

THE RISE OF MR. BALDWIN

IT is always difficult to say how far a politician can be regarded as a "representative" of some social group outside Parliament, and how far as guided by purely political considerations and only incidentally swayed from time to time by the "pressure" of outside influences. Especially is it difficult in England with its traditions of political "integrity." But there is discernible, I think, a fairly large correlation between the ebb and flow of groups and personalities at Westminster, and the ebb and flow of socio-economic tendencies beyond the precincts of Westminster; and this affords fairly strong ground for interpreting recent changes in Downing Street in other than purely political terms.

In an article in *The PLEBS* of January I ventured to suggest that the rise of Mr. Law signalled the ascendancy of the more passive element in British capitalism, such as the bondholders and the financial interests of "the City." They were shy of too great aggressiveness in British policy abroad. They favoured a settlement of our debt obligations to U.S.A., in order to restore the prestige of the City of London as the world's financial centre. For the same reason they were inclined to favour deflation, to restore sterling to its pre-war parity with gold and with the dollar—a step which incidentally would increase the real value of public and other stock to bondholders.

The policy of "Tranquillity" has now had its day, and has not been without partial success. The clouds in the Near East have for the moment passed. In Mesopotamia there is promise of withdrawal of military force (but not of "influence"). Egypt has been granted a "constitution." Mr. Baldwin has endeared himself to the financial world by his able handling of the debt problem, and the prestige of "the City" has been vindicated by the funding of the British debt to U.S.A. Sterling is not yet at its pre-war parity with gold, but it stands very close (about 19s.), and the hope has been expressed by a prominent authority recently that parity may soon be reached by a further slight fall in the value of gold.*

In the matter of reparations and the Ruhr, the policy of "Tranquillity" has been much less successful. The reparations problem is still unsolved; and Britain's influence in finding a solution of it is very much weakened. At one time there was considerable talk on the Paris boulevards and in the Paris editorial offices of a

* The value of gold at present depends on the value of the dollar, which in turn depends on the degree of inflation and the level of prices in U.S.A.

continental "bloc" of France, Belgium, and Italy, with an anti-British bias. The reply of the Quai d'Orsay to the German note of a month ago was not sent, as previously, in conjunction with Whitehall. The "Comité des Forges," though its blast furnaces have been rendered temporarily idle, has nevertheless obtained what it wanted—French control of the rival, complementary, and subsidiary industries of the Ruhr basin; and a foundation has been laid for a giant combine (or at the least a federation) of heavy industry astride the Rhine with the capital of Wendel, Laurent, Schneider, and the *banque d'affaires*, the Union Parisienne, in the ascendency. The policy of the French Government is now a rigid refusal to consider any German reparations offer unless first there is complete surrender to French control in the Ruhr. M. Poincaré has intimated that he intends to remain in the Ruhr for five years, which is the diplomatic way of saying "for ever"! And the proposals of M. Dariac* for the Frenchification of the Ruhr by the dismissal of German officials and the encouragement of a Rhineland separatist movement are being carried out almost to the letter.

The good which "Tranquillity" promised to do, it has therefore done, so far as it is ever likely to. The evil results of it, which its enemies prophesied, are becoming apparent. Meanwhile, British industry has recovered from its deepest depression. In U.S.A. there has actually been a trade boom for the last six months. Unemployment has fallen away almost to nothing; business transactions have quickened enormously, profits have risen rapidly, and in some cases wages even have been increased a little. The level of prices has risen to such an extent as to frighten financial circles (fearful of an uncontrollable inflation built up on the huge gold reserves), and to cause the Federal Reserve Board on pretence of too much speculation on the Stock Exchange to raise its bank rate, in order to check credit inflation.† In Britain the revival has been choked by political disturbances on the continent. Although the trouble in the Ruhr has stimulated pig-iron and coal production in this country, it has had a depressing effect on other sections of British industry. Sir E. Geddes recently opined that a trade boom might have been here as well as in U.S.A., had it not been for the French action; while Mr. Keynes stated more optimistically that not even the disturbance in the Ruhr would be sufficient to strangle the trade revival which began last year. At any rate, British capitalism has passed for the time being (but *only* for the time being)

* See THE PLEBS, January.

† This has now had the effect of temporarily checking the rise in the price level, and even of producing a slight fall.

its darkest hour, and has passed temporarily into a period of hope. The exports for May have shown a considerable increase, and the iron and coal industries are in a better position than they have been since 1920.

For this reason British heavy industry is in a position to assert itself again ; although still it is in a position of partial dependence on the banks. It was not unnatural, therefore, that, when occasion arose for a reshuffling on the Front Bench at Westminster, the reshuffling should be in the particular direction in which economic influences were moving—to a half-way position between the tranquillity and cautious conservatism of Mr. Bonar Law and the aggressive and progressive opportunism of Mr. Lloyd George.

The change came at a crucial time in European affairs. The first German note had made an offer of reparations, which the French and Belgians in a reply sent separately from Britain peremptorily rejected. British capitalism was displeased with the note, because it gave a loophole to France by making the payment of reparations conditional on the raising of an international loan ; and "the City" was unwilling to take the risk of subscribing the sum, as it had done for Austria. Mr. Keynes in *The Nation* declared it quite impossible to raise the sum mentioned in the financial centres of Europe and America, and tentatively proposed instead the issue of reparation bonds, which could be issued to the French Government, which could exchange them against holdings of French national debt. This, in effect, would mean that the Germans in paying interest on the bonds would be paying reparations by relieving the French Government of the need to pay interest on its debt. The second German note has again been rejected by France, because the Germans will not forego passive resistance in the Ruhr. France is willing to accede to British suggestions about reparations on condition that Britain supports France in demanding German surrender in the Ruhr.

Now, six months ago there was an even chance that the Ministry of Tranquillity might have made this bargain for the sake of a settlement. To-day, however, British heavy industry is in a better position to assert itself ; and it is not likely to view with equanimity the rise of its powerful rival, the Comité des Forges, to the position of the dominant federation of heavy industry in Europe. This apprehension felt by British heavy industry is expressed in the rise of Mr. Baldwin, and with him the policy of passivity is likely to give way to a policy of interference in European affairs. That interference will be directed either to direct frustration of French imperialist designs, or else to insistence on a "share in the swag." It is very significant that Mr. Baldwin has summoned to his side

Mr. McKenna, the Liberal Free-Trader and opponent of Deflation, and Lord Robert Cecil, the old-style Conservative moulded in the Disraelian tradition, whose heart still remains with pathetic confidence at Geneva.

Baldwins, Ltd., of which Mr. Baldwin was, until recently, vice-chairman, is one of the most important vertical combines in British heavy industry. It owns coal and ore mines, firms in various stages of iron and steel production, and also marketing organisations. Since the war it has instituted an important subsidiary in Canada, and has also acquired important interests in Argentine.

On the continent, especially in Germany, there is a tendency for these combines of heavy industry to be financed and partially controlled by commercial banks and finance houses. This is what Hilferding called Finance Capital. This is the part played by such institutions as the Deutsche and Dresdner Banks and Disconto Gesellschaft, and in U.S.A. by financial houses like J. P. Morgan's. In Britain this tendency is also visible, although it is not the banks proper which do this, but the numerous finance houses and investment trusts. As a rule one or two of these houses specialise on each industry, and the various firms in the industry are to a considerable extent dependent on this small finance group. Whereas formerly the connection of the industrial firm with the financial house was confined to the act of company promotion, now more and more the "promoter" tends to be a financial group, whose connection with the company is much longer than the mere act of "promotion." Thus finance encroaches into industry.

In powerful industries, such as the big iron and steel combines, however, the opposite tendency is in some cases apparent. The firm at the head of the combine tends to divert its attention more and more to the financial side—to the buying up of subsidiary firms, to the putting by of "reserves" for development work, and to the "promotion" of new enterprises, especially of new subsidiaries in foreign countries.* The combines tend to encroach into finance and to take on the work of doing their own "promoting." In Germany, for instance, Stinnes has started to buy up banking houses. This tendency is, of course, still only in its infancy; but a firm like Baldwin's is well to the front in this new development. It is an alternative form of Finance Capital.

There seems, therefore, some good grounds for regarding the new Conservatism of Mr. Baldwin as the politics of Finance Capital, of the partial merging of the interests of the financier and the indus-

* For the manner in which Vickers has done this with numerous foreign Vickers companies, see the Lab. Research Dept.'s "Lab. and Cap. in the Engineering Trades."

trialist. 1918—1920 was the period of growth after the war and of rapid new developments of Finance Capital. 1920—1922 was a period of disillusionment and of "redressing" the line. 1923 sees the re-marshalling of forces, the coming to rest of numerous political tendencies around a mean point of equilibrium. The hectic optimism of Mr. George, the cautious tranquillity and pessimism of Mr. Law, alike give place to the middle path of Mr. Baldwin's Conservative Imperialism, the policy of British Finance Capital.

If one is careful not to press an economic interpretation too far, one can describe approximately and roughly British Parliamentary parties to-day according to the following class relationships:—

BOURGEOIS PARTIES

Conservatives (Mr. Law).—Passive elements of bourgeoisie; bondholders and banking interests, State bureaucracy (higher civil servants, and officers of Army and Navy).

National Liberals (Mr. George).—Progressive elements among the advanced sections of heavy industry. These are most numerous during periods of development and optimism.

Mr. Baldwin's Ministry (combination of Conservatives and old Nat. Libs.).—Finance capital (merging of heavy industry and finance).

BOURGEOIS WITH MIXTURE OF PETTY-BOURGEOIS

Liberals.—Merchant interests of Manchester and Liverpool, small industry, and remnants of Victorian stage of Capitalism; professional workers (lawyers, professors); middle ranks of Civil Service, etc.

WORKING CLASS WITH MIXTURE OF PETTY-BOURGEOIS

Fabians.—Middle and lower civil servants; professional and salaried workers, etc.

I.L.P.—Shopkeepers, professional and salaried workers, proletarians.

Labour Party.—A political federation of the Trade Unions, largely representative of the official element in T.U.s, and dominated by the policy of the Fabians and I.L.P.

But capitalism will not find itself on the upward path for long. Finance Capital, in its fierce struggle for existence, is setting its hold firmly upon the State, and is putting it as surely on the road to Imperialism as ever in pre-war days. It is time the Labour movement shed its petty-bourgeois illusions, and realised that if the State nationalised the coal industry for the benefit of Baldwin's, Ltd., etc., as is quite possible, though not at the moment probable, this would be not a triumph for Socialism, as Mr. Webb and Mr.

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Macdonald would no doubt hail it, but merely a further stage in that linking of the State and Finance Capital, which constitutes Imperialism. Imperialism, and the wreckage of civilisation which is its offspring, can only be ended when the wedlock of the State and Finance Capital is divorced by the power of the organised working class.

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