



**Automation
Problem & Solution**

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AUTOMATION: PROBLEM AND SOLUTION

THE ANSWER OF EUROPEAN SOCIALISM

by
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I THE PROBLEM

CAN THE PROBLEM of automation be overcome by European Socialism ? I recently gave the following broad definition of this idea.

"European Socialism is the development by a fully united Europe of all the resources in our own continent, in white Africa, and in South America, for the benefit of all the peoples of Europe and of these other European lands, with every energy and incentive that the active leadership of European government can give to private enterprise, workers' ownership, or any other method of progress which science and a dynamic system of government finds most effective for the enrichment of all our people and the lifting of European civilisation to ever higher forms of life."

The object of the present essay is to apply the principles of European Socialism to the problem of automation, which is now being debated with some anxiety in the world press.

It is scarcely necessary at this point to argue the advantages of our system over the comprehensive and corrupt bureaucracy of the Soviet state ; this slave system does not release but rather represses the full potential of energy. We lead and they drive ; we have the higher ideal and we shall get the greater results. We shall have no difficulty in matching the Soviet system or meeting the Soviet argument when the time comes ; at present the difficulty is rather to convince the people of Europe that any real change may be necessary.

Automation and the present orthodox ideas

The ideas of international capitalism and of international socialism now rule in America and Europe and, in the coming conditions, they have not even the beginning of a remedy. They hope to extricate themselves by the old orthodoxy ; plus Keynes, the new orthodoxy. Let us briefly examine their hopes before we formulate our methods ; always illusion must go before reality can enter.

The old orthodoxy may still cherish the belief that automation will give it the means to repair the breakdown of its system. In theory skilled labour should always be able to defeat unskilled labour, even if the former is paid more ; in practice simplified machinery and rationalised production have really enabled unskilled and low paid labour not only to do the same work as skilled and highly paid labour, but, in some cases, to do it better, because an oriental can endure the monotonous tasks of semi-automatic machinery better than a westerner. There is now a hope in some quarters that this phase will eventually pass in favour of entirely automatic machines, which are tended by relatively few, specialised mechanics whose skill cannot be matched in backward countries. That may be the case in the end, but in a long interval the present problem is likely to grow considerably worse ; in the foreseeable future large numbers of unskilled labour are likely to be required for the tending of conveyor belts in tasks made ever simpler by the increasing perfection of machines. In the next phase men's labour will still be required, but a high level of ability will not be needed except in the few specialists who deal with breakdowns ; their number will be relatively so small that a large factory, with a low cost basis, provided by a mass of low paid labour, can well afford to get them at practically any price, from the West, or anywhere else. In the short run at any rate, the improvement of the machines is likely still more to benefit the already highly competitive Orient, which has made such remarkable progress with the ever more perfect and ever simpler machines supplied by Western finance. It is only in the final phase when machines will do all the work, and will be tended only by highly skilled breakdown specialists, that the old orthodoxy may begin in a new fashion to operate again.

The old system, however, will then be faced with a far worse unemployment problem of home manufacture, owing to the displacement of all normal labour, than it has ever yet suffered from cheap competition abroad. In theory, the old orthodoxy might work in the long run even within this new sphere ; but, as Lord Keynes so justly observed, in the long run we are all dead ; never did his point have greater force than at present.

Foreign lending and the Soviets

The old orthodoxy has two other main hopes. The first is to replace our old exports, which others can now make as well and more cheaply, with specialised production such as the Comets, whose private enterprise production the late Labour Government so fondly hoped would rescue international socialism.

The second is a new system of foreign lending which is rapidly becoming foreign charity at the taxpayers' expense. A short statistical survey of the amounts involved in the new categories of such specialised production in comparison with the amounts involved in the old categories of our traditional products can possibly dispel the first illusion ; in the present momentum of events it is highly unlikely that the new production can replace the old production in time, even if it could do so over an unlimited period. As for the foreign investments by which international capitalism rescued itself at the expense of our industrial future from so many ancient difficulties — and which is hopefully regarded as the real way out by the right and left experts of international socialism, Messrs. Gaitskell and Wilson — is there any room for it in regions where it is investment and not charity ; worse still the most sacrificial of all charities, a present to the Soviets ? All the bright suggestions in this sphere come down in the end to one simple point ; America pays. This is inevitably the case while both the great parties in England obstruct the effective union of Europe, and consequently inhibit the development of any real economic strength in the Western world, outside America. But what areas remain for American capitalism to develop, except regions which are under Soviet power or contiguous to it ? Experience is so far proving that in the backward lands of the East the Soviet are beating us to it every time. The only great undeveloped region outside the Soviet reach is Africa, and the present British view seems to be that this continent should be exclusively reserved for negroes ; certainly no one can envisage its development except by a great white immigration and settlement which present principles deny.

Do we really believe that the American Congress will stand for the extension of such ideas as the Colombo Plan to all the backward regions of Asia, as they observe these districts falling one by one like ripe plums from the tree of the old colonialism into the waiting hands of bolshevism ? Even if they are ready indefinitely to deprive their own people of the right to consume the goods they have produced by a system of foreign lending or charity, even if they are ready to tax the present or burden the future of the American economy — all without a practical hope in the world of any ultimate repayment of solid benefit of any kind except the glow of a dubious righteousness — are they ready to carry this cross simply for the ultimate purpose of better equipping the Soviets for the political-economic struggle against themselves ? One day these sombre reflections will slowly invade the consciousness of every American congressman, and on that day it will be all up with the best hope of the old orthodoxy.

Marx, Keynes and the new American methods

The extensive foreign investments of the old orthodoxy were in the first instance a method to avert or minimise slumps ; they were disposal of surplus production, which their home market lacked the power to consume, with a view to future benefit larger than the home market could provide, in the shape of high interest on loans to backward countries. As it had never occurred to the old orthodoxy to pay anything approaching the wages to its own people which would be necessary to enable them to consume even a reasonable proportion of what they produced, the main premise of the Marxian argument was quite gratuitously provided by the orthodoxy of nineteenth-century capitalism ; the chief "internal contradiction of capitalism" was home-made by a myopic rapacity. Orthodoxy not only destroyed its home market, but created for itself an ultimately fatal competition by the supply of the general technique of industrialisation, and ever simpler machines, to cheap labour in backward countries. That process is now so complete that there is not much more scope for lending to undeveloped countries except by the potential equipment of the Soviets.

The old orthodoxy was, also, sometimes, saved by pure accident. From time to time a new gold field would be discovered and the resultant inflation of the currency would lead to a great upsurge of demand accompanied by an all-round increase in price. This would keep industry booming until even in those days production more than equaled demand ; collapse and lassitude would then follow the fever until more gold brought a fresh bout. Such, in very crude, but I hope not unfair summary, was the working of the old orthodoxy. To this was added in due course a new orthodoxy by the most acute economic mind in the first half of the twentieth century.

Lord Keynes was the first really to understand what was happening, and, consequently, to attempt the reduction of the working of chance to some rational system. The idea of the managed currency and the controlled monetary system was born. At first a heresy, it soon became the new orthodoxy. Some of us in those early days ventured to contend that Keynes was not enough. He was the master from whom we originally learnt everything, but it seemed to us clear that monetary controls alone would be inadequate in a country like Great Britain whose present system was so exposed to the chaos of world economic forces. Lord Keynes appeared at one time to move towards this opinion in his series of articles on self-sufficiency. I wrote to felicitate him, but he replied with his gentle charm that he had written this series of articles to save the country from me, not to embrace me.

We are now seeing this grave issue put to the test. Keynes, the rebel, has become the tribal deity of the new orthodoxy ; the image of his thought is enshrined in the Federal Reserve board, and every bank director in the sacred mile of the city of London raises his silk hat at the mention of his name (how he used to laugh at them !) But it seems already to be recognised, at least in America, that Keynes is not enough ; in some respects they appear already to have gone far beyond him.

The principle of consumers' credits appears to have been adopted very thoroughly by the American banks. That was one of my heresies beyond the Keynes heresy, which he did not accept. I put forward a plan, with other young socialists, known as the Birmingham proposals, which attempted to equate consumption with production by a system of consumers' credits to raise wages until the people would begin adequately to consume what they produced. The system was very carefully controlled through a mechanism worked by state, industries and trade unions to prevent it getting out of hand ; we, also, aimed at an ultimate stability by a freezing of the initial credit issued for this purpose. It was regarded by Mr. Snowden as the final dementia of the wild men, yet at their wildest, they never approached the present fine frenzy of the American banks. Today, apparently, the banks in America will lend on a man's estimated earning power up to something like an eighteen months advance on wages. There seems to be no control or safeguard whatever ; the central banks just step on the gas and the other banks distribute the resulting credit very much as they like. Any set-back which results in non-payment of installments, owing to unemployment,

and the calling in of loans on orthodox lines, can bring the whole structure crashing down.

Perpetual inflation or crash, can the old system last ?

The consumers credits of direct advances on wages are in addition to the most fantastic hire-purchase system any boom has yet seen. American banks and industrialists have gone far beyond Keynes, or any other carefully controlled monetary system which seeks to equate production and consumption on a steady price level. In effect, this new system is much the same as the old chance method of gold field discovery, and some more ; they are artificially creating this condition by just pumping out the credit and then letting industrialists use it for purposes of which bankers in those days would never have dreamed. To keep the system going depends now, as it did in old days, on a perpetual inflation ; when inflation stops the boom collapses.

But subsequent experience taught the world that perpetual inflation brings a much worse disaster ; not just temporary depression, but a real crash. Since the first world war inflation has been proved to be the best recipe for revolution. Neither the old orthodoxy, nor the new orthodoxy, likes that ; so when they get too much gas, they are inclined suddenly to cut it off and to step on the brake. America can stand the wear and tear, at any rate for a time, but there is not much that Britain can stand in the state of weakness caused by the last war. Yet in these conditions Britain must deflate in order to compete. She has a far larger proportion of her production going in export trade than any other country, and, if her price level rises while other price levels are stable or falling, she fails to compete. That means she fails to sell her exports and, consequently, fails to buy necessary food and raw materials ; in short, she starves. In addition to the painful necessity of a short term deflation now confronting her, she is faced by the long term menace that her swollen export trade long since enabled finance to equip against her the cheap labour of the Orient to produce at prices she cannot touch ; the method was, of course, to use the export surplus to develop foreign countries rather than our own. All this faces Great Britain before the American depression, which will occur when all the doubtful devices now employed have failed to match with home demand the productive capacity which science continually increases ; before, too, the really effective return to world markets of Germany and Japan, whose autarchic systems were destroyed at such cost in order to make them again our most dangerous competitors. Now, on top of all this, comes the Automation problem. Can we really believe that the old system will stand up to it all ? Or must we think again ? Perhaps we must even stand the old system on its head to get some sense into it. Let us remember that the fantasy of today is often the fact of tomorrow, when we examine new ideas.

II THE SOLUTION

Our economic policy was originally devised to meet the problem of which automation is an intensification ; the failure in normal conditions of the present system to provide a market for the continually increasing productive power of industry. It is true that automation differs so much in degree from the original mechanisation which replaced man's labour by machine that it can justly be termed a second industrial revolution ; in fact, it differs in a sense in principle, because originally men used the machines and now machines replace men. But in economic effect it is merely an intensification of the same problem ; the problem which we long ago foresaw and framed our economic policy to meet. It follows that we must intensify our policy to meet the intensification of the problem.

So far our policy has rested on three main principles, and they remain. But the methods by which these principles are operated must be made more rapid and effective to meet the greater speed and menace of the problem. The three principles are :—

1. A government armed by the people with power to act.
2. An area large enough for action to be effective, which we primarily define as Europe-Africa, with the possible addition of South America if the peoples of that continent so desire.
3. A deliberate and planned equation of consumption and production.

The method was restated in my essay *The Coming Crisis* ; the following brief extracts are sufficient to indicate its character :

"It is necessary for government by deliberate policy to equate production and consumption ; apart from that, the less government intervention in economic matters the better. For this purpose it is necessary to operate within an area large enough to be independent of outside supplies, and consequently independent of outside disturbance. The task is then greatly to raise the purchasing power of the people until their demand as consumers can equal their production, after the requirements of capital outlay for new developments have been satisfied. Government and trade unions must act together to raise wages equally through comparable industries over the whole field of industry. The sum total of purchasing power thus created must be sufficient to evoke and maintain the full productive power of industry. As science increases the power to produce, consumptive power must be increased proportionately. The lifting of the market to a higher level must be given statutory authority, and the subsequent increases, which will later become necessary, must be the subject of systematic organisation.

It should be illegal for any man or any organisation to pay lower wages than a rival in the same sphere of industry ; anyone may undercut a rival by greater efficiency but not by paying lower wages. The undercutting of cheap labour competition will be illegal within and prevented from without.

"The basic necessity is an area large enough to contain all necessary raw materials and to provide a full market for the production of its own industries, coupled with the complete control of imports from outside. . . . What menaces our economic position is the entry into our area of goods which are produced by labour living on a far lower standard of life, but equipped with the same means of production. In addition we are at present tied down by the international trading system to competing with such goods on world markets in an effort to sell abroad sufficient exports to buy the foods and raw materials we cannot produce at home in our restricted living space. If we give industry freedom from such competition we can give the individual freedom in his private affairs : the more the better."

The equation of Production and Consumption within Europe-Africa

From this it will be seen that we intended a deliberately planned equation of production and consumption within an area insulated from the chaos of world markets and supplies ; also large enough to contain all the raw materials required by industry and all the food stuffs needed by the people, whose own high purchasing power would provide a complete market for their own full production. An area of that character — such a room of operation — remains a sine qua non ; a purchasing power in the hands of the people which is adequate steadily to absorb modern production, can never be created and stabilised, if we are subject to the dumping of surpluses below production costs by the great capitalist powers, or to the undercutting of sweated oriental labour which has been supplied by an exploiting western finance with simplified machinery that is the equal of our own technique. It is impossible to build order on the basis of chaos ; it is out of the question to give the producers stability on the shifting sands of world markets, within the decaying system of international capitalism. It is even further from the question to speak of the nationalised industries of international socialism doing anything to raise, or even maintain, the standards of the people in face of the world capitalist competition to which its principles and methods still expose our industrial system. The premise of effective action remains freedom from chaos.

Yet it will be observed that we contemplated a method rather too deliberate to meet the now accelerating problem. Government, trade unions, the occupationally elected parliament and other members of an organically conceived society, were all to co-operate in the progressive adjustment of the power of consumption to the power of production as science gradually raised the potential of output.

For our new system automation is the supreme opportunity ; for the old system a disaster

The means of action may sound fantastic within the restrictions of the present industrial system. Let us remember that we are operating from the premise of an insulated, self-contained system freed from the world cost system. It is impossible to say to-day : we need a larger market, therefore, among other things, let us greatly increase the railwayman's wages. That would throw the whole economic system out of gear because additional transport charges would be added to the price of export goods, which already have difficulty in competing in world markets. But it would be quite possible within our system to raise wages far above the present level in all the primary services — for example agriculture, mining, power, building, banking and insurance employees, the Civil Service, etc., — provided that automation in the basic productive industries had suddenly increased the power to produce to an extent that made possible such an extra distribution of wealth ; naturally, only on that condition. In simple economic effect, it would mean that a certain proportion of the greater national wealth was accorded — and clearly rightly — to workers performing the primary services on which the life of the nation rested. And, paradox of paradoxes in the terms of the present system, to raise wages, and, in some degree, costs, in the primary services would be the only means by which the workers in the basic productive industries could hold their jobs. Unless the market could be greatly and quickly enlarged by an increase of purchasing power which was universal and not merely confined to the workers in the automatised industries themselves, the workers in the basic industries would lose their own jobs ; they would naturally secure higher wages for themselves in these conditions of far greater production, but their own wages would never be sufficient to provide a market large enough to keep them in full employment. In the new system we propose, the remedy would be exactly the opposite of the present remedy ; our cure would be their catastrophe, our meat their poison. If wages in the primary services are now raised the workers in the basic productive industries are put out of a job because the prices of their competitive export goods are increased ; so the remedy of the present system is to hold wages down in the primary services. But in the new system wages in the primary services would have to be raised, when automation occurred, in order to keep the workers in the basic industries in their jobs.

The alternative would be to reduce hours, which is another way of doing the same thing. When science increased the power to produce, wages would have to be increased or hours reduced, or both. Trade unions would not be debating with government whether higher wages, or shorter hours, would put the export trades out of business ; the export trades would not exist. They would be discussing whether higher wages or shorter hours were the best means of disposing the new surplus which science had made possible, within a self-contained system. The co-operation of government and trade unions becomes very natural when we pass from the economics of poverty to the economics of plenty. All of which sounds fantastic, until we begin really to think about the problem.

At this point it will be apparent to those familiar with our thought, that the active leadership of government in economic matters must be more positive and continuous than we had originally contemplated in our post-war policy. We have always envisaged the leadership of government in the creation of a functioning system, in the initiation of great new pioneer developments like the opening of Africa, and in the possession of a latent power of intervention in the event of a breakdown, or abuse. But science now imposes a new necessity. Government must meet automation by a directed wage-price mechanism. We should lead and plan not by control, which is slow and ineffective, but by the provision of a market, where it is necessary, in the shape of higher wages. We will not make men do what is necessary in the national interest, but we will pay them to do it so effectively that, in fact, they will do it ; and the increased productive power of automation will give us the means to pay them.

By means of the new wage-price mechanism we shall be able to plan as we wish. The old price mechanism was the economic instrument by which some form of blind order emerged from chaos ; it worked for a time, if brutally. But the new wage-price mechanism will be the ordered means by which government can direct the economy in the interests of the people as a whole.

If we want more men on the land and more foodstuffs produced, we will raise wages in agriculture until we get them ; if we want more men in Africa to open up new supplies in virgin territory, we will raise the reward for this service until we get them ; it is said that you can get someone for anything at a price, and we shall add to that primitive incentive the idea and creative faith of a new society.

So the fact which would crash the present system is the fact which will make our system work even better. Instead of automation putting men out of employment because there is no market, it will enable us not only to create the market within our self-contained system by raising the purchasing power of the mass of the people, but also to lead the economy in the way, and in the direction, which is necessary in the interests of the whole people. To the old world the automation which science brings is a disaster ; to us it is the supreme opportunity. The leadership of government using the method of a directed wage-price mechanism will do all we want to bring out the energy and initiative of the European peoples for the creation of a new system; which not only works, but uses science to raise us to ever higher forms of life.