that was because they were not for public service but for private sale. Manifestly he has grown and broadened at every stage of his career. He has changed as he has lived. The young man born into conceptions of Protestant virtue and self-help, saving his few dollars weekly and gripping every opportunity with all his strength, developed consistently into the great business chief whose thoughts and influence have spread out from the organization of pipe lines to the organization, with the same unsentimental thoroughness, of scientific research.

We are trying here to state the facts about this extraordinary man. He is put here for the reader's consideration and judgment. It has been urged against him that he debased business standards in America, and certainly that is unforgivable. But did he do so? He was living in the world of Jay Gould and Hetty Green. He did not raise standards as the Rothschilds did, but did he lower them? Something in the nature of J. D. Rockefeller had to occur in America, and it is all to the good of the world that he was tight-lipped, consistent, and amazingly free from vulgar vanity, sensuality and quarrelsomeness. His cold persistence and ruthlessness may arouse something like horror, but for all that he was a forward-moving force, a constructive power. Like begets like, and he did not so much seek to found a family as to create a great research organization and devote his family to it.

THOMAS ALVA EDISON

Except perhaps George Stephenson, who invented the locomotive, no human being can have created more wealth than Edison, for his was certainly the most ingenious mind that has ever devoted itself to the commercial application of science. He was born in 1847 at Milan, Ohio, and his formal education was limited to three months in the common school of Port Huron, Michigan. Reading and writing he had learnt at home. The rest of his finally immense scientific
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

...equipment he got for himself, driven by an indefatigable curiosity. His first patent was a device which nobody wanted to use—an instrument for enabling an assembly to vote by pressing buttons and for registering and counting the votes. It worked very well, but was refused by Congress on the ground that it counted the votes too accurately. That refusal made a deep impression on the young inventor. He resolved that henceforth he would produce what people wanted instead of what he thought they ought to want. The fruits of his resolution were to build up half a dozen new industries, to provide employment for millions, to extend the reach of civilization, and to enlarge the life of almost everyone who lives within it. Henry Ford says of him that he doubled the efficiency of modern industry—that it is due to Edison that America is the most prosperous country in the world.*

The list of his inventions is too long to give—he took out 1,500 patents. They astonish by their variety as much as by their importance. Edison made the telephone possible and turned the telegraph into a general means of communication. He invented the first electric lamp that would give the amount of illumination needed in a building—the incandescent lamp—and in order to make it useful he worked out an entire system for the generation and distribution of current. He himself says: "It was necessary to think out everything: dynamos, regulators, meters, switches, fuses, fixtures, underground conductors and a host of other detailed parts, down to the insulating tape. Everything was new and unique. The only relevant item in the world at that time was copper wire, and even that was not properly insulated."

Existing dynamos were only forty per cent efficient: Edison’s dynamo gave an efficiency of ninety per cent. This made possible the line of advance which emancipated industry from the belt and shaft and led to modern high-speed tools. He made the typewriter into a practicable instrument and contributed to the development of the storage battery. He invented the microphone, the phonograph and the kinetograph, which was the beginning of the cinema. The first electric cars were made possible by his work, and he also constructed an electric railway—though there the Germans had been before him. He devised methods for making and

* Henry Ford: My Friend Mr. Edison. See also Dyer and Martin: Edison, His Life and Inventions.
THE WORK, WEALTH & HAPPINESS OF MANKIND

handling cement which brought it into the field as a material for building construction, and a technique for separating and smelting the iron which is found in sand. He introduced paraffin paper and the mimeograph, which multiplies copies of letters. During the war he worked out thirty-nine inventions for the Navy Department of the United States, but although his country had already recognized him as one of the greatest men alive, he was forced to complain that the Navy Department paid little attention to what he offered them.

This is a formidable list, even though in almost every case the theory of the subject had been worked out and the first practical applications made by others. The principle of the telephone, for instance, had been established seventeen years before by Reis of Frankfort. Professor Bell, of Boston, succeeded in producing a system which would carry for twenty or thirty miles; it was Edison who turned it from a brilliant experiment into a commercial success. In the same way with his incandescent lamp. When he began to work on that, the now obsolete arc lamp, with its sizzling carbons and fluctuating glare, white with occasional violet blushes, held the field; the incandescent thread of imperfect conductivity, the metal thread that would glare or fuse, was known, but not the carbon filament which glared but did not fuse. The task of Edison was to find a filament which was reliable and would burn for long periods, and a lamp which could be handled by the public and would be cheap both to produce and to maintain. His chief original invention was the phonograph, which he was inclined for some time to consider as a toy. The principle of the kinetograph—that successive images superimposed upon the retina at more than a certain rate of speed produce an illusion of movement—had been known for nearly two centuries. The invention of the celluloid film by Eastman synchronized with his own work on the subject, but he was never sufficiently interested to join the host of experimenters who were trying to find a way of projecting the images on a screen and who did ultimately produce the cinema world.

In the beginning, it was accident which directed his attention to electricity—the branch of science which seemed especially waiting for a man with just his gifts. His first interest was chemistry. As a boy he was continually starting fresh enterprises in order to earn the money he needed for books and materials for experiment—he liked
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

to read everything that had been written on each point and to work out every experiment for himself. For he found that he was able to learn more from the actual sight of them than had been gathered, or at any rate recorded, by their originators.

This was an expensive way of working, and his parents were poor. His father dealt in grain and wood; his mother had been a school-mistress. He disliked school—she gave him the elementary training which enabled him afterwards to teach himself. At twelve he took a job as newsboy on the Grand Trunk Railway which runs between Port Huron and Detroit, and he added to this occupation a number of others initiated by himself. He opened stores in Port Huron, he employed other boys to sell vegetables in Detroit and provisions to emigrants in passing trains. He published a newspaper of his own which he printed on the train itself in a laboratory installed in a baggage car. He would have made a success of it if he had not set fire to the car with some phosphorus and so been deprived of his laboratory and turned off the train.

After this setback he became a telegraph operator—he was one of those men who seem able to learn anything they choose and become expert at everything they learn. As a skilled telegraphist he could get a job wherever he liked, and for some years he wandered about in Canada and the north-eastern states, either on railway telegraphs or reporting the proceedings of Congress—work which included filling in the gaps in the speeches caused by the faulty apparatus of those days. As he went he seems to have left a trail of small inventions behind him, but none brought him in any money, and one at least got him into serious trouble.

He was engaged to send signals at intervals through the night from the station where he was working to the next along the line, and he invented an automatic which would do it for him. One night an unusual call was made. He did not reply, so a party went to look for him and found him asleep in comfort beside his apparatus.

It was in New York that he got his first real chance. He had gone there from Boston—where he had invented the vote recorder—in order to sell an idea for a telegraph cable which could be used for two messages at once in opposite directions. The Pacific Telegraph Company adopted it, and are said to have made a great deal of money by it, but to have refused to pay the inventor anything. Certainly he was almost stranded when he noticed one day a noisy

457
THE WORK, WEALTH & HAPPINESS OF MANKIND

crowd outside an office. There had been a breakdown on the Stock Exchange telegraph, and the crowd believed that the apparatus had been wrecked by speculators who wished to prevent the arrival of news. Edison walked in at once and offered to repair the damage in an hour. He carried out his promise, and received in reward the post of technical director of the Gold Reporting Company with a salary of $800 a month.

It was his first good position; he not only saved money there, but met men who were impressed by him and afterwards became his clients. He was soon able to start a small company, "Pope, Edison & Co.," and set up a workshop where he could spend most of his time experimenting. There he devised an improvement in the Stock Exchange ticker which he was able to sell for $40,000, and from that moment the flow of his inventions never ceased.

At first he seems to have had great difficulty in getting paid for them. For our present purposes that is a very interesting point to press. We have been studying money-getters hitherto. But here we have something else, a creator who was forced into money-getting. It is not only that this man did his work from quite other motives than the money motive, but that he was impeded in doing it by money-getters. They bested him, time after time. There are stories about an English company who bought some automatic telephone apparatus and never paid for it at all, and about American companies who involved him in litigation and paid him reluctantly and on a niggardly scale. But he had become well enough known for telegraph companies to bring him their problems for solution, and in four years he managed to save nearly half a million dollars. It was then that he built the laboratory, workshops, library and houses at Menlo Park, which were afterwards to become world-famous.

From that time his course was fixed. He had already married, and though afterwards he moved from one set of buildings into another and made occasional voyages to Europe to introduce inventions or receive homage, his real life was spent in the laboratory among his workers and collaborators. There he took most of his meals, received his guests, and in his spare time held singsongs with his men. His methods of work were still extremely thorough—to start from the beginning, have everything read, worked out, noted up and tried. But he knew how to surround himself with able men and how to co-operate with other minds. He himself could work for

458
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM
days and nights on end if he wanted to, and sleep when he had
finished. Time meant nothing—the clock in his laboratory had no
hands to its face. He expected his staff to work in the same heroic
fashion, and such is the appetite of human beings for interesting
work of any sort, their passion for machinery and their capacity for
hero-worship, that most of them seem to have enjoyed the life and
accepted the régime. If anybody, thinking himself indispensable,
tried to impose conditions, Edison would do a little inventing and
work out a method which got rid of him.

For his work the man grudged nothing as too costly. He would
experiment for years and get deeply into debt in order to try out
every possible combination. He recently examined more than
15,000 plants in order to find one which would grow in the United
States and assure her supply of rubber in case of war. He spent
$40,000 on his electric-light experiments before he got his first
crude carbon filament. It burned for forty-five hours and was made
out of a piece of suitably treated sewing thread. On the other hand,
he gathered in great pecuniary rewards. He manufactured many of
his inventions himself instead of selling the rights, and he became
under necessity a good man of business. In order to popularize his
lamp he contracted to sell at first for forty cents, although it was
costing him 125 cents to make. For three years he lost money—the
cost of manufacture was coming down, but sales were increasing
rapidly. In the fourth year the cost was down to thirty-seven cents,
and he made good all his losses. Finally he invented machines
which made a lamp for twenty-two cents, and then he sold the
business.

Edison was manifestly not a man who cared for money for its
own sake. Why should he? The acquisitive instinct is plainly
something quite different from such gifts as his, and the delights
offered by the luxury trades must have seemed extraordinarily
stupid and simple to an inventor of his calibre. He had no time to
waste in spending and no need to surround himself with visible
reminders of his success. All he asked for was the money he wanted
to carry out his work—work which has opened to mankind inexhaustible possibilities of wealth. Not all of his inventions have
been developed—as the world is organized to-day it does not follow
that the man who buys a patent will make the best, or indeed any,
use of it. A firm may think it worth its while to suppress a novelty

459
THE WORK, WEALTH & HAPPINESS OF MANKIND

rather than to produce it or to compete against it. It would pay a World State over and over again to buy, not the inventions of men like Edison, but the men themselves—to allow them whatever they want to carry out their experiments, give them the freedom of the planet, and then make the results as they came available to the world at large. That is manifest. Also, as we shall show plainly in our studies of government (Chapter XII) and education (Chapter XV), it is at present manifestly impossible.

HENRY FORD

Ford, like Edison, is clearly a man of higher moral calibre than the examples we have taken before them. His, too, is a mind dominated by constructive motives, by the desire to invent, and to invent in such a way as to lessen human labour. He was born on a farm, and he says himself: "My earliest recollection was that, considering the results, there was too much work on the place. That is the way I still feel about farming. . . . That is what took me into mechanics."

As a matter of fact, though this may have been his conscious excuse for withstanding his father's wishes, he was instinctively and from the first a lover of machines. His toys were all tools; he says: "The biggest event of those early days was meeting with a road engine. . . . The second biggest event was getting a watch." These three impressions are quoted because they determined the course of all his future energies. He is a born engineer, and that stands as the root of his success. In his workshops the technician is king, and as Mr. Ford happens also to be a great organizer, his shops get ahead of those whose owners are less interested in the work being done than in the profits to be made from it.

To this main purpose of saving toil he has added another—that of using his enormous undertaking to build up prosperity where he wants customers. The acquisition of a personal fortune really seems to count for nothing. He puts his money back into the business, where he spends it in improving his factories, raising his wages and lowering the price of his products. His business, to him, is "almost sacred." He has devoted his life to it, and it is the axis of the philosophy which he expounds in his books. In this doctrine, too, he believes with the faith of a man who has started life with a
few simple ideas, carried them out, and found that they made of
him the world-famous head of a great industry.

His mechanical training he began himself, with the help of the
watch. By the time he was thirteen he could take it to pieces and
put it together again so that it would keep time. At seventeen he
persuaded his father to let him become an apprentice in a machine
shop, and in his evenings he worked with a watchmaker. There he
decided that, as watches are not universal necessities, he would not
devote himself to making thirty-cent watches, but would invent a
mechanical tractor which would do all the hardest work of a farm
and especially ploughing. To this end he took a job with the
Westinghouse Company, where he would have a chance of working
on road engines, and in his spare time, in a little workshop at
home, he endeavoured to build a steam car that would run. He
built it, and it did run, but he soon realized that steam vehicles, to
be safe, must be far too heavy for the existing country roads, and
too expensive for any but the richest farmers. Moreover, the public
showed no interest in agricultural machinery—it was only through
the success of the motor-car that the farmers came to see its
possibilities. So he turned his attention to road cars and began his
search for something light, something cheap, something that could
be used by everyone. The Westinghouse Company could not help
him with this, so he left them and “looked around for another sort
of motive power.”

The single cylinder petrol engine had already been developed in
England, and in 1885 Ford was given one to repair. He then built
one for himself, to make certain that he understood it, and began to
experiment on double cylinders. He moved to Detroit, took a job
with the Detroit Electric Company and worked half the day and all
night long on Saturdays at bringing out a car of his own. His main
difficulty was that though he knew that other people were working
on horseless carriages he could not know what they were doing.
His main support was: “That my wife was even more confident than
I was.” In 1893, when he was thirty years old, this first car “ran to
my satisfaction.” It was built of bits and scraps, its wheels were
bicycle wheels, and it was not cooled at all, but he drove it a
thousand miles and then sold it for $200.

About this time he met Edison—a most important meeting partly
because it influenced the trend of his ideas, partly because he
THE WORK, WEALTH & HAPPINESS OF MANKIND

received encouragement on the subject of his car. He even refused the position of general manager to the Edison Company in Detroit because it was coupled with the proviso that his car must be abandoned. By 1899 he felt that he could do something with his car; he threw up his other job and "went into the automobile business." He had saved money, but he was not in a position to finance a whole undertaking by himself, so he formed the Detroit Automobile Company in which he was chief engineer but holder of only a minority of the stock. This arrangement was not successful. The creative man and the financier were almost immediately in conflict. Ford wanted to make better cars as a step towards a wider market, the company wanted to make immediate profits. To the man obsessed by his idea, the man of nearly forty who had given up his life to the solitary accomplishment of his task, this attitude was shocking. Nor was it financially successful. He resigned in 1902, "determined never again to put myself under orders." From that day to this he has been unable to tolerate either the ideals or the methods of financiers. He is, indeed, one of our most striking witnesses against the value of the money motive.

In 1903 he founded the Ford Motor Company. First he built a car fast enough to win in a race against the track champion of America; then he founded the company on the advertisement this gave him. In the new concern he was vice-president, designer, master mechanic, superintendent, general manager and owner of 25\(\frac{1}{2}\) per cent of the capital of \$100,000. Only \$28,000 of this was ever paid, and this \$28,000 is the only money the company has ever received from other than sales of cars. From that time, he says, he was never short of money. In 1906 he brought his holdings up to fifty-one per cent; a little later he was able to increase this to 58\(\frac{1}{2}\) per cent. In 1919 his son, Edsel Ford, bought up the rest of the stock at a price of \$12,500 for each \$100 share. This seems to have been done in order to reaffirm once again Ford's dislike of sleeping partners in business. He has no use for the investing public, and that, in view of what we have said in Chapter IX, \$10, is very interesting to us. The other stockholders had brought an action against him, in which they demanded that a larger proportion of the profits should be distributed in dividends instead of being put back into the business. Ford won his case by convincing the court that the best possible use had been made of the shareholders' money, but
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

he did not care for a fiduciary position when that meant running his business to profit other people instead of to justify the creative drive in himself, and he solved his difficulty by getting rid of them. The only outside shareholders now are understood to be those of his own workpeople who have bought shares offered under a special scheme.

From the beginning he ran this new company on his own lines. As what he wanted to produce was not a luxury but an article for general use, he determined to “concentrate on the best selling product,” to produce the smallest number of models at the lowest possible price, to make them as light as possible, foolproof and perfectly reliable. He announced that what he was selling was not a machine but a guaranteed amount of service, and that if anything went wrong it was up to the company to see that the purchaser suffered as little as possible. This brought him customers in large numbers at a time when buying a car was considered to be a rich man’s gamble, since it might be expected to break down at any moment, and there were no arrangements of any kind for service or repair.

In 1909 he carried this policy to its logical conclusion and decided to sell only one model, Model T, of which he said: “Any customer can have a car painted any colour that he wants so long as it is black.” But though only one model was on sale at any given moment, the car itself was always changing, continually having put into it, the maker claims, better workmanship, better material, and better design. That model ended, for instance, by using twenty-four different types of steel.

When he had decided on the form of this model he turned to build up his marketing. That in itself must have been an undertaking sufficient for the ambition of most business men. Ford’s idea was to sell through a network of agencies which were to cover the United States. Every agent was to have clean, attractive premises, carry a complete stock of spare parts, be able to offer a reliable repair service, and know every potential customer in his district. When this was on its way to accomplishment, he turned back to improving the efficiency of his system of production.

This system of production has received as much criticism as the car; it has been as successful. Its master idea is the elimination of waste. Not an inch of factory space is to be wasted, not a moment of
time, not a fragment of scrap, not an ounce of physical strength nor of mental effort. Ford has built an electric motor into every machine in the engineering shops in order that their alignment might not be restricted by the possibilities of pulleys and shafts and belts. It is wasteful to employ engineers simply as pedestrians and carriers, so the work, with all necessary tools and materials, is everywhere carried by machinery to the hands of the men. He will not have a man obliged even to shift his feet if it can be avoided. . . . It is wasteful for able-bodied men to do work which can be carried on by disabled men, and he therefore employs considerable numbers of blind, deaf and crippled men. They are paid the usual rate of wages, and he says that they are worth more to him than normal men, for they are glad of the work, and not so worried by its monotonous or trivial nature as men who look about and hear outside noises would be.

It is wasteful to spend human labour hewing and hauling coal when we all, in the course of our ordinary lives, produce combustible refuse without devoting any particular time or thought to it. He therefore, where refuse is available, builds power plants which are able to consume it—his new Dagenham works will be run largely upon the rubbish of London. . . . It is wasteful to ship cars (and pay import duties on them) when parts can be packed more compactly and more conveniently handled. He therefore ships parts and has them assembled wherever in the world they are needed for sale. This involves the complete interchangeability of every part, and that means that many of them must be accurate to \( \frac{1}{10000} \) of an inch. To control this the gauges, themselves ten times as accurate, must be tested to something like a millionth of an inch. In order to achieve this degree of accuracy Ford became himself a manufacturer of gauges.

But his greatest struggle has been devoted to the saving of time. When he started mass production it took him twelve hours and twenty-four minutes to assemble a chassis. By subdividing every operation and studying every movement he cut that down to one hour thirty-three minutes. Dies, again, required seven hours to make and could only be used about 40,000 times. He devised a method which would produce in two minutes a die which can shape from 80,000 to 100,000 pieces. The same story has been, and is, going on at every point in his factories. He never ceases his
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

search for machines which will carry out a process faster or with less human labour. By the time he had exploited to the full the process of subdivision, the invention of the turret enabled him to build machines each one of which performs several operations on a part before returning it to the worker. When electric welding became practicable on a large scale, he decided to dispense with all casting as fast as his staff could invent machines to do each particular job by welding instead. So he gained in strength, lightness and simplicity, in the elimination of faulty castings and in the supersession of that machining which all finished castings require. In fact, Ford's principle is that while every operation is standardized for the time being, no single operation, material or product is ever standardized in the sense that it is considered incapable of improvement.

To obtain the incentive for this unceasing, relentless pursuit of economy, Mr. Ford relies on his basic principle of constantly raising wages and lowering prices. He believes in the theory that it is the function of industry to create the prosperity which will enable the public to buy its products. If these are to be sold all over the world, money must be distributed as widely as possible. More than once he has cut prices and raised wages, not because it was justified by the figures of his actual business, but on the promise of the increased sales which he anticipated as a result of this procedure. When, on one occasion, the new sales did not mount quickly enough to prevent a loss, instead of putting back the old price he made a further cut, and this brought him the result he wanted. His own explanation is that the whip laid to the backs of the staff by increased charges resulted every time in new economies which more than counter-balanced the new burdens. The whole thing happened, however, at a time when there was a sharp deflation going on in the United States, so that in real value his new price was very little smaller than his old one. The remarkable thing about the transaction is that he should have been able to cut his price enough to maintain what amounted to a substantial increase in the real value of his wages—a feat which the rest of the world seems now to be finding impossible.

The Ford rate of wages is now, in America, a minimum of six dollars a day. Sixty per cent of his men earn more than this under a system of rewards for efficient work. His foreign wage scales are worked out to produce an equivalent real wage in the currency of
THE WORK, WEALTH & HAPPINESS OF MANKIND

the country concerned, and he states that the cost per minute per man in different countries works out exactly in inverse ratio to the level of wages paid. In the nineteen years during which it was producing the famous Model T, the Ford Company paid out wages and salaries to the amount of almost two thousand million dollars. If the rewards of agents and outside workers in garages and repair shops generally are added, the total comes to nearly five and a half thousand million dollars. This does not include the pay of the workers on his railway, oil-fields or rubber plantations or in his mines. The sums distributed by the company in purchases fall little short of five thousand million dollars. He may well claim that this is a substantial contribution to international prosperity.

It is in pursuit of this prosperity, as well as to save the heavy costs of transport, that he has placed his factories and assembly shops all over the world. He likes to balance the drain of money into the funds of the company by the provision of work and a corresponding outflow of wages and salaries. But he goes further. He thinks that work should be so planned as to provide the best possible life for the worker. The great industrial cities he regards as evils—the normal life seems to him one which allows a man to work on the land in summer and come into the shelter and light of the factory in winter time. He has several factories of this type established in the United States. In Kentucky and Virginia he is said to be taking factories to the mouth of his mines so that the miners may be able to spend only half their working hours below ground and for the rest of their time earn their living as machinists.

While all the work of carrying out this system was being done, Ford was extending his business. During the war he added to the manufacture of Model T that of farm tractors for the English Government, and many smaller products for the government of his own country. These tractors realize a very early ambition. They are designed to lessen the heavy work as well as the cost of farming—each is in reality not only a tractor but a light and portable power plant. Since the war he has scrapped Model T—of which 15,000,000 had been sold—and substituted a car built on more modern lines; he has also undertaken the manufacture of a luxury car—the Lincoln. In addition, stoppages in his supplies of raw material, some due to accident, others to business operators, have forced him to buy a railway (which paid for the first time after he
'RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

took it over), mines, rubber plantations and oil-fields and to manufacture for himself glass, cloth and several other materials needed for the manufacture of his car.

He is now, in fact, by himself a gigantic "vertical" combine.

It does not fall within the scope of this book to discuss Mr. Ford as a pacifist, as a denigrator of Jews and bankers, as an admirer of the arts who presented the "homey" Detroit patriotic poet, Mr. Guest, with a Ford car every year for several years, or as the nature lover who has had his garden fitted with birds' nests suspended on flexible steel springs so that his wrens may use them undisturbed by sparrows. It is more to the point that he has created and maintains a large model hospital specially organized to check the professional failings of doctors, and that he runs schools for boys in which the pupils are trained in several skilled crafts and earn from the first a good rate of wages. He has given the world these, and a car and a tractor which have reduced labour for millions. He has given it also his great business, a heavy item to the credit of the individualist capitalist system. This is what that system can do—run at its best, with the spirit of greed eliminated and a real desire to help mankind put in its place. Even so, his productive organization has been attacked—bitterly attacked—on the score that it is a despotism, that it is harsh and that it wears out its men. A despotism it is—that is what makes of it so illuminating an example. As for the other charges—that sort of thing is a question of more or less which cannot be weighed here. The figures he gives of average length of service make it clear that they are not physically worn out. The criticism seems to boil down to this—that they are completely absorbed, capable away from work of only the crudest recreations and unable to play any extra part as useful citizens. That is a criticism which can truthfully be made of whole classes and communities of business men in every country, and it leads us again to the connected problems of education and the use of leisure.

In summing up Mr. Ford's work and its rewards the question of desert seems hardly relevant. However much he has, and whether he deserves it or not, his is a mind which can be trusted with money. Let him make as much as he can—it will be used for important purposes and in a stimulating and individual way.
THE WORK, WEALTH & HAPPINESS OF MANKIND

ALFRED LOEWENSTEIN

We now turn back again from these processes of wealth accumulation by creation, to the more purely acquisitive type of accumulators. While the great forces of invention and accelerated communication embody themselves in such great industrial forms as Standard Oil, Imperial Chemical Industries, United States Steel and so on, there runs by the side of these huge organizing processes a great multitude of people intent merely on getting rich by virtue of the opportunities they afford. We have studied old-fashioned forms of accumulation in the cases of Mrs. Hetty Green and the Rothschilds. Essentially such types are "wealth-grabbers." The wealth was there, anyhow, and they did nothing to increase it. They merely accumulated it. Let us see now how wealth-grabbing can be practised under more recent conditions, with the aeroplane to replace Nathan Meyer Rothschild’s corner in fishing boats, and with all the bold precedents of the railway and oil kings to follow. Alfred Loewenstein, whose life was ended accidentally or deliberately by a fall out of an aeroplane while crossing the English Channel, can be taken as the crowning instance of the modern financial adventurer who neither evokes wealth nor buys existing wealth, but who seizes upon it as it struggles into being.

There remains an element of mystery about his end. A preliminary enquiry returned a verdict of accidental death, but his body was recovered a week or so later and Dr. Paul, the French pathologist, examined the body and reported the presence of "toxic matter." Loewenstein seems to have been in the midst of very extensive financial operations in which he was losing considerably, and there is no very clear account of his actual position at the time of his death. He may have been mortified and tormented by his situation at that time, but he was certainly not a ruined man. Very naturally, the tragedy was followed by a slump in the securities in which he was interested, but the mere fact of his death while the market was in a nervous state would be sufficient to account for that. Here is a man who appeared suddenly in our financial skies, buying and selling on a scale of romantic enormity.

He was, it seems, the son of a small banker in Belgium; he was born in 1874, and when his father went bankrupt with 1,800 (pre-
war) francs of debt in 1892, the son reconstructed the firm, accepted his father's obligations, and became a broker in Brussels. For some years he worked in partnership and without any great distinction. He was a propagandist of the geographical distribution of investments and showed himself skilful in guiding the investing public to new fields of risk. His first considerable opportunity came in 1906, when he was able to raise capital for the Rio de Janeiro Light and Power Company. Investments in Brazil were not well known at that time, and he earned his money by a very vigorous pushing of the new securities. He proceeded to other South American flotations. His methods did not pass without hostile criticism. He was already a multi-millionaire (in francs) before the war. The war perhaps retarded his development for a time; he joined up and served his country in England (where he bought remounts for the Belgian cavalry), and in America, but he still found opportunities for profit. The relative value of railways, tramways, power companies and so forth in South America increased with the destruction and exhaustion in Europe; the French and Belgian francs staggered at the end of the war and every ordinary investor was assailed by doubts and fears. Wealth offered itself to the alert, and Alfred Loewenstein was one of the alertest men alive.

It was after the war that his phase of conspicuous magnificence began. Then he became a speculator on a vast scale, interesting himself chiefly in hydro-electric undertakings and the new great industry of artificial silk. He clambered to the position of the third richest man alive. But all he did was to "find money" for these enterprises, and he found it in the most expensive way for both the enterprises and the primary investors. It is hard to avoid the conclusion that even at the best phase of his career he was only in very limited sense an operating organ of the economic body. Possibly he irritated a too-sluggish banking world which was retarding new developments into greater activity. That is very doubtful. Essentially he was a boil on the face of business, and a very conspicuous and dangerous boil.

Privat* gives some glimpses of his life in its brilliant phase. He moved between a suite of rooms he possessed at Claridge's in London and a suite he took by the year at the Ritz in Paris; he had a

* _La Vie et la Morte d'Alfred Loewenstein._
palace in Brussels, a great estate at Melton Mowbray, where he entertained the Prince of Wales, and a great villa at Biarritz. He was surrounded by an army of secretaries and stenographers. He had private aeroplanes for the use of himself and his special messengers at Croydon, Le Bourget, Brussels and elsewhere. When the Belgian and French franc went through a period of rapid devaluation in 1925 he offered, upon certain conditions, a loan to these governments at two per cent sufficient in amount for an immediate stabilization. It was refused. His ambitions were boundless. He seems to have aimed at a control of the entire electric supply of the world. He was caught by a sudden restriction of his credit through the concerted action of a powerful group of banks, and shorn of a considerable part of his incredible fortune. He tried to regain what he had lost, too hastily and rashly; his operations were ill-judged and unsound, and he was certainly in the grip of a second shearing operation at the time of his death. How far he was a mere gambler and “operator” it is hard to determine. His anticipation of the future of electric-power enterprises and of artificial silk was certainly intelligent. Privat says he consulted fortune-tellers and was guided in some of his decisions by communications made to him through various “mediums” by a spirit “Phlogiston.” By the scale of payment of ordinary human activities, the wealth he came to handle was fantastically vast. It was somewhere in the region of twenty million pounds or so. In 1928 the 430,000 shares of his International Holdings Company stood at £31,000,000 and receded to £18,500,000. On the news of his death in July this fell further to £12,500,000.

It is very remarkable how poorly documented all such careers seem to be. There is nothing about Alfred Lowenstein in the New Encyclopaedia Britannica and nothing about him in the 1928 Who’s Who. I have quoted already from an able little book about him by Maurice Privat, but it is improbable that his life will ever be exhaustively studied. While the poor little affairs of obscure, industrious men of letters are made the subject of intensive research, and while every scrap of their entirely unimportant private correspondence commands the money of eager collectors, the far more romantic, thrilling and illuminating documents that must be scattered abundantly through the world, about these seekers and makers of great fortunes, are neither gathered nor cherished.
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

When at last the scientific historian of the economic processes of our times sits down to his task, he will have small reason for thanking the collectors of letters, diaries, private account books and personal memoranda. Beautifully preserved First Editions, autographs, and the self-conscious love letters of a thousand insignificant scribblers will leap to his hand, while hardly a scrap of early Harmsworthiana or Zaharoffiana or Loewensteiniana will be forthcoming.

MEN WHO HAVE GONE BEYOND THE PERMITTED LIMITS

If, however, we descend to the next lowest grade of wealth-seekers, we come immediately to a soundly documented record, because we have the reports of their trials. These are the quite illegal wealth-seekers, the men who did not restrain their acquisitive effort within the limits of the law. They were too impatient or too clumsy or not lucky enough to avail themselves successfully of the permitted ways of acquiring large sums suddenly. They blundered into tight corners, and then, by the rules of the game, they cheated, or else they set out to cheat from the outset. Such “operations” as those of Jabez Balfour with his Liberator Society, which flourished in appearance for fifteen years after it was bankrupt, or the London and Globe Company frauds of Whitaker Wright, may serve as classical instances of financial affairs below the threshold of permissible enterprise, and from such cases we pass down to a consideration of such simpler abuses of confidence as the creation—the forgery, to be more exact—of fictitious shares. This has been occurring periodically on a large scale throughout the last hundred years, and it has taxed the economic process to the extent of many millions. The recent Hatry crash in London may serve as the type case; it is the last of a long series, exceptional only in its boldness. These cruder frauds are due simply to bad checking in the business machine, and so of course is plain embezzlement, which also recurs with a certain regularity and is a calculable and insurable risk. Many cashiers, many bank managers, many bankers, many chairmen of boards get a feeling that no one is watching them closely, and under various stresses a certain proportion succumb to this appearance of opportunity. It is often a very justifiable feeling, and some perhaps go undetected. They snatch a profit somewhere and put the money back in time and cover their traces. The
embezzler, the criminal operator, the bold but just tolerated operator, the brilliant and accepted operator, the pushing and promising young "giant" in the City, the admired financial magnate, and the triumphant amasser of wealth can be brought all together into our picture because they have this in common—they are possible through the general defectiveness of our methods of accounting in the distribution of purchasing power. They are produced by the imperfections of an evolved and still tentative system of defining economic relationships. It is not acquisitive, speculative or dishonest individuals, therefore, but a system of uncertain values that has finally to be arraigned if anything has to be arraigned.

But the best plan for mankind is to arraign nobody, declare a general amnesty and get on with the task of so reorganizing our methods of direction and payment that all this juggling in the counting-house of human affairs, to the detriment of worker and consumer alike, may become impossible.

§ 2. The Contemporary Rich

We have shown how arbitrarily purchasing power is distributed in relation to productive activity because of the extraordinary looseness of the world's financial machinery. Wealth to-day has become largely financial. It is no longer mainly a directive ownership of actual property but a monetary claim upon production. The owner-producer, after the fashion of Henry Ford, is the exception, not the rule. The majority of the rich belong to the investing public. They are the upper stratum of the investing public.

We have shown by some typical instances how the financial system works. For the real creators of wealth, finance is an embarrassment; but it is the normal way to wealth, nevertheless. The intervention of a highly speculative and adventurous stratum of financiers and business operators of various sorts between the producing and consuming activities of the community, diverts and intercepts a large amount of the world's production from what an increasing number of people consider its only legitimate destinations. They hold that the gross product of our collective activities, or rather the power to purchase that product, should be the reward for
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM
definite services rendered and for contributions to the collective welfare. There is this interception and concentration of purchasing power. A considerable section of the “well-off” and rich classes in the community represents this intercepted purchasing power in action. Dominant purchasing power means the right to “call the tune” for social life, and not only the way in which this intercepted purchasing power is accumulated, but the way in which it is expended, is a matter of primary importance in a comprehensive study of economics.

The way of living and spending of these financially successful people, the new rich, must affect the general operation of demand and supply in the community very profoundly, but whether their purchasing power is dominant and whether they are really “calling the tune” is a very different matter. If they spend variously and discursively they may not in the aggregate make much of a demand in any special direction.

All rich people, be it noted, are not to be regarded as the result of the interception of purchasing power by speculative operations. The big new wealth is largely that, but it is only one of the possible types of wealth. There are old fortunes as well as the nouveau riche. There are social types of an older tradition who share the privilege of irresponsible spending with these comparative newcomers. Such are the recipients of the exaggerated rents due to modern urban developments, of the royalties upon coal and other mineral wealth discovered underneath landed estates, and the like. And for the purposes of this economic analysis we must also include the British, Dutch and Scandinavian royal families—almost the only royal groups which have had the good sense to abstain from those stock-exchange adventures which send kings into exile. Akin to this special rich type is the mediæval wealth of the protected princes in India and various other Oriental rulers. Such relatively unacquisitive rich people trail a picturesque tradition of honour, titles and precedences into the world of modern wealth. They give it a dignity it would otherwise lack, and in a partial traditional way they give it a direction. They supply the framework of a social organization, a discipline, an aspiration towards social solidarity, that would otherwise be wanting, to the great accumulators of the present time.

The proportion of new wealth to old in the modern community is
THE WORK, WEALTH & HAPPINESS OF MANKIND

probably very large. There are no exact figures. The question is discussed very interestingly by Sir Josiah Stamp in *Some Economic Factors in Modern Life* under "Inheritance." In the past a vast part of the wealth in the world was inherited, and there was a permanent wealthy class with a rôle and tradition of its own. But wealth is not the same thing in the modern community as wealth in the eighteenth century. Its dispositions are different; its reactions are different; it is altogether less stable.

In the wealthier life of most European communities there is evident, or at least there is still traceable, a seasonal social routine, typically or originally centring on the movements of a court or the assembly of a legislature, and deriving many of its observances from the pre-railway era. Its observances still preserve a faint association with current political and social functions. Because it was, in fact, once functional and responsible. Even in the United States of America there is a certain limited movement of wealthy people to and from Washington, but the life of the rich in America is far less centralized and far more highly individualized than in Europe. There is not the same association with social and political responsibilities. American wealth, throughout the continent, is almost entirely modern wealth of the modern type, arising without any tradition of political or social responsibility whatever, out of the financial and industrial events of the last hundred years. There is no such rendezvous of political, intellectual and artistic life as the London "Season" used to be, and still to some extent is. There is nothing to equal the desertion of Paris in July and the return to Paris in October. But even in the countries of old-established routines, these routines are manifestly undergoing a process of effacement. The convergence upon court, Ascot and Goodwood, is less and less obligatory and general, and the rich tend now to follow their own devices as they were never disposed to do before. In other words, their solidarity is disappearing. They are free and individualized beyond all precedent.

We have already dealt in a general fashion with "How Mankind is Fed" and "How Mankind is Clothed and Housed." We can but glance here at the way in which the rich are fed, clothed housed—and amused. The conjunction of leisure and great purchasing power involves a very vigorous demand for amusement on their part. Perhaps it will be best to begin with housing. The story of
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

the household of the contemporary rich, takes up from the household of the rich family of the old régime possessing at least one great country estate, almost self-supporting, and a big town house. To these were added shooting estates, houses in hunting country, stud farms, with a very numerous staff of servants and estate men. The new wealthy were at first disposed to fall into this pattern. Many of the earlier *nouveaux riches* were indeed completely absorbed into traditional “society,” and their descendants are among the most conservative of those who continue the country-house tradition.

The country house, however, even when it is still in the hands of the old type of rich people, is, under the stress of new facilities for provisioning, becoming less and less autonomous, and with this departure from actuality there is an increasing development of toy farms and dairies and the like, a playing at utility after the fashion of the Petit Trianon. A sort of “out-of-town” house has gradually replaced the great house, the château of the old order; it is smaller, more luxurious, better fitted to save labour and trouble, less and less a centre of local life and more and more dependent on exterior supplies. There has been a tendency to go abroad, to the French and Italian Rivieras, for example, in the case of British, Germans and Americans, and there to build and occupy beautiful toy villas and garden villas, inhabited only for a part of the year. Now such pleasant houses spring up in South Africa, Florida, California and wherever there is any exceptional charm of climate. The rich become more and more delocalized and cosmopolitan.

The country house, in the homeland where it is still used, is no longer central and self-sufficient socially. There is a golf club or a country club at hand for informal social mingling. The country house is not, as it used to be, a centre of continuous living. Parties gather for the week-end and vanish again. The “letting” of both town and country houses has increased; they are, generally speaking, less personal than they were, or else in exceptional cases they are much more personal, the “creations” of their owners, intensely individualized. Most of us have heard and seen something of these latter very personal houses in America and Europe. They are what a Cockney would call “fancy” houses—on the analogy of “fancy ladies.” But the distinctive habitat of new wealth is now not a house possessed, but a great hired house, the pleasure villa
THE WORK, WEALTH & HAPPINESS OF MANKIND

without any tributary "estate" or with merely sporting "grounds" attached, or it is the hotel de luxe. The new wealth does not settle; it goes now here, now there. It does not root locally as the old wealth did; it produces no type of home of its own; it seems to be conscious of its own impermanence.

Here we need give no detailed account of the modern life de luxe in all its irresponsible glitter. The contemporary society papers, the large illustrated advertisement-carrying weeklies give and renew a constantly changing picture of these activities. Marvellously dressed people stand about in groups. They do not seem to be up to very much and in fact they are not up to very much. They do not appear to be actively oppressing mankind or to be doing anything active at all to avert a possible catastrophe from the system that has produced them. They do not know how they were produced, and they do not understand what threatens them. A large part of the energy of the new spending goes into a search of pleasure, sensuous pleasure, or it seeks the mere gratification of vanity or the stimulus of personal danger. Many of the new rich, if they employ fewer servants, have, nevertheless, larger retinues than the older kind. It would need a little band of novelists to describe many of these retinues. The extremely rich have actual courts. Service passes on the one hand into friendly help and on the other into actual prostitution. So far as published letters, law reports, scandal and the contemporary novel admit the student to this side of life, the adventureress appears to be playing a larger rôle in an increasing number of personal dramas than ever before, and the satellite systems of flatterers and illegitimate dependents of every type develop thickly and readily about almost all holders of pre-eminent purchasing power. These satellites again collectively furnish employment for a large class of purveyors of their own.

The beauty specialist and the parasitic doctor of the rich merit the attention of the modern playwright. The parasitic doctor is a convenient dealer in the stimulants and drugs his professional qualifications enable him to supply. To be a patronizable artist, writer or critic supplying intellectual and æsthetic reassurance, supplying drugs for the mind, or a religious teacher, supplying drugs for the soul, is now also a métier, and at a slightly different level comes the exclusive dressmaker.

From these intimacies we pass to the rich man’s architect and
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

decorators, the rich man's landscape gardener and the builder of the rich man's automobile. Here to a large extent we pass beyond the range of prostitution. We find an increasing factor of technical ability and technical conscientiousness. And this applies also to the household and estate servants of the rich man. "Things have to be right," so far as these people are concerned, and the seductions of flattery and self-abasement are no longer of primary importance. They retain their backbones. In the hotel de luxe and the great restaurant which have to cater not only for the very rich but for the merely rich, this is even more so. The standard of performance in all such places has to be a very high one and their control must be in the hands of able, if cynical, men. There is a continual unpremeditated struggle between the rare and fickle rich and the vast and calculable multitude of people with mediocre fortunes for the services of this type of organizer and director. And the same struggle occurs in the continual development of new and more agreeable forms of de luxe travel and its rapid cheapening down to middle-class requirements, less lavish but more certain.

Few of the rich, and very few indeed of the new adventurous rich, are content to be merely sensuous and flattered. They want to go on happening. They come out—and particularly their young people come out—of their securities to flirt with danger, danger de luxe, in aeroplanes and hydroplanes, in travel in unsettled countries, in destroying such big game as survives in the world, in riding to hounds across cultivated land, in the desperate driving of powerful cars. Still more of them, as patrons, spectators and backers, taste the delights of dangerous exploits and athleticism at second hand. Others, returning to tease the risks that might once have ended them, gamble frankly. Gambling is socially much more mischievous in the rich than in the poor, but our laws seem to be based on the reverse idea. There is nothing to prevent the active entrepreneur, on whose stability some great enterprise and the employment of thousands of people may depend, from hazarding the welfare of the whole organization upon the chances of the tables. Just as there is nothing to prevent him from gambling as desperately upon the Stock Exchange. Abruptly his business may have to be transferred to other hands, sold up possibly to his former competitors, managed by some inexpert trustee, or closed down altogether.
THE WORK, WEALTH & HAPPINESS OF MANKIND

An account of rich leisure would not be complete without a glance at the worlds of sport and gambling. The Turf survives from antiquity. In Great Britain it is part of the traditional monarchy, and the king by right divine still goes to Ascot and Epsom very much as the Son of Heaven used to go to the great Temple in Pekin to sacrifice and inaugurate the seasons. The race meeting is a very ancient function in the life of man. It was once a really vital social function, a parade of the entire community. There were seasonal races at Stonehenge before the beginnings of history. I do not know if Newmarket derives from some East Anglian Stonehenge or Woodhenge, through an unbroken tradition, or if it was a Stuart revival. Horse Show week in Dublin seems more certainly the survival of an ancient gathering.

It would be an interesting thing if in our still unrealized encyclopædia of Work and Wealth we could have a history and social description of the Turf—for the non-sportsman. Had we the time and resources available, we would go into the racing stables and consider the code of honour prevalent there. We would discuss the science of form. We would gather our material for a psychology of betting. Here too the initiatives of the rich spread their influence far and wide throughout human affairs.

There is a little world of people whose way of living is to bet. Many there are who "do quite well by it." They live in not unpleasant places, their days are passed in a pattern of sunshine under trees, white rails, green turf, amidst holiday crowds, to the accompaniment of the swift, thudding crescendo of the racing horses. Wealth flows into this bright little world from the casual betting of the outsider and from the deliberate spending of the sporting rich. Our present economic system can carry it, just as it can carry the innumerable thousands of grave quartettes who are at this moment playing auction or contract bridge. No one has ever attempted to measure the proportion of human intelligence and energy absorbed by betting. There are great offices, beautifully organized, with polite clerks and managers and small regiments of typists working upon this quite sterile activity.

The outward radiation of the mentality and example of the contemporary rich calls for a very close scrutiny. Their concentration of purchasing power is by no means all-powerful in economic life. It is not even all-powerful in evoking styles and
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

fashions. Its prestige is very great, but not so great relatively as was the prestige of the nobility and gentry of France and England and the small royalties and princes of Germany and Italy in the eighteenth century. They constituted an organized system and modern wealth does not do so. Modern plutocracy is an indeterminate pressure of purchasing power, it sets perhaps certain standards of smartness, it may give a direction to gambling and many of the more expensive sports; its individuals can bribe enormously, can subscribe to pay the debts of reckless "statesmen" in difficulties, or splash about ignorantly and mischievously in public and international affairs; but in regard to commodities in general I doubt if the new rich have anything like the directive purchasing power of the middling mass of people, whether these people be rentier, in business or employed.

Except for the rentier section, which may be, and probably is, shrewdly discriminating in its expenditure, this class of middling people, this great main mass of the modern community—so far as purchasing power goes—though it has neither the leisure nor the breadth of experience to buy with acute directive force, has broad essential requirements that must be respected and obeyed. Its want of discriminatory leisure is supplemented by the modern development of the advertiser. It has to be flattered and tempted and induced to spend by the advertiser. The advertiser has to explore the mind which the class as a whole has not the freedom to make up. The advertiser studies and guesses, and the nearest guess, the one that crystallizes the unformed wishes of the prosperous mediocrities, wins. It is certainly this middlingly prosperous class and not the rich which sustains most of our theatres, evokes such things as broadcasting and the cinema, suffers the modern press, accepts and is the medium for the propaganda of the less expensive sports like lawn tennis and golf, and tolerates the contemporary café and restaurant and ordinary travel conditions.

I am inclined to think that it is increasingly the advertising producer who determines changes and fashions in the consumption of people of middling fortune, and that the mere snobbish imitative-ness and life at second hand which formerly prevailed in this mass are becoming relatively unimportant. In the past the middle class had no patterns for social behaviour except the ways and equipment of royalty and the nobility and gentry. The nobility and
THE WORK, WEALTH & HAPPINESS OF MANKIND

gentry indeed played the rôle of an advertisement system then for
purveyors. In London the Royal Arms over a shop, and the words
"By Appointment," were of immense value to shopkeepers. I
doubt if they are now. The modern rich by comparison have
neither the uniformity, the prestige nor the desire to impose their
standards. They do not want to lead and dominate morally; they
have no sense of responsibility for the general behaviour; they want
rather to be free and uncriticized or admired and conspicuously
different. They are not so much a class now as a number of mis-
cellaneous experimenting fortunate individuals. They arouse envy
rather than emulation, and the immense publicity given to some of
their more remarkable feats of expenditure probably evokes not
merely curiosity and admiration in the ordinary beholder, magically
inhibited from anything of the sort, but personal humiliation and
envious hostility.

The very rich are now a criticized phenomenon in the social
scheme. They are stared at like strange large wonderful animals
but they are not loved. There is no element of affectionate owner-
ship in the feeling of the public for any of them, except (in Britain
and the Scandinavian countries) for royalty. And even the prestige
of royalty is difficult to measure. It collapsed very suddenly in
Russia and Spain. Setting royalty aside, few people, outside the
parasite systems the very rich have collected about themselves,
would move a hand to save them from extinction. They are easy to
tax. Income tax, super tax, surtax, death duties deflate their
accumulations, and they seem unable to prevent it, while the
steadying of productive enterprise by changes in company law and
the spreading exactitudes of the statistician, may presently limit
the scale of new speculative gains and check the appearance of
fresh great fortunes. If we are right in our supposition that the
loosely investing public is a transitory phenomenon in economic
development, we are probably still more right in anticipating the
passing of these large wild fortunes which now move so portentously,
so like the hurrying tail of a belated carnival procession at nightfall,
across the accumulating uneasiness of the contemporary scene.

§ 3. The Alleged Social Advantages of a Rich Class

There can be little question that the existence of this irre-
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

sponsible rich class, so conspicuous in contemporary life, involves a very considerable waste of human resources, a vulgarization of youthful imaginations, and a widespread demoralization of potential producers. Moreover, it carries with it the possibility of powerful, irrational interventions in the political and general mental life of the community.

But that is only one side of the case for and against the "idle rich," and our survey will be a very inadequate one if it does not take the other side into account. We have to consider very carefully what case for the defence can be offered on behalf of the free spending and the free initiatives these great fortunes afford.

It can be urged that although a very large part of the spending of the contemporary rich is, in a word, waste, that is not true of all of it. Some of it produces things that are vitally important, things which as yet we do not seem able to produce in any other way.

We have already foreshadowed this line of defence in the treatment in Book II of the development of Science and the release of Invention. There it will have been shown how the intellectual emancipation of mankind has been sustained through all its phases of vigour by the existence of people with leisure and liberty of movement, people we may best describe as independent gentlemen. In the gratification primarily of their own curiosities, such men lit that lamp of Science which now illuminates the whole present and future of mankind. Movements of searching criticism and ideological reformation have, it is true, come mainly from the dissident priestly type, but the positive establishment of these new idea systems and the accumulation of new facts have generally demanded a greater freedom and purchasing power than the intellectual rebel has had at his command. Roger Bacon, in an impoverished world without any rich leisure class, cried out and was extinguished, but the Academies of independent gentlemen in the easier circumstances of the Renascence experimented and printed and distributed their observations and made the modern world possible.

In this survey of human economics we have classified the royal and noble as an older section of the rich, and it is inconceivable how the earlier phases of the scientific movement could have occurred without the patronage and endowment of these stabler rich people in the past. Right down to the present, it is to the free rich that
men of originality have had to turn to realize a great multitude of projects that would otherwise have lain dormant; explorations, great laboratories, bold innovations in apparatus, which made no appeal to the common voter or the political boss. The enormous debt of the world to Mr. J. D. Rockefeller alone, is a powerful argument against any too hasty conclusion that the great lumps of riches in the social organism are essentially or even mainly morbid growths. We must take the Rockefeller endowments in one hand, weigh them very carefully against the extravagances of other families as fortunate but less intelligent. The name of Rockefeller is not alone. There are a score of conspicuous names which stand like pillars to sustain the work of modern research. Wealth is not always reactionary; often it is not even self-protective.

It is not simply in the field of science that the rich have a reasonable claim to functional value. They have also played an as yet quite unassessed part in the development of the arts and the protection of intellectual freedoms. The free rich have been the informal protectors of free speech. A very considerable proportion of the more influential and less popular organs of critical and philosophical discussion are still subsidized by relatively rich people, and it is difficult to imagine how their practical independence could be sustained in any other way.

People of smaller means, it may be urged, might form societies and subscribe small sums that will be effective in the aggregate. But the really rich man of understanding and leisure can see that he gets what he pays for, and that is exactly what a crowd of well-off but busy people putting up guineas and five-pound notes never does. They fall a prey to secretaries and such-like “organizers,” and once a society has given itself over to a secretary it is usually very difficult to come together to call him to account. The waste of money through the impotent subscriptions of people of moderate fortunes, runs parallel to their haphazard investments and is due to the same reasons. They are attempting things outside their scope of direction and control, they are attempting often vitally important things for which they have insufficient time and specialization. A middle-class association is a very inferior substitute for a single intelligent rich patron.

It is even more difficult to imagine politicians directing public money carefully and intelligently into a channel which is as likely
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

as not to repay them with corrosive comment, and will certainly never repay them by a vote. The bad side of rich leisure, the side of luxury and waste, we must remember is its most conspicuous side. There are, collectively, a very considerable number of less obtrusive rich people going about businesses that are necessary to the progress of mankind. Just exactly what proportion these redeeming functions bear to the pure waste and social mischief of free wealth nowadays it is impossible to say. There, beyond all denial, are these redeeming instances, these salvagers of spending power.*

Here, at any rate, is a considerable justification for the existence of a relatively rich class in modern life, but it does not follow that there is any justification for the sort of rich class that has been produced by the financial confusedness of economic life during the past hundred years. But why presently should there not be a different sort of rich class? There might easily be a rich class with more responsibility and less vulgarity. Much of the life de luxe which flaunts itself before the worker is a very vulgar and wasteful life indeed.

But since, as we have seen, wealth can change its character in a couple of hundred years, from concrete possessions to entries in share lists and bank credit, why should it not go on to still more abstract and much more controllable reservations and allocations of spending power?

All the good and less of the evil of free spending may be obtainable, we would suggest, by some other class of free spenders, not yet clearly defined. There is, for instance, no reason why great royalties and public grants should not still be paid to inventors and artists and men of conspicuous creative ability. True, that creative ability is not always associated with organizing and directive ability. But a world of vigorous productivity, with a high standard of general comfort and behaviour, will not only be able to afford experimental-minded and intellectually active rich people, but it will realize the need for them. It may even choose and appoint men and women to spend great sums of money as they think fit. It is amusing to think of a rich class, rich by achievement, election and appointment, and not through acquisitive concent-

* But for a criticism of rich man endowments see Professor Harold Laski's Dangers of Obedience, Chap. VI.
THE WORK, WEALTH & HAPPINESS OF MANKIND

A sort of foreshadowing of the kind of thing that might be done more extensively in the future, is to be found in the recently established “Pilgrim Trust” which has assigned to five men (Mr. Baldwin, the Rt. Hon. Hugh Macmillan, Sir James Irvine, Sir Josiah Stamp and Mr. John Buchan) a practically unrestricted freedom to spend two million pounds in any way they think proper for the benefit of English people. The donor in this interesting experiment with wealth is Mr. Harkness of New York. His modesty makes him doubt his ability to spend his money to the best advantage, and so he has decided to delegate the task to these others. He washes his hands of the money. He insists on the freedom of his trustees. But manifestly a rich world in the future could play the role of Mr. Harkness and give a popular man or a group of competent people the free disposal of large sums of money.

§ 4. The Ideal of Equal Pay for All

The Communist ideal that everyone in the community should have equal pay has recently been widely popularized by Shaw in his *Intelligent Woman’s Guide to Socialism and Capitalism*.

Everybody has heard of that idea now, even if there has been little or no discussion. It is an idea that was always in the background of nineteenth-century Socialist thought; it is the idea of Ruskin’s *Unto This Last*, and it seems to have been the idea of Jesus in that parable of the Workers in the Vineyard to which Ruskin’s pamphlet owed its title. It is the ideal, if not the reality, of Russian social administration. It is the statement of a moral attitude, and not a biological or economic conclusion.

There is a marked strain of unresolved mysticism in the naturally very clear and critical mind of Shaw. It is an essentially scientific type of mind that has never undergone any mental discipline, it is a scientific mind that was found and brought up by musicians and artists, and it has been greatly depraved by his irresistible sense of fun and his unsurpassed genius for platform effect. His is a fine intelligence which is always going off on the spree. No men can be mentally energetic all round, something everyone must take for granted, and Shaw is no exception to this rule. His indolence is
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

about fundamentals. He betrays an unwillingness to scrutinize the springs of his opinions, and these springs arise, more directly than is usual among minds of his calibre, from personal attachments and reactions. He has never freed himself from the dispositions of nineteenth-century radicalism and equalitarianism. Equal pay for all, equal purchasing power for all, is really the logical extension into the sphere of material things of the pretensions of nineteenth-century democracy. Equal pay—so soon as the immediate personal needs of a human being are satisfied—means an equal share in the direction of the world's productive activities. For that end, the present mental equipment of a normal man is at least as insufficient as it is for the exercise of political controls.

It has already been pointed out in this survey how deeply the socialism of Marx was coloured by democratic obsessions, and how, in the presence of modern conceptions of economic organization, this quality in his doctrines has given a curious double face to the great experiment of Soviet Russia. The consequence in Russia is, and the consequence in any attempt to realize the proposal of Shaw would be, to make a fraternal communism of the extremest kind the common profession of faith, while at the same time—under the pressure of modern inventiveness and large-scale production which demands skilful direction—vesting practical direction in a highly concentrated body, holding power in some questionable manner, claiming to work for the "general good" and restraining all criticism and divergent initiatives. The practical realization of "equal pay for all" can work out only as a dictatorship giving the individual citizens, in roughly equal amounts, what it considers to be good for them. The loss of variety, liberty and, above all, initiative, involved by this equalitarianism, may easily be too high a price to pay even for the elimination of the luxurious and wasteful rich from the social process.

We must insist here that it is unsound to assume that wealth is the cause of poverty. That is, we hold, one of the popular delusions of our time. The position to which our studies in this book bring us, is that both irresponsible wealth and poverty are produced by a faulty, inaccurate economic mechanism, as smoke, noise, dirt and delay are produced by a badly adjusted motor-car. But the noise does not produce the stoppages, or vice versa, and one may be eliminated without the other.

485
THE WORK, WEALTH & HAPPINESS OF MANKIND

Equally unsound is it to assume, as the "equal pay" idea implies, that any economic organization will grind out the same amount of wealth, and that it is only a question of the equal or unequal division of a fixed total product. The sterilization of wealth by the Hetty Green type of accumulator does far more mischief to production than would be represented by the deprivation of millions of workers of a contribution merely equivalent in the aggregate to her accumulation. The Hetty Green type holds up creative exploitation; it not only makes off with wealth but it misdirects wealth and obstructs the creation of fresh wealth. Hetty Green is only one case of the immobilization of natural resources and economic possibilities under uncontrolled private ownership. It is an unscientific theory of property that is to blame. Restrictive property is only one form of "riches." "Operations" of the Jay Gould type, again, work like bombs thrown into the engine room. But such operations are preventable. Riches can be evoked as we'll as acquired. The enrichment of Ford and Edison enriches everybody.

Is it impossible to readjust affairs so that service may become a necessary associate of enrichment? The trend of the facts we have accumulated and arranged in this and the preceding chapters is towards an affirmative. It is manifestly childish to suppose that either an efficient monetary or an efficient credit system has yet been worked out, much less tried out. The world has hardly begun to think intelligently about money. Our classifications of property and our legal control of its use are infantile. The science of social motive has barely dawned. The problem of leaving freedom of initiative in an organized world remains untouched. Much thought and trial, dispute and disappointment lie ahead. We are faced with periods if not ages of conflict and confusion in which the victory of constructive forces is by no means assured. It is the purest fantasy to imagine that we can leap at one bound from all the complexities of the contemporary system to an equalitarian Utopia. Even if anything of the sort is socially or biologically desirable.

§ 5. Do the Modern Rich Want the Poor to Be Kept Poor?

Here it will be interesting to discuss a paragraph in a recently published book on monetary questions: Professor Soddy’s Money
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

Versus Man. It is a very significant sign of the times to find so distinguished a figure in physical science as the Nobel laureate for 1921 drawn by the urgencies of the subject into a scrutiny of finance. His approach is extraordinarily fresh and vigorous. He has already published Cartesian Economics (1922), Wealth, Virtual Wealth and Debt (1926), and The Wrecking of a Scientific Age, and he has declared himself in Who's Who to be "interested in Post-diluvian Economics." He is certainly a welcome leader in the attempt to put orthodox political economy into the palæontological museum. There is an inspiring riotousness in his style of attack. He is not a solitary phenomenon. He is a pioneer. The banker's parlour, the stockbroker's office and the board room are going to be invaded by an increasing number of highly intelligent and highly sceptical enquirers, resenting bluff and mystery, using unflattering words like "antediluvian" and "dishonest old fumblers" and such-like phrases with a startling readiness, and very resolutely "wanting to know."

We can represent Professor Soddy as saying on behalf of physical science: "We men of science have abolished toil and people are still toiling; we have created plenty, and everywhere there is want. What has got between us and them?" And then sharply: "What the devil are you money-fakers up to?" These are not his words, but that is his manifest temper.

Here, however, we are not dealing with his temper, but with a very vital issue he raises. He raises it as a side issue, but it is indeed a fundamental issue. What he says in the particular matter we now want to discuss, follows. It is a bold assertion of the malevolence of successful humanity. He says in effect that most energetic men live for power and to triumph over their fellow creatures. Here is the passage:

"Now it is one thing for science to make some relatively much richer than others, and quite another, without even a by-your-leave, for science so insidiously to undermine the established order of human society as to put all beyond the persuasive influence of want. There are many neither unimportant nor over-scrupulous people, if not the majority of the most forceful and successful people in the community, who would probably quite openly side with no civilization at all rather than a, to them, so thoroughly uninteresting and
THE WORK, WEALTH & HAPPINESS OF MANKIND

objectionable one. Some have, in fact, already scented the danger. It used to be only the genuine artists and æsthetes who railed, quite ineffectively, at the growing mechanization of the age. But when the tide turns, and science by making the poor richer makes the rich relatively poorer, the movement to break up the machines and revert to hand and serf labour is likely to receive some very unexpected and effective recruits."

In fact, he would add to our three main groups of personas, the peasants, the nomads and the educated types, a fourth, the modern money manipulator, a new type whose primary delight is domination and oppression through relative gain.

How does that square with the psychological analysis of social and economic relationship we have been making in this work?

I think we shall have to recognize that there is nothing in the story of the development of the current economic financial system, as we have unfolded it, to rule the plain accusation of Professor Soddy out of court. The old system, before the industrial and mechanical revolutions, was quite frankly repressive. It had the excellent excuse that human society could not exist unless people were kept down. The priest kept himself down, helped to keep the peasant down, and all the surplus of good things in life, the pride and the glory, fell to the gentleman, the aristocrat, and the prince, the successors of the nomad conqueror. These upper-class people had the colour and high places of life, and to them fell such women as they desired. It is impossible to ignore the rôle of women throughout the past of mankind as prizes, incentives and rewards. They have always fallen into that rôle with extreme readiness, accepted the jewels and dresses and played the hostess queen to the triumphant robber. Through the long ages of insufficiency, women have always been the demure receivers of the captured joys and displays of life. And the society these ladies adorned, the young they educated, understood quite clearly that the toiler had to be kept under—there was no need for anyone to stipulate that the poor should be kept poor, for that followed as a matter of course. The priest went about the human battlefield mediating between the parties, persuading the rich to be charitable and the poor to be grateful and resigned, and doing his best (the more intelligent of him and when Statutes of Mortmain and the like did not prevent
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

him) to get what he could of productive property out of private hands.

The development of modern industrialism, subtly associated with mechanical invention and following on the mental releases of the Reformation period, changed a world of insufficiency to a world of potential universal plenty, but it found no ideology ready for such a state of affairs. So it went on with the old. The personas of the people engaged in it arose out of the long-established main types. The "educated" personas were creating opportunity but did not themselves exploit opportunity. The scene for the new act in the human drama opened therefore with getting and grabbing. It need not have opened in that fashion, but it did. The industrial entrepreneur was essentially the child of the grasping, hoarding, economizing, close-working peasant type; the financial adventurer was essentially predatory. The two intermingled with each other to become the New Rich as we have studied them in § 1, and to associate themselves with, and largely buy up, the Old Rich, so far as prestige and claims to essential dignity were concerned. They were New Rich in Old Rich traditions. The elements of triumph, display, the buying of splendour for women, the buying of feminine adoration, contempt for the generality and a certain jealousy of any competition, rivalry and comparison on the part of the generality—they took over all these things as a matter of course and found them very congenial. What fills our fashion papers to-day, amidst the pages and pages of luxury advertisements, but the photographs of successful people displaying their triumph for the admiration and envy of mankind and, more particularly, for the incitement of womankind?

That the modern rich generally do not feel any strong desire for the poor to be less poor—so long as their poverty does not make them dangerous—is manifestly true. So far we go with Professor Soddy. They are evidently prepared to endure the sufferings of others with smiling courage, and even to repay envy with a certain exhibitionism that rouses its interest even more vividly than its resentment. But is it true that there is any strength of will behind these naïve products of our present clumsy financial mechanism? That is where we part from Professor Soddy. Let us admit that the modern rich cannot be expected to help in the monetary and financial reconstruction of human affairs. Let us recognize that

489
THE WORK, WEALTH & HAPPINESS OF MANKIND.

they will even encumber and hinder. They will appear, they do appear, lumpishly auxiliary in all sorts of reactionary and obstructive movements. They will be supporting romantic monarchy here and patriotism and religious intolerance there, if only for the sake of the titles and reassurance they can get, the coronations they can attend, the patronage they may exercise. All that much is true. They cannot be expected to be very much more than a stupidly consuming and resistant mass. But what is an altogether different matter: are they likely in any effective and organized form to put up a fight against the steady development of one genuinely conceived economic state in the world?

Now there it is we have to join issue with Professor Soddy—and others. His clear and vigorous mind is irritated at the dragging distresses, the baseness and injustices of our world when he has the sure knowledge that it might be energetic and happy; he assumes social good-will as a duty, and then very naturally he hits out and hits round in an ecstasy of indignation. But there are things about life that so far he ignores; his biology, his psychology and his philosophy of living are, if we may say so, not as serene as his physical science. To him the world is an exasperating spectacle of reasonable creatures behaving unreasonably and wickedly. But the fact is they are not yet very reasonable creatures. And they do not admit that social goodwill is a duty. They do not pretend it is. They have not the idea of service in their personas. Let him look at the spectacle again and look at it whole, as we are trying to do in this work; let him look at it as a species of about nineteen hundred million individuals, descended from rather ferocious, ego-centric, ape-like ancestors, not very greatly modified yet, and modifying very slowly, and only very slowly muddling their way to knowledge, reason and efficient co-operation. He can never see the absurdities of the situation better than he does now, but he will find then that he has a better grasp upon the obstacles he is up against and the nature of the remedial processes in which we have to put our trust.

He will become less impatient and more constructive. He will give us more explicit plans and fewer scornful witticisms at the expense of—everybody. He denounces a burden and embarrassment of rich people who live, not only idly and luxuriously, but obstructively, on the exaggerated debts they have imposed upon
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

the community. He denounces our banking system. So far as these are indications for reconstruction they are of immense value. But he finds much more deliberate plotting by the rich against the poor than our survey has revealed. He finds plots where we find instincts and traditions. He thinks entrepreneurs and bankers are anti-social men, and we have found reason to suppose that they are becoming, and likely to become, less and less anti-social. He does not concede that many of them are routinists who can be turned into different routines, and that a certain leaven among them is as anxious to achieve what he wants as he himself. He does not envisage the possibility that the present enormous and preposterous debt charge of mankind, like the almost universal pre-emption of natural resources by private owners, may constitute as inevitable a phase in human development as slavery or the primitive taboos, and that it may already be at its maximum and be quite easily amenable to a tremendous reduction and writing off. He thinks, for example, that the present struggle to arrest the hopeful expansion of human affairs for the sake of the gold standard is due to a conspiracy of powerful, aggressive, able men. We think that it is due to a blind convergence of fear, habit and traditional stupidity. He cannot wait for the steadfast unfolding of our release from tradition. He turns, in his passion, to governments to take this, that and the other profit-making privileges out of the bankers' hands—now. But even as he turns to governments he remembers what they are. He turns to "democracy," and the thought of the daily newspaper rises hideously between him and that ideal rescuer. Crowd action is no remedy. And then he shows his bad temper. It is, we find, a most sympathetic bad temper he displays. But it is no use for constructive purposes; it has to be controlled.

That is why it is so interesting to quote him here. In response to his indignant outcries we are enabled to underline the more deliberate impression our survey evokes. We do not believe that any large proportion of bankers are plotting to keep the world poor. There is a number of honestly perplexed men among them, men who are dismayed and distressed by the turn things are taking. They are often business men unaccustomed as yet to the scientific method of thought, but they are picking it up steadily.

And, further, as to the rich generally. There are only a minority of rich people, we suggest, who clearly and definitely want the poor
THE WORK, WEALTH & HAPPINESS OF MANKIND
to be kept poor, and they are not among the "forceful and success-
ful" types. Progress is encumbered by the relative barbarism of
women, but even among women education is spreading. The people
who really change things are not the luxurious receivers in
"society," not the men who want outstanding power and triumph—
they are men like Edison and Ford. Professor Soddy, in the passage
we have picked out to make the text for this section, seems to forget
men of the Edison-Ford type, just as he forgets the existence of
men like himself. Where did he get his social passion? Whence
comes his indignation? Why is he not on the other side?
He is actually writing book after book to change men's ideas
—that is to say, their minds and their personas about these things—
and yet, all the while, he does not seem to take into his reckoning
the great and growing body of other excited and disinterested men
engaged in unorthodox extra-mural educational activity; nor does
he show any sustaining disposition to co-operate with other workers
in the same field.

The way to the new world economy, when everyone will be pro-
sperous, is likely to be hard, difficult and dangerous. But the best
brains will be on our side. They will not be against us. We may
have to wade through morasses of foolishness and fight stampedes
of boorish plutocrats, but that plotting of a "majority of the most
forceful and successful people in the community" against progress,
is a nightmare of Professor Soddy's bad hours. It is a nightmare to
be exorcised, because such things rankle in the brain and make us
violent and bitter, just when, if we are to be of any real service to
mankind, we should be most careful in our adjustments and
accusations.

If Professor Soddy is right and the interpretation of current fact
in this book is wrong; if it is true that the majority of able spirits
among the contemporary rich are, for the sake of power and pre-
ceminence, deliberately impoverishing a community, which need not
be impoverished, then the conception pervading this book of the
progressive construction of a universally prosperous economic world
community out of the current social order, is unsound. There is
nothing to be hoped for along that line. There is nothing for it but,
as the Marxists teach, a class war against the rich and the able,
social insurrection, the breaking-up of the whole contemporary
organization of mankind in wrath and disgust, and beginning again
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

upon a different ground plan, with whatever hope is left to us, amidst the ruins.

§ 6. The Poor

Abandoning for once any resort to our encyclopædic Science of Work and Wealth or our imaginary museum collections, we have, by merely flappimg at the reader the familiar smart illustrated periodicals, Vogue, the Graphic, the Sketch, Punch, La Vie Parisienne and their kin, added the Turf and sport generally, the gambler in the Casino, the brilliant crowd at a levee, the smart prostitute, the hotel chef, the fashions and the palace, to our enumeration of human life methods; and we have linked all this brilliant swarm and their motives and what they are doing and why they are doing it with the worker in the factory, the miner in the seam, the peasant among his vines, the shepherd on the mountain side and the spray-wet fisherman hauling in his nets from the heaving sea. We have shown the strands of this relationship running through mint, bank, office and stock exchange. This futile, expensive existence of the rich is a surplus product of the economic machine.

By the time these rich people have been brought in, our spectacle of activities will have extended to more than a thousand million living souls, each conducting itself according to a persona of its own, each with its own idea system and its separate vision of the world about it, and yet all reacting mutually in one economic ensemble. But still something very grave and essential remains to be explained and considered. There is a deep shadow into which we have now to go, a gathering multitude which can neither work contentedly nor play happily, the unemployed without purchasing power, those who mingle want with a joyless leisure, the apparently superfluous poor.

How do they stand in regard to the rich? We have already pointed out that the one mass is not directly and quantitatively dependent on the other, that it is unsound to assume that if there were no rich there would be no poor. It is too hastily believed that the poor are poor because the rich have taken something away from them. That is not the truth of the case. The relationship is much more subtle and complicated.

The very variegated class of rich leisure is held together by the
common characteristic of a purchasing power enormously exaggerated by traditional conventions about property, or by the loose working of the financial parts of the economic machine. Now in contrast we have to consider a great, and it would seem a growing, mass of non-productive or insufficiently productive people whose purchasing power is either slight or non-existent. Certainly the machine gives here and deprives there. But that is not by any means the same thing as taking from one and giving to the other. It is not a process that can be remedied by selling up the rich man and giving all that he had to the poor. The faults of the machine are by no means so simple as that.

Always in the world there have been the poor. Poverty is not a thing confined to the species Homo sapiens; it is a phenomenon throughout all the orders, classes and kingdoms of life. It may strike some readers as an odd phrase, but it is true that most animals and plants live in extreme poverty. They have no reserves, that is to say, they live from hand to mouth. Homo sapiens is alone among living creatures in the possibility that he may abolish want, for himself and perhaps for many plants and beasts. All other species exist in almost continuous contact with a margin of starvation. If by some splendour of fortunate chance a species is lifted into abundance for a time, straightway it increases and multiplies until the margin of hunger is once more attained. The only qualification of that law is when some other hungry creature, great or small, hunter or parasite, preys upon a species abundantly enough to bring the increase of that creature below the resources of its food supply. A living species must be devoured, or it will multiply until there is an internecine struggle for food, with famine destroying the defeated. A species must live in constant danger, or in constant need. Hunger or the hunter is the common alternative of life. We win the hearts of nearly all inferior creatures and persuade them to subdue their instincts and belie their natures, by feeding them.

"The poor always ye have with you." That has been accepted too readily as a divine assurance that the prevention of poverty is impossible. But there can be no denial that hitherto want has always dogged the footsteps of life. The life of the ordinary savage and the ordinary barbarian is an extreme poverty. Savages will abandon the infirm and put an end to "useless mouths" with a brutality that outdoes Napoleon. And this they do in the midst
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

of potential wealth the nearness of which they do not suspect, and which they have no means of exploiting.

A short history of destitution through the ages would make a grim and painful book. It is hard to get an idea of the proportion of the population at various periods of the world’s history which died of starvation, or through the weakening of resistance to other diseases by under-nourishment or exposure. I am inclined to think it was a very considerable proportion indeed. Few districts of the world in past times got through three-score and ten years without actual famine, and up to the middle of the nineteenth century people still wandered about the cities of western Europe in actual immediate need of bread. There is real starvation happening now in China, India and Russia. The state of affairs in such countries as England, France and the United States—the rarity of extreme hunger—is abnormal and altogether modern.

The growth of the sense that the existence of poverty is discreditable to the rich and the ruler, and that they ought to do something about it, is comparatively recent. I believe that up to the beginning of the nineteenth century the general feeling was that the poor were very much to blame. One threw them crusts and gave them old clothes and permitted them to sleep in outhouses, insisting relentlessly on “gratitude.” One did that as a virtuous exercise with very little sense of any converse obligation. The Elizabethan poor law was a law in restraint of wanderers; a device for maintaining social order; it was not primarily to abate distress. The charities at the conven gates of pre-Reformation times accepted the perennial fact of destitution unquestioningly.

But through the ages there has also been an undertow of protest. In Egypt, long before the Hebrew prophets, there was a literature denouncing the exactions of the rich and complaining of debts and labour conditions. That seems, however, to have been a protest against types and individuals rather than against the system. The bad rich man ground the faces of the poor, but the riches of the good rich man (how rare he was!) and the existence of the poor were hardly challenged.

It was only, I believe, with the radiation of humanitarian ideas and feelings in the middle and late nineteenth century that the protection, not only of human beings, but of the larger beasts, from starvation and even from conspicuous under-nourishment, came to
be considered a public duty. A skinny foreigner, a quaint beggar in rags, a miserable horse, were fair fun for the caricaturists until less than a hundred years ago. Since then there has been a steady development of the organized mitigation of want. There has been a sustained and increasing effort in all civilized countries to make deaths from exposure and under-nourishment impossible, to rescue and reinstate people who have fallen into destitution, and to assist those who are slipping down towards that state. Unemployment, which was formerly regarded as a marginal condition necessary for the proper working of the wages system, is now considered an evil not merely to be alleviated, but to be fought and overcome.

The Science of Work and Wealth when it comes to be assembled in its encyclopaedia form, will have to review contemporary methods of dealing with this stratum of uncertain, diminishing or non-existent spending power. It will have to give a general vision of the life of the under-productive. It must amplify its description by photographs to show how the poor live, not only in the dismal back streets of America and Europe, but in the poor quarters of Chinese and Indian cities, and it must give pictures of famine relief work and sanitary missions invading kraals and tents and hut villages. It will have to go far beyond mere industrial unemployment; it must give a panorama of poverty throughout the world. Then it will show us more particularly the Labour Exchange, the Workhouse, and the Casual Ward of the more highly organized communities. It will explain the regulations of Old Age Pensions and Unemployment Pay. It will note the varieties of poor-law method following the variable temperaments and economic ideology of typical states.

The broad fact underlying the whole spectacle of the alleviation of distress that we glance at in this fashion is that the modern community has been gradually recognizing and accepting the responsibility for the maintenance of every one of its citizens at a certain low minimum standard of shelter, food and clothing, irrespective of the productive activities of the particular individuals concerned. It does not compel them to work in return. It does not even afford the opportunity to work in return. That is the worst aspect of this sort of relief. What the community offers is dull, dreary, and undignified, no doubt—"pauperization," to give it its proper name—but, nevertheless, life and continuation. This is an
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

absolutely unprecedented state of affairs. It is a biological revolution. In all the rest of the kingdoms of life defeat, whether through defect or ill luck, has meant death. So hitherto life has been driven up the scale of efficiency. Now, what does defeat mean in the modern community? Stagnation. A dingy and unhappy stagnation.

The immense increase in the total of human productivity under modern conditions renders this possible. There can be little doubt that a few hundred million economically active people could now feed, clothe and house all the rest of the race—as non-productive paupers, that is—at a base, dullish but endurable level of existence, and still have a surplus for a fairly pleasant type of successful life. And it is plain that the stratum of intermittently productive, insufficiently productive and non-productive people is under the present conditions of concentrated production and of maintenance for the unemployed, increasing in proportion to the whole community. More and more people are coming out of employment, are being superseded; the modern organization has no jobs for them and no use for them. As industrialization spreads over the world, the supersession of the small producer and the diminution of hands needed for any given product go on. Nothing like the possible ratio of inactive dependents has yet been reached. This relative stagnant mass can go on growing. There has been much exaggerated writing about the Rapid Multiplication of the Unfit, for it does not follow necessarily that the people who are coming out of employment are inferior in quality to many who remain at work, or that their superfluousness is a consequence of relative breeding rather than a supersession; but the fact nevertheless confronts us that this perplexed and perplexing lower stratum to the economic edifice may continue to expand, and probably will continue to expand for some time, relatively to the whole human population.

The economic world machine is rapidly coming to resemble an unhealthy overgrown body which is accumulating two sorts of unwanted secretion. On the one hand, it has been accumulating the new, generally functionless rich, the Consuming Unemployed, a sort of plethora, and on the other it is developing a morbid mass, a huge tumour now growing very rapidly, of Penniless Unemployed. These two developments are so independent that it might be quite possible to eliminate one and still leave the other increasing for-|midably. We have already pointed to possible processes that may

-
THE WORK, WEALTH & HAPPINESS OF MANKIND

lead to the resorption of the irresponsible rich. The graver riddle is certainly this New Poor, this menace of the unemployable expropriated.

What is humanity doing about it, and what is it doing for humanity?

§ 7. The Paradox of Over-production and Want. Community Buying

Let us turn this business about and look at it from another direction. It is not a simple matter, and its problems do not admit of simple solutions. Several processes are at work concurrently, and any single simple solution will be true only of its own process. The poor are not a class, but a miscellany with scarcely anything in common but deficient purchasing power.

First there is the product of the immemorial comprehensive process of the struggle for existence: the real failures. These are people definitely and manifestly below the average. They have inherently feeble bodies or minds. Biologically it is bad that they should survive and reproduce. Our world is wealthy enough for them to live out their lives as pleasantly as they are capable of living them, but the persuasion spreads steadily that by birth control in some form, by humane sterilization—now a proven possibility—such strains should be brought to an end. The problem is not quite so simple as those unfamiliar with genetic science may suppose, but for all its complexities, there is no reason to doubt its ultimate solution. It seems that a progressive extension of genetic knowledge, medical science and organization and hygienic control, will suffice to meet this biological aspect of the problem of the poor.

And then, always since society began there has been the correlative of the man who grabbed the lion’s share; there has always been the opposition of the “have’s and have-not’s.” There are the poor of the old social inequality. They too are commonly of the weaker sort. They have been living their distinctive lives in contact with their “betters” for many generations. They are hereditary inferiors. Tradition mixes with heredity perhaps in many of those who fall into this class. They were poor because there was not enough to go round. They came late or they had been pushed aside. They were the outsiders of the crowd round the rice bowl.
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

But there is a third sort of poor to-day. There are the poor by sheer chance, the poor with as good heredity as any other class of people. It is difficult to maintain that the majority of the people one meets, inadequately employed or out of a job, or that the populations of impoverished regions beyond the more highly civilized areas, are all individually inferior to the people who are busy and prosperous in the more active parts of the economic system. There are defectives in the crowd and poor creatures in the crowd, but they are only ingredients in the crowd and not the whole of it. The others have been born at a disadvantage, in a declining district or a shrinking industry; they have been involved in the misgovernment of some reactionary State; their parents or grandparents were sufficiently prosperous at home not to emigrate to some new land of hope, which presently gave their defeated and departed neighbours all the opportunity that was receding from their own native country. The incidence of education is still the most uncertain element in life; here a fine family may live in a reactionary district that will not suffer an efficient school or a modern factory; there the best of teaching, training and employment may be forced on every mediocrity. That this man in a modern community is illiterate, limited in his outlook, inapt for any new job, badly nourished, angry, resentful and unwilling, and that man, well informed, hopeful, readily useful, may have nothing whatever to do with their inherent quality. The forces that have determined their fates are too wholesale and remote to have tested it. Very exceptional individuals are known to have triumphed over the most desperately discouraging circumstances, but generally they have done so at a price, and their careers are no disproof of our general proposition that the main, mediocre mass of mankind is in no way being sifted and selected by the relative increase in unemployment throughout the world. This second sort of poor—the poor of economic fluctuations—is being deprived of purchasing power not as individuals but as units in a group. There is no selection at all among them.

And very plainly one cause—though not the only cause—is that production is being run primarily for the profit of entrepreneurs and their financiers, and not for the good of the mediocre mass. The profit side has the first call on economics. Every economy in production which diminishes the amount of work needed generally diminishes in the same proportion the amount of wages paid relative
THE WORK, WEALTH & HAPPINESS OF MANKIND
to the total output. But if profit was not a primary end and things
could be so adjusted, by a reduction of hours of work per day, or
weeks of work per year, or years of work per lifetime, there need be
no such ejection of workers as occurs from the employment in
question. The industry would continue to create as much dispersed
purchasing power in the community as it did before, instead of
skimming more of it off in a concentrated form for the financier
and entrepreneur.

Since concentrated wealth is apt to run into special channels of
luxury and waste, there is a wide and well-founded feeling in the
world that it is less desirable socially than a more diffused spending
power. In the end economy of production that leads to restricted
employment must be bad for industry itself, because in the case of
anything but a commodity de luxe it means producing more for a
community less able to buy. We are faced indeed with the spectacle
of industry, through sheer progressive efficiency, producing more
and more, and killing the demand for its product as it does so.
That seems indeed to be the essential fact of current economic
troubles. There is too much wheat, steel, coal, copper, rubber, oil
in the world, too many motor-cars, too many gramophones, sewing-
machines, and radios, and there is a gathering multitude of people,
not defectives, not intrinsically inferior people, but people at a quite
chance disadvantage, who cannot buy this accumulation of unsold
commodities.

Prices fall, production declines; that does not solve the problem,
because it only increases the multitude which cannot buy. Eco-
nomists tell us that if by a miracle everyone alive could wake up the
recipient of sound bonus shares worth £100 a year, the whole world
would be transformed for a time at least into a busy hive of well-
paid production. Our present anaemia, our lassitude, would vanish.
The problem of restoring purchasing power to this new poor, these
modern poor evoked by the economic fluctuation, is exercising a
great number of extremely ingenious minds. Their findings lack
unanimity and assurance, but their general idea is the same.

One school assures us that production for profit is at the root of
the evil. Among other things it is. That is the central idea of the
Socialist. But the abolition of production for profit is not to be done
in the twinkling of an eye. The whole modern economic process has
grown up on production for profit, and the redoubtable attempts
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

of Soviet Russia to produce an industrialism upon different lines in one swift revolutionary change merely expose the complex difficulties of the task. The peasant persona with its diverse modifications, which is still the prevalent persona in our species, is all against it. The less abundant but more energetic and influential adventurer type is equally against it. We have shown how the gradual subjugation of business finance to scientific control may mitigate many of the wilder fluctuations of business enterprise, but that is a comparatively slow and intricate subjugation which gives us more hope for the next fifty years than for to-morrow. Meanwhile the squeezing out of fresh unemployed goes on.

Restriction of hours of employment, the relief of the labour market at either end by giving old-age pensions and raising the school-leaving age, the deliberate raising of wages à la Ford above competitive rates, are admirable palliatives—and something more than palliatives. The workers still in employment may develop new wants as their standard of living rises, and this may attract a certain proportion of the out-of-works into new industries and make buyers of them again, and so again increase demand. But such measures alone will not arrest the secular restriction of organized and rationalized industries to a dwindling staff of increasingly efficient and no doubt increasingly better paid workers. And, moreover, against the vigorous application of such measures to shorten hours and take the young and the old off the labour market, fights the traditional spirit of international competition. “This will put us at a disadvantage against the foreign producer,” is a deadly objection. The British workers have a limit set to their progress by Indian, Egyptian and Chinese workers. There is no world authority yet to handle labour conditions as one single world-wide problem.

Another school of thought lays greater stress upon what is practically a distribution of buying power to the unemployed in the disguise of public works. The prosperous classes are to be taxed either directly or by the indirect method of currency inflation, to provide the means for a comprehensive rehousing of the community, a replanning of town and countryside, new roads, bridges, harbours, parks, schools, hospitals. There will be no attempt to secure a bookkeeping profit on the transaction. The profit will be social. Since admittedly the modern community has to support its poor at some level of comfort, it may just as well, it is argued, give as large a
THE WORK, WEALTH & HAPPINESS OF MANKIND

proportion of them as possible work and active buying power, by such great public undertakings. Instead of just carrying on, it will stimulate. The gross wealth of the community will be increased. Concurrently with the restoration of purchasing power to the people thus actively employed by the State, there will be a restoration of general industrial activity. As employment increases the State will slacken its operations; as it falls, it will put new energy into its public works and adornments. This is the “Plan” of Foster and Catchings in their Road to Plenty published by the American Pollak Foundation. All these proposals will shock the minds of such Victorian individualists as still survive, those fundamentalists of economics, profoundly, but they will be accepted as a matter of course by the new types of scientifically educated business, banking and public officials, who seem to be ousting slowly but steadily the crudely acquisitive business men of the old régime from the control of our economic destinies.*

How far our world has gone already in the free distribution of food and services to producers out of action, how far it has gone in the distribution of purchasing power in doles and pensions, and how far it is committed to public enterprises to take up the slack of unemployment we cannot yet tell in detail. The facts have still to be gathered together and put in order. The total already attained is likely to be a surprise to many. And we have to remember that if there is anything whatever to be said in defence of armaments, it is that they distribute a very large amount of purchasing power to skilled workers and trained and fit men who might otherwise stand out of employment. A sudden world-wide disarmament, unless it was accompanied by colossal housing and transport schemes and the vigorous re-equipment of civil life, might enormously increase the world’s economic difficulties. The thought of this possibility is one of the obscurer obstacles in the way to the abolition of war. It is one of the many reasons why merely negative pacifism is futile. Men will not be able to give up war preparation until there is something else to do in the place of it.

A colossal increase of public or quasi-public constructive works throughout the world seems therefore a necessary condition for both

* The reader interested here can expand this section further by looking up the publications of the Pollak Foundation (Newton 58, Mass., U.S.A.). Another book he may find stimulating and suggestive is F. Henderson’s The Economic Consequences of Power Production.

502
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

the establishment of world peace and the control and reduction of unemployment and poverty. It is not that man may plan and make a new world for himself; he has to do so or be overwhelmed by his own undisciplined devices and impulses. Work and wealth or disaster are the alternatives of his destiny. The present system has to pass on to this phase of organized collective enterprise or break down. This is no dogma; it is the plain and inevitable conclusion to the considerations we have put before the reader.

A prominent American business man recently put the ideas we are suggesting here into a phrase that is capable of considerable enrichment in its interpretation. He was discussing the paradox of over-production. He said that while this current system, the profit-motive system, our so-called capitalist system, had been able to evolve the most efficient mass production, it had still to solve the secret of "mass consumption." In itself the phrase has scarcely more in it than "rationalization" when it was used by the late Lord Melchett as a counter catchword to nationalization, but if we confer upon it the cognate idea of the "community-buying" of peace-time material as well as of war material, we find it at once germinating in a very suggestive and profitable manner. We shall see later how the community-buying of armaments was forced up during the last half-century by armament salesmanship, and there is no apparent reason why a similar procedure on a larger scale on the part of architectural and transport salesmen, should not presently come to the relief of the present paradoxical deadlock in economic life. The cathedral building of the Middle Ages was, as we have noted, a form of community-buying. Not only the remaking of roads (already going on in Great Britain, for example) and the comprehensive replanning of the entire transport system, but the deliberate rebuilding of entire towns with modernized sanitation and public services, the continual modernization of our rationalized industrial plant and the entire reconstruction of the layout of the countryside for production, health and pleasure, may be made collective communal enterprises. If we can build magnificent jails and asylums out of our common resources, why should we not build great housing quarters for common people to prevent their becoming recalcitrant and criminal? If punitive comfort, why not preventive comfort?

There need be no violent revolutionary transition to such a new economic phase. The idea of collective buying has indeed been tried
already to assist distressed producers. It is not a new idea. Brazilian coffee, for example, and Canadian wheat have been dealt with in this fashion. The risk of loss, the actual loss in an overstocked market, is thrown upon the public credit. These are instances, and not very successful ones, of collective buying for resale, but there can be also collective buying for communal use. Then there need be no risk of loss. Existing methods of buying and distribution are in fact extremely plastic, and amenable to unlimited progressive adjustment. But such adjustment demands for its achievement a very considerable change in the spirit of financial and industrial enterprise, and a general rise in the intelligence and understanding of the community. It involves almost necessarily certain measures of currency inflation. Inflation is dangerous to all but very well-informed and well-disciplined communities. We are brought back to what has been said already about grades of organization (in Chapter VII, § 9), and to the fundamental importance of educational level, in all these matters.

Let not the reader unfamiliar with modern economic discussion, imagine that there is anything novel or indeed anything unorthodox in this suggestion of collective employment in rebuilding cities and the like great undertakings. I turn over Some Economic Factors in Modern Life, by Sir Josiah Stamp, and I find him quoting Professor Lethaby with approval as saying: "Except for a hundred or two buildings, London needs to be rebuilt from end to end. No writer on Economics has yet told us what are the limits to expenditure on public arts, whether a beautiful city is an investment or an extravagance." I turn from Sir Josiah’s luminous page to my newspaper, and I read of two million unemployed in Great Britain, most of whom are being paid a dole for very miserably doing nothing. Then comes a communication from Professor Miles Walker, F.R.S. He is a professor of electrical engineering and an inventor of distinction, and he and a few friends have drawn up a scheme—a perfectly reasonable scheme, if we disregard the psychology of a profit-seeking community—for setting the unemployed to work to supply the needs of the unemployed. Nobody is going to dismiss the controller of the London, Midland & Scottish Railway, or a Nobel laureate in physics, or Professor Miles Walker, as dreamy Utopians or impracticable propagandists, and yet this is how they are thinking. These are men of the facty sort; men who can count.
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

That unemployment and every form of poverty are avoidable is for these authorities not a mere opinion: it is a straightforward statement of fact. It would seem impossible to them for any review of human activities to omit that statement.

§ 8. The Attempt of Soviet Russia to Abolish Rich and Poor Together*

At present the readjustment of distribution to modern methods of production is being attempted on a quite heroic scale in Soviet Russia. We have already discussed certain aspects of this great forward effort in human affairs. For indisputably it is an effort to go forward. An ultra-modern ideology involving a grade of organization higher and more elaborate than any that has yet existed in the world is being imposed, with how much success it is still impossible to say, on a great region of the earth where the normal culture remains in essence medieval and where many vitally essential industrial organizations are still undeveloped—and this in the face of the hostility of foreign governments and world-wide distrust. At every stage in the process, the difficulty of insufficient understanding by the public and inadequate directive power have had to be faced by the adventurous fanatics who seized upon Russia after the exhaustion and social disorganization caused by the Great War of 1914-18.

In Chapter IV, § 8, we have considered the Russian attempt to pass at one stride from peasant cultivation to agricultural production upon big estates, but so far we have had very little to say about the industrial development of Soviet Russia. But there many of the things that we have been suggesting as probable developments of contemporary business conditions in the Atlantic world have already been anticipated. It is hard to decide whether Soviet Russia is rather desperate, inspired and heroic or presumptuous.

* G. T. Grinko's The Five Year Plan of the Soviet Union is authoritative and more or less official. Michael Farbman's Pravda, Russia's Five Year Plan, is, like all his work, clear, scientifically impartial and illuminating, and another very sound book is H. T. Knickerbocker's The Soviet Five Year Plan. For a vivid picture of human life during the phases of this monstrous experiment in social reconstruction, the general reader cannot do better than read the books of Maurice Hindus, Iron Earth, Humanity Uprooted and Red Bread. There are many other very competent and interesting books, and a veritable flood of superficial and inferior productions upon the Russian effort. We make no attempt here to adjudicate upon them, but we can certify to the excellence of those we have named because we have made a liberal use of them.
THE WORK, WEALTH & HAPPINESS OF MANKIND

and headstrong. Her forward thrust is unprecedented in history. With political institutions of the most provisional sort, without even the skeleton of an efficient civil service, without freedom of criticism and suggestion, using indeed to this day toreristic methods of the crudest and bloodiest sort, she has attempted to evoke an exhaustively planned economic organization of more than a hundred million people which shall buy and sell as one merchant. She has attempted to eliminate that individual buying which is still the general practice of contemporary civilization for all but war material, high-roads, educational appliances, and a few other common needs. Her Communist professions, as Knickerbocker points out, are absurd. Her system is an ultra-modern State Capitalism.* She has made the State the universal buyer and seller, she buys machinery and staple imports collectively, and whatever the outcome of her effort, it is impossible not to believe that the most valuable lessons, examples and warnings are to be found in her expedients. Towards the ends her government seeks so passionately, hastily, bitterly and clumsily, the economic order of the whole world is moving slowly but surely, if only on account of the economic paradox between increased output and diminished consuming power that evolves from capitalism. It is rather the luck than the merit of the Atlantic systems that they may go more circumspectly and comfortably towards the common goal of a planned and measured reorganization of economic life, in which the motive of profit will be replaced almost altogether by the motive of service, and goods be distributed as common needs rather than as industrial and financial prizes.

Chief among the difficulties of Soviet Russia is the fact that her economic development was conceived as a world system a score of years in advance of any general recognition of the necessity for developing economic life on planetary lines. It was conceived rather than planned, and her painful history is largely a record of convulsive improvisations as this or that vast unanticipated obstruction has become apparent in her path. With an educational standard far too low for effective working, and in a state of extreme industrial underdevelopment, she has from the beginning found herself out of step with the rest of the industrialized world, and in unconcealed antagonism to all other governments. This has necessitated, among

* See also Gide and Rist: Histoire des Doctrines Economiques (1922).
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

other intricate extra arrangements, the building of a wall between her internal currency and that of the world outside. Internally she has inflated, and it is hard to see how any increase of State or individual production can be managed without inflation. The elements of modernity in her experiment are mingled with an impatient dogmatism. Hence her perpetual trouble about social and political propaganda abroad through her attempts to bring some classes at least in the populations of the world outside her into sympathy with her leading ideas. It is reasonable that she should persist in propaganda; her very existence is a propagandist demonstration; and it is logical that the separatist national and imperial governments her effort threatens by example and precept alike, should resist her implacably. She is premature. She is progress entangled with a pronunciamento. She crushes recalcitrant workers and shoots disingenuous or inefficient officials. The immense tragic sufferings and sacrifices of her people, the blunderings, harshness, obduracy and cruelties of her overworked administration, the internecine angers and tyrannies of her dictatorship, must not blind us to the greatness of many of her efforts and achievements. Dogmatic, resentful and struggling sorely, crazy with suspicion and persecution mania, ruled by a permanent Terror, Russia nevertheless upholds the tattered banner of world-collectivity and remains something splendid and hopeful in the spectacle of mankind.

A complication of the Russian situation is the present rapid increase of her population. She is now, if we may rely upon her official statistics, adding about three and three-quarter millions annually to the population of the world. Although her birth rate has fallen from 46.8 per thousand (pre-war) to 40, her death rate has come down from 30.5 to 17.4. So that her effective rate of increase has risen from 16.3 to 22.6. The significance of these figures will be perhaps better appreciated after the reader has gone through Chapter XIII, but it is foolish to ignore the advance in the quality of domestic life they imply.

In our review of human activities these scores of millions of perplexed peasants in Russia, and the ill-fed and badly-housed workers in her impoverished towns—150,000,000 altogether of peasants and workers—are an extraordinarily important item. However ill fed and badly housed they now are, the vital statistics we have just given show that they are cleaner and better cared for than in
THE WORK, WEALTH & HAPPINESS OF MANKIND

Tsarist times. Our survey must not ignore these millions of babies. And it must display also the peasant with his highly individualized fences broken down to make the great fields of the Kolkhozy, and his family, its most intimate ties broken, entering a community house. Moreover, we must picture the workers in the newly erected factory, all bought complete in America to be set up in Russia, listening to the exhortations of some revivalist from the Communist party sent to keep up their spirits. They are poor. They are inept at this new job. They blunder humiliatingly and are reproached ferociously and punished without pity. They go short of clothing and they feed badly. Poverty still broods over all things Russian. Nevertheless, they are busy; they are not expropriated and defeated and aimless like the gathering accumulating unemployed of the Atlantic civilizations. They are sustained by a flickering enthusiasm that can be blown up at times into passionate hope.

Our more intricate Western world may solve piecemeal and day by day the complex riddle of industrial stagnation in the midst of wealth that confronts it now. It may have its local political and social troubles and convulsions, and yet never pass formally through the social revolution foretold by the prophet Marx. But self-sufficiency in response to Russian self-sufficiency will hamper our Western world enormously in its systematic reconstruction. Russia is in sore need of co-operation with, and understanding from, the Western world, but the Western world has also much to learn from Russia, and much to unlearn also of its prejudices through the sacrifices of Russia. We can learn much of how enthusiasm can be raised and of what it can do. We can also get some idea of what enthusiasm cannot do, without an educated, self-disciplined service of creditors, officials and industrial officers.

We have described in Chapter IV, § 8, the violent reconstruction of Russian agriculture. We have noted the difficulty of mechanizing farming, with a population untrained in large-scale production and the handling of machinery. This difficulty reappears in a magnified form in the attempts of that super-individual, the Soviet State, to create, out of the earth, so to speak, with a minimum of imported machinery, great modern industrial plants. The Moscow correspondent of the Manchester Guardian (May 23, 1931) draws an impressive picture of the state of affairs at the huge new attempt to out-Ford Ford in the production of tractors at Stalingrad. He
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM
tells of the clumsy handling of the machine tools, of six thousand
breakages to three thousand machines in ten months. The output
has not yet reached a twelfth of its maximum possibility. He
quotes Ordzonikidze, the head of the Supreme Economic Council,
who visited Stalingrad to find out why the Five Year Plan was not
producing its promised results there, and why only 3,000 not very
good tractors were forthcoming instead of an estimated 37,000.
There is a reassuring frankness about many of these Russian
reports, and this is what Ordzonikidze discovered, among other
troubles:

"... complete absence of accounting; factory buildings filled
with waste products and the courtyard piled with filth and damaged
products; complete absence of control over the coming to work of
the workers; foremen and engineers not at their posts; uncontrolled
starting and stopping of conveyors, absence of suitable care for
equipment, an absence of persons responsible for the correct course
of production in individual departments." ... 

These are the words of one of Stalin's most intimate and trusted
helpers. When presently our survey brings in the organization of
government and administration in the modern State, we shall be
the better able to understand how inevitable were these wastes and
confusions in the Russian improvisation.

But the frank admission of difficulty and disappointment is not
the only virtue of the Bolshevik. There is also great boldness and
courage in changing methods directly they disappoint. On June
23, 1931, Stalin addressed a conference of economists in Moscow and
announced a new phase in this great experiment. He said that
progress had been hampered by the cessation of the voluntary flow
of peasant labour into industry, particularly into the timber, coal,
building, transport, and iron industries. The countryside, therefore,
must be constrained to deliver to industry sufficient supplies of
labour based on a system of contracts between the economic
organizations and the collective farms. He rebuked those econo-
mists who "sigh for the good old times when labour came volun-
tarily," and admonished them to recognize the new conditions
requiring new methods. But economists, he continued, must
realize that the conscription of labourers was not the whole task.
Labourers must be bound to enterprises to which they were
THE WORK, WEALTH & HAPPINESS OF MANKIND

indentured and "labour flux" combated by a system of differential wages to increase productivity. Hitherto there had been hardly any difference between the earnings of skilled and unskilled workers and therefore the unskilled had no incentive to improve their qualifications. That evil could no longer be tolerated. The Soviet State required from the workers hard work, discipline, and mutual emulation. A system of payment according to the worker's need could not be allowed, and workers must be paid strictly according to the amount and the quality of the work they performed. One of the most important tasks would be the creation of a new "productive, technical intelligentsia."

The economists, Stalin declared, must not be afraid to face the truth, and should openly admit that the system of an uninterrupted three-shift day had not everywhere been justified. Many enterprises had introduced the uninterrupted day on paper without enough preparation. Those enterprises must boldly throw away their paper reforms and return temporarily to the one-shift day, as the tractor works at Stalingrad had already done, and cease the practice of "charming away difficulties" by high-sounding phrases and heroic resolutions which accomplished nothing. Further, the one-man system of management must be established everywhere. Unwieldy combines must split up into smaller units. Instead of a board of directors one single director must be charged in each small combine with full personal responsibility for the conduct of affairs.

So much for the internal difficulties of the Russian experiment. Let us now consider how the difference in phase with the rest of the world affects its external relations.

In every country where trading with the Soviet Republic is permitted, this gigantic super-individual is represented by a buying organization, such, for example, as the American "Amtorg." This negotiates credit, gives orders, sells produce; it is the commercial representative of Russia Unlimited.

Russia Unlimited has one single purse against the foreigner. Its internal monetary system is protected by elaborate barriers against confluence with that of the external world. But it has a continual need of foreign money to buy vitally necessary imports. Its efforts to get something to sell for that money are amazing. William C. White (one of the first scholars to be sent by an American
university, the University of Pennsylvania, to study Russia at first hand) describes the intensive effort to produce salable exports to meet Russia's needs of machinery. There are "drives" to collect waste—old rubber, for instance, and scrap iron. "A municipal order in Moscow," he says, stated "that deposits would not be paid on empty vodka bottles unless the original cork was returned with them"—a foreign market had been found for second-hand corks. "Prizes are offered, which included at one time that most desired of all premiums, a trip abroad, for those who were able to suggest new products for export." There are expeditions exploring the White Sea for iodine-producing seaweed; the Caucasus is experimenting in tea-growing to cut down the Chinese import; Turkestan cotton outstrips American. In order to keep up his payments abroad, the super-individual tightens his belt, exports goods—wheat and even manufactured cotton goods that are badly needed by his people at home. The Russians suffer amidst hope and exhortation, and the limit of their endurance is unknown.

Every "capitalist" country is divided within itself about dealing with this super-individual. There are the trades which sell to Russia and the trades which Russian produce undersells. The former are naturally pro-Soviet, and the latter are all for the prohibition of trading. The super-individual is making a remarkable fight for it. He betrays many signs of intense strain, but he keeps on. If his factory organization lags, his agricultural production is exceeding expectation. If he wins through, as he hopes to do, Russia will become an exporting country, under-selling the produce of profit-seeking agriculture and industrialism, with a rising standard of internal comfort and no unemployed. That is the goal of the Russian effort, and even if it is not completely achieved, its partial realization is bound to compel very great readjustments in the economic organization of the rest of the world. These readjustments are bound to be also in the direction of comprehensive planning, and that again must involve either a voluntary or an imposed directive control. The enterprising individual must become more co-operative or he must be made more co-operative. And so we come back again here to the need for a high educational level in the community to make the large co-operations of a new age possible.*

* In Stalin, by Isaac Don Levine (1931), the reader will find a vivid account of the current phase of the Five Year Plan and of the strange personality behind that plan.
§ 9. The Race between Readjustment, Disorder and Social Revolution

Let us consider now how far we have come towards a comprehensive review of human activities. The panorama we have evoked up to this point is world-wide but still incomplete. We have as yet given no direct attention to the governments of mankind, or to the education of mankind, and very little stress has been laid as yet on the differences of the masculine and feminine rôle in economic life. We have disregarded race and rank and many ancient pieties and loyalties. Our spectacle, thus simplified, exhibits a great confused variety and mingling of world production, distribution and consumption, plantations, mines, factories, transport, commodity markets, stores, shops, stock markets, banks, full of busy human beings, guided each one of them by a complex of motives, which, for most of the ordinary acts of economic life, are symbolized and presented in terms of money. It is as if society said to the individual: "Do this and you get so much." We have spoken of money therefore as the blood, the vital fluid in this contemporary economic body. The financial world, the banking system, mints, treasuries, play the rôle of the glands and nerves that control, increase, or restrain and purify the animating flood. And further we have traced how loosely that circulatory system and its controls are working, so that chief among our distresses we have on the one hand an excessive concentration, a congestion of wealth in the hands of an unhelpful and even obstructive minority, who have got it and who grip it, and on the other a morbid increase of undernourished and encumbering multitudes of human beings. We cannot therefore compare the economic life of the 1,000,000,000 human beings now alive to that of a healthy animal body. It is a sick body if it is to be considered as any organized body at all. It is indeed more like a body struggling to come into being and failing in strength and determination. It is manifestly in need of treatment, possibly of very drastic treatment. It may be in need of surgery.

We began this work as a survey of productive activities. It was only as our study became closer and more searching that this contrast of the rich who have got the money and the poor who have not, came, almost in spite of our design, athwart the spectacle. Gradually we have been forced to recognise that in the course of
twenty-five centuries or so, the ancient rules, servitudes and tyrannies of mankind have given place, step by step, by the substitution of money for other methods of compulsion, to the rule of wealth. The latter steps in this transition, made in the past three centuries, have been the most rapid, so that now the cash nexus reaches from the jungles to the mountain tops, and the rich are the potential, the inadvertent rulers of mankind. The pen (with a cheque book) is mightier than the sword. A sense of price is the secret of power. The rich man may not actually rule the world, but outside Soviet Russia no rule seems possible without him.

We find ourselves, therefore, describing not the working of a world-machine, planned and efficient, protecting and expanding human life, but a fortuitous concurrence of unplanned, unforeseen economic interactions, which has developed very rapidly and wonderfully in the past century, but which now betrays an alarming and quite unprecedented instability. It is not, we find, an economic order we are dealing with; it is an arithmetical crisis in the affairs of the human species. What promised to become a world-wide economic order is threatened by disaster in the counting house. Our work is inspired by the hope and belief that our world will yet develop into a real economic order, but we can give no certain assurance for that hope and belief.

Our analysis, in the preceding chapters, of social motives and of the money-credit system of the world enables us now to state the main factors in the present world crisis in elementary terms. There has been a stupendous increase in human power and productive ability during the last hundred years, and such an "abolition of distance" as to bring all mankind into close and rapid interaction. But there has been no sufficient corresponding adjustment of the monetary system and the system of ownership, so that humanity is entangled at every turn by obsolescent barriers, burdened with a constantly appreciating load of debt, and debarred from access to land and natural resources generally. The production and distribution of real wealth on anything like the scale of scientific possibilities is prevented by the concentration of financial wealth in the hands of a restricted, miscellaneous class of acquisitive and retentive people, the modern rich, enterprising only in acquisition, a class which has, so far, shown no signs of realizing either the possibilities or the dangers of the present unstable
THE WORK, WEALTH & HAPPINESS OF MANKIND

and unsatisfied state of mankind.

In Chapter VIII we ventured upon a broad and what we believe to be a very serviceable classification of human personas. There we made it clear that the ideology of the rich and influential, as we know them to-day, is very largely a mélangé of ideas and dispositions derived from peasant and predatory types of mentality. With some exceptions the rich have done little to create the wealth they control. They have acquired it. Whenever business magnates or financial leaders are gathered together, there the boor and the brigand appear. The idea of creative service is there too, no doubt—and in increasing measure—but we have to remember always that the conduct of human affairs, when it is disinterested, is disinterested in spite of great inherent internal resistances. Every step towards a clear-headed, clearly understood control of economic life in the general interest of the race is made against the resistances of these baser factors present not only in the dominating rich but in ourselves and in everyone concerned. It is generally made, therefore, clumsily, ambiguously and slowly, and the present situation seems now too urgent for slow, clumsy or ambiguous measures.

The rapid accumulation of a great mass of superfluous poor people in our Western profit-organized civilization is now a continuous process; the ratio of that mass to the general population rises steadily, and there is all too great a possibility of effectual obstruction to any scientific alleviation of its stresses. A conflict develops steadily between the needs of this mass and the less intelligent and creative of the rich. The boor element in the wealthy and influential stratum is disposed to resist all attempts to alleviate the lot of these unemployed, to resist the giving of doles and any assistance in kind, and also any shortening of the working week, any increased superannuation of workers, any restrictions upon the employment of the young, of women or of old people, that might reabsorb many of those out of work. The masses in Russia, we are assured by most observers, hope. The supreme ambition of the boorish element among the modern rich seems to be to destroy hope. And this boorish spirit above will also appeal to patriotism, to that international competition which is based on the sweating of a working class, as an excuse for the unmerited privations and repressions it will want irrationally and instinctively to thrust upon its inferiors. This resistance of the casually and adventurously rich
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

to scientific readjustment and to the scientific amelioration of change, will go on in the sight and knowledge of the expropriated and will deepen the natural antagonism of the have's and have-not's. The cinema, the popular press, the ever-increasing visibility of modern realities, all tend to bring inequalities of fortune more and more vividly before the minds of the have-not's. The delusion of a fated subjugation to the wealthy nobility and gentry is continually more difficult to maintain. Yet the stupider elements among the modern rich are doing their utmost to sustain it. We have here the necessary elements for an intensifying class war.

Can the insurrectionary side in a class conflict between rich and poor supply the directive will and intelligence needed by the modern economic complex? Faced with an imminent class conflict, this question becomes imperative.

It is surely too much to expect people who have been deprived by the boorish element among their rulers from adequate knowledge and education, and who have no experience whatever of the directive side of economic life, to understand or sympathize with the constructive forces in a modern State. The poor, the "proletariat" in particular, as we have shown (Chapter VIII, § 2), also inherit their own distinctive modifications of the narrow peasant psychology, and their reaction is likely to be in the main not so much an effort to readjust as an unintelligent resentment not only against the rich, but against the methods and machinery of modern production, against social discipline and direction. They can hardly be expected to revise and improve what they have never been permitted to understand. That would be too difficult. Their education, such as it is, has been deprived of any constructive and directive ideas by the reactionaries above. So they are likely to show themselves much more disposed to hamper and break up the contemporary organization altogether than to reconstruct it. They are living shabby, anxious, undignified lives on the margin of subsistence. By that they judge the system. "Anything," they will say, "is better than this"—ignoring the fact that much might be worse.

If Soviet Russia succeeds and begins to prosper, or even if it can survive and make a fair appearance of success, this inevitable insurrectionary tension in the Atlantic populations will increase, and the resistance of the property-owning classes may be hardened by incipient panic. It may be. Or it may be mitigated by an

515
intelligent realization on the part of some of their number of the need for extensive economic readjustments and sacrifices. How far rich and influential people will consent to learn and lead, and how far they will merely resist and suppress, is only to be known after the event, but on that depends the whole issue of progress or disaster. Some resistance to adjustment there will certainly be. We have no statistics to show us how far the modern rich man belongs to the educated class and how far he is a boor. So far as he is a boor, he will simply hold tight and resist and provoke the multitudinous boor below. We can count with some certainty, therefore, for some decades ahead, on the presence of very active, chaotic, revolutionary stresses in the world outside the Russian experiment. The boor above, afraid for his gettings, will be disposed to use to the extremest limit whatever advantage he may have with the legal, police and military organizations of the community in defence of his mean accumulations. He will be using all his influence for suppression and more suppression, and when he finds the spirit of the public services and the legitimate political system too fair, reasonable and temperate for his purposes, the brigand who is also in his composition will come to the surface and resort to illegal violence. He will seek a "strong man" to seize on power, lead the jeunesse dorée, and keep the resentful and threatening multitude in order. The boors of good fortune above are no more likely to show compunction than the millions below in smashing up the slow-won methods of order and law. Reasonable and constructive-minded men will find themselves in a cross fire of misunderstandings, suspicions, panic and class hatred. That cross fire will be the atmosphere in which the building up of the modern world state must be achieved. Even though we dismiss Professor Soddy's suggestion that able men are generally wicked, we are still left face to face with the fact that many rich and powerful adventurers are as stupid and incurably dangerous as the departed Romanoffs.

The possibility of an arrest and even a retrogression of material civilization outside Bolshevik Russia, as grave as or graver than the indisputable setback that occurred between 1914 and 1918, has to be faced. Confidence in public justice, faith in the law, is a slow and sensitive growth. When it is destroyed, human affairs sink to a lower level. When the law does not command respect, the law-breaker becomes a hero. When the law does not give assurance of
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

well-being, everyone drifts towards law-breaking. The day of the sentimental gangster who robs only the rich dawns, and the epoch of dictatorships and popular "saviours" arrives. The gangster of the hired bravo type is confronted by the gangster of the Robin Hood type. Gangster and politician assimilate. It becomes more and more difficult to sustain firm and balanced government and to preserve the general liberty of discussion and initiative.

In various parts of the world we have, already, a number of more or less illegal dictatorships made possible by this antagonism of the ignorant and base-spirited rich above and the ignorant and base-spirited masses below. Usually it is the rich and privileged of the old and new types who have saddled themselves and their country with a military dictatorship. In Russia only has it gone the other way about, and the "proletarian" (or Stalin is the name of that mystical being) has become autocrat. In many cases the dictatorship is more or less controlled and steadied by an organization, the Fascisti in Italy, the Communist party in Russia; in others it is more frankly a brigand dictatorship. The persistent weeding out of his rivals and critics by Stalin is rapidly reducing the party control of Russia to a personal absolutism. In China an organization, the Kuomintang, with its variants and derivatives, struggles to keep its mind clear and maintain a constructive nationalist ideology against brigand adventurers and ruthless foreign exploitation.

Besides these broader displays of illegality, these seizures of whole nations and provinces, there is manifest throughout the world a widespread change in the popular attitude towards criminality, based on the deepening distrust of the expropriated masses in the spirit and intention of the existing legal order. This is due not to any intensified unfairness in the law, but to an acuter, less acquiescent criticism by the ordinary man. Indeed, the law has not gone back; it is more enlightened than it was, but it has not kept pace with the increase of scepticism and impatience. Its developments have not been sustained by public opinion because there is no general understanding of, or participation in, its modifications. The law does not advertise its modernity. It should. It should get out of sham Gothic buildings and sham dignity, antiquated wigs and fancy dress, and demonstrate its beneficent workings in the light of day. It should associate itself with modern concepts of society and bring its problems into line with everyday discussion. It is absurd
THE WORK, WEALTH & HAPPINESS OF MANKIND

that the only legal proceedings that are made interesting to the
contemporary public are in the criminal courts.

The masses are losing any belief they ever had that the social
organization embodied in the law is on their side. They are also
losing faith in the value of money, the honesty of banking, and the
security of any savings and investments. They are, in brief, being
disillusioned about the social system to which they have hitherto
submitted. The immediate loss of confidence, the diminution of
confiding honest living caused by recent displays of monetary and
credit instability, has been enormous. Fluctuations in money
values leave the masses with an impression that governments can
and will cheat. Then everyone, to the best of his courage and
ability, begins to cheat and snatch also. The idea spreads that one
is a fool to be conscientious. Concealment of all sorts increases.
Economic morale is destroyed.

Across our broad picture of the world's expanding social and
economic life we have to bring these shadows and symptoms of
social disintegration. We add to our representation of the rather
foolish and incoherent spending and waste of the modern rich, a
multitude of mines and factories closing down, fields and plantations
relapsing from cultivation and gatherings of more and more
unemployed workers, listless and dissatisfied, at the street corners.
They trusted the property owners to keep things going, and the
property owners have let them down. Criminal gangs multiply, and
the forces of order lose energy and confidence. These are the
outward and visible signs that profound changes are going on
inside hundreds of millions of brains. There is manifestly a fading
sense of obligation, loss of faith in the "honest" life, a growing sense
of undeserved frustration, an increasing disposition to snatch
pleasures and satisfactions while they are still within snatching
range. These may not be all or most of the change that has oc-
curred, but they are the changes that produce the most disquieting
symptoms. There has been a world-wide sweeping away of beliefs,
assurances and confidence on which the steady working of the
traditional social organization has depended, and by which it has
been able to carry on. We have therefore to balance this current
degeneration of social morale under the stresses of our economic
monetary and financial maladjustments, against the huge con-
structive achievements of the last hundred years.
RICH AND POOR: THEIR TRADITIONAL ANTAGONISM

What is happening may be a necessary parturition before the birth of unpredictable mental harmonies. These millions of brains, perplexed, anxious, greedy, planning, angry, resentful, vindictive, aspiring, this teeming ocean of grey matter, may be traversed by currents and stirred by tides whose movements we scarcely begin as yet to apprehend, much less to measure. The printing press, the cinema, the radio, stand ready to be used by anyone with the power and courage to use them upon this reservoir of will. We have all the means—and we have now the ideas and knowledge—needed to orient all these hundreds of millions of minds towards the undeveloped abundance, the clear and splendid possibilities of life at hand. We can set that tide going. We are surely in the dawn of an age when human motives and wills mingle and modify and combine, with a power and perhaps a violence they have never known before.

In our penultimate chapter we shall study the educational processes of the modern community, and we shall then be better able to weigh the factors in this crisis in social morale. We may then form a better conception than we can now of the profounder readjustments demanded by the present situation. We may realize how immense and rapid, under modern conditions, may be the readjustments in those hundreds of millions of brains.

Before we come to that, however, we have to consider two other systems of mental disturbance, the very great changes that are going on in the relations of women to men and of women to the community, and the tragic complication of all these problems we have opened up, by the impact of material progress upon the political and racial divisions of mankind. Then our outline will be completed. Throughout all these aspects of human life, as we pass from one to the other, runs one common theme, the theme of unforeseen and unco-ordinated expansions of human power and possibility, and the consequent conflict of crude and novel opportunities and dangers with things outgrown. Things come out of the past and change in their nature under our eyes. The ancient antagonism of the rich and poor resembles the present antagonism of the rich and poor, but nevertheless, it is not the same antagonism. The old-world rich were real masters; the old-world poor were real slaves and serfs. The old-world civilization was only possible with that dominance and that subjugation. That order of things seemed inevitable. But the new-world rich are no longer essential to the
THE WORK, WEALTH & HAPPINESS OF MANKIND

productive scheme, they have become curiously detached from its administration, and their relations to the poor are indirect and complex. Possibilities of release and liberation open before our species, undreamt of before the Conquest of Power and Substances began.

The relationship of master and slave (more or less) will always have to remain. There must always be the common worker and the organizer who orders. What is required is to base hierarchy on intelligence (which can now be measured). The less intelligent must do the meaner jobs and be made convinced that they are not suited by nature to do anything else.