EIGHT

FINANCIERS, THE CREDIT SYSTEM,
AND THE THIRD ALTERNATIVE

The social theory that Branford and Geddes derived from Le Play and Comte was the basis on which they and their associates examined the structure of contemporary industrialism and drew up a political strategy for its transformation into a new and more humanitarian social order. Their general theory held that the overall power system of a society is unbalanced whenever the temporal and spiritual systems are dislocated and counteract each other. This is the situation in contemporary industrial societies, they argued. Basing their views on Branford's inside knowledge of finance and the financial system, they developed a view of financiers as the chiefs of temporal power who have usurped spiritual leadership, enshrined monetary calculations in the heart of their cultures, and driven their societies toward warfare and revolution. On the basis of Branford's business experience, he and Geddes proposed a root and branch reform of financial structures, advocating a cooperative banking system, a system of national credit, and corporatist structures that formed a “Third Way” in politics: a politics between capitalism and socialism. These were the means through which a reconstruction of temporal power could be achieved and spiritual reeducation and communal renewal could be ensured.

The late nineteenth century saw a radicalization of social thought as liberal and conservative views of the contemporary order came to be challenged by those who diagnosed fundamental contradictions or dislocations in its economic base. Principal among these radical social theories, of course, was the orthodox Marxism of the German social democrats, which had an influence in Britain through such political organizations as the SDF. Revisionist Marxists, however, had begun to explore the likely consequences of the growing monopolization and concentration of capital and the ever-tighter fusion of industrial and banking capital. Fabian socialists
such as Bernard Shaw (1889) rejected Marxist economics but shared this view of contemporary economic conditions. They saw the concentration of industry as having produced an ever-starker polarization of classes between the wealthy controllers and the impoverished workers who produce the wealth. With the revisionist Marxists, they held that the Marxist orthodoxy had failed to take proper account of these changes in the mode of capitalist production and had drawn overoptimistic conclusions about the likelihood of spontaneous revolutionary change. The Fabians held that the state had to take a far more directive role in social transformation, guided by intellectuals who had seen and analyzed the true characteristics of contemporary capitalism.

A more unorthodox form of socialist radicalism was that of John Hobson (Mumery and Hobson 1889). This provided a strong strand in the New Liberalism and in labor politics, though its unorthodox conclusions limited its influence in the political mainstream. Hobson had originally developed his ideas on the economic consequences of financial concentration in his lectures to the London ethical societies, and it was there that Branford and Geddes encountered his work and recognized its affinity with the ideas of Ruskin that they had already imbibed. Though modifying its details, they took over many of its tenets.

Hobson had first set out his account of The Evolution of Modern Capitalism in 1894, but it was in the revised edition of 1906—the edition most likely to have been used by Geddes and Branford—that he set out his key views on contemporary capitalist conditions (Hobson 1906, ch. 10; see also Hobson 1902). He argued that new technologies of production and a huge increase in the scale of production resulted in far greater capital requirements than was the case for the entrepreneurial and family-owned firms of the nineteenth century. The greater scale of contemporary business enterprises had generated ever-greater opportunities of saving for the expanding middle classes. Innovations in the financial system made these savings available to business undertakings in a form that divorced the savers from any direct control over the uses of their savings. New specialists in finance, Hobson claimed, allocate savings to companies as capital and pay interest to the small savers and distribute credit. Financiers exercise power through the promotion and acquisition of companies and through issuing their shares on the stock market. They are the operators of a vast credit system that integrates and coordinates business operations through transactions in stocks, shares, and loans. These transactions comprise a flow of monetary capital that circulates largely independently of the physical processes of production. Financial activities are inherently speculative and offer much scope for personal gain and for a dislocation of credit transactions from the “real” economy. Hobson also saw the financiers as the agents of imperial expa-
sion and as driving the leading capitalist nations into deeper competition and conflict (Hobson 1902). The world had come to be divided between rival imperialist powers within which national monopolies and their financial controllers are supported by increasingly centralized states that promote national economic and military expansion.

Branford and Geddes enthusiastically took up the ideas of Hobson and the related work of Thorstein Veblen (1899, 1904), who had influenced Hobson and who they later met on their visits to the United States. They developed a distinctive account of contemporary capitalism and used this to formulate their alternative to the Fabian political strategy of state centralism.

THE FINANCIAL ERA AND PALEOTECHNIC INDUSTRIALISM

Modern industrialism was defined as the “paleotechnic” stage of industrial development, the age of “old” technology (Geddes 1905a, 170; Branford and Geddes 1919a, 239). It is based on the steam and coal technologies through which skilled workers and unskilled laborers can produce cheap and standardized machine-made products for a mass market. Industrial development in such a system can be measured in purely quantitative terms by the growth in wealth and population.

Industrialism, ushered in by an industrial revolution, had passed through three successive stages of development: the manufacturing, expansionist, and financial (Geddes 1904b, 82; Branford and Geddes 1919b, ch. 1.4). Each stage is marked by the dominance of a particular organizing class or elite that forms the “chiefs” of temporal power. First the manufacturer was the dominant force, then the bureaucrat rose to prominence, and finally the financier achieved a dominant position (Branford and Geddes 1919b, 42).

The era of the financier is the high point of the paleotechnic stage of standardization, mass production, and rational calculability. In the manufacturing or mechanical stage of industrialism production is the key social activity and the economy is organized around the factory and the machine. “Capitalist” manufacturers, as the owners and masters of industrial workshops and factories, are the dominating force and the mechanical age has as its central structural principle the opposition of capital to labor. The manufacturing capitalist—as the embodiment of monetary and physical capital—exercises power over labor through a coordinated division of labor and authority that ties the worker to the machinery (V. V. Branford 1919a, 7; Branford and Geddes 1919b, 38). The relations among individual capitalists, each pursuing their individual profit, are, on the other hand, regulated only through market exchange and the allocation of resources.

The movement of businesses into larger national and international markets, requires a greater scale of production and transforms the mechanical
stage into the expansionist stage of industrialism. In this stage, the central economic activity is no longer production but market trading. Trade grows through the operations of large national enterprises and, as a result, the managers standing at the tops of their large centralized hierarchies of command and regulation became the dominant social force (Geddes and Slater 1917, 106–107). Their power base lies not in property per se but in bureaucratic structures of authority. In the second age of industrialism, then, the ruling elite comes to comprise an amalgam of bureaucrats and manufacturers, under the leadership of the former. Large mining and trading monopolies expand into the tropics and transform colonies from sources of luxury goods into sources of industrial raw materials.

The introduction and growing importance of financial devices in business organization initiates a third stage of industrialism. Shares, debentures, and other securities become the means through which productive and commercial units can be combined into monopolistic trusts that earn their profits from a flow of interest and dividend payments rather than directly from actual production or trading. This credit system has, in contemporary societies, become organized around loans and the hugely increased use of check payments and the clearing system. This has become the means through which large enterprises can coordinate the production and commercial activities that take place in geographically dispersed factories and offices. Large numbers of undertakings can be controlled through the manipulation of paper claims and concessions, underpinning the growing power of those who operate through the stock exchange, the banking system, and the ever more extensive system of credit and taxation (Branford and Geddes 1919b, 42). This involves critical changes in the financial system itself. Merchants who deal in goods and also handle bills of lading, warehouse warrants, and bills of exchange become merchant bankers. Merchant banks that abandon the trade in physical goods to concentrate exclusively on dealing in credit instruments become true bankers and begin to engage in share issuing, investment management, and other financial activities. Competition for business among bankers had led to a concentration of credit in the hands of a small number of large banks and the expansion of their securities business, along with the concentration and amalgamation of businesses of all types. This transforms the banker into a financier (V. V. Branford 1923, 139). Financiers and bankers exercise temporal power through their control over the credit system rather than through the direct personal ownership of capital. The spread of investments through the extensive networks of the financial system brings about a global interconnection that encourages a “cosmopolitanism” (Geddes and Slater 1917, 122) among financiers.

Directly echoing Veblen, Branford and Geddes saw the financiers as “pecuniary experts” involved in the strategic management of economy-wide
“interstitial relations” among companies through interweaving shareholdings and interlocking directorships. In the financial stage, purely financial concerns in major enterprises are separated from the technical aspects of material production and their directors and top executives become concerned exclusively with the status of the balance sheet and the financial profitability of their businesses. The financiers and large investors operate through subordinate ranks of stockbrokers, solicitors, barristers, and smaller bankers who act as their agents but also benefit directly from the credit system. They have no significant involvement in, or knowledge of, the production processes through which that profitability is generated and so have little concern for the actual products placed on the market. Purely technical matters are devolved to specialist engineers and technicians who must operate within the tight constraints of a pecuniary culture that subordinates their technical knowledge and skills to the requirements and interests of the financiers (V. V. Branford 1923, 151–52).

Branford saw the credit mechanism and accounting systems of the financial age establishing a system of social control through indebtedness (V. V. Branford 1919a, 44). The population as a whole is enmeshed in an extensive system of indebtedness that constitutes a predatory or “parasitic” system that secures the private advantages of a leisure class at the expense of ordinary workers. This class benefits disproportionately from the wasteful operations of the credit system (V. V. Branford 1923, 99). Those who benefit from the system form an extensive “leisure class” with the financiers at its core (Branford and Geddes 1919b, 45; Veblen 1899). This leisure class, as the chiefs of the paleotechnic age, comprises the ruling elite of chiefs: the dominant financiers, bureaucrats, and entrepreneurs in alliance with those who hold the top positions within the state. The balance between the various elements within the ruling elite varies from one society to another. In contemporary Germany they saw state officials holding the dominant position, while in the United States they point to the overriding dominance of big business.

The outlook of the financier comprises a systematic ideology of calculative, instrumental rationality, rooted in the larger rationality of the Western cultural tradition. Drawing on utilitarian philosophy, it is a cult of profit-seeking organized as a policy of laissez-faire (Branford and Geddes 1919a, v). Economic power is organized through a narrow, sectional profiteering that is itself rooted in the competitive drive to monopoly. According to Branford, the financier does not raise his or her mind above the level of everyday economic routine to consider anything properly spiritual. The financier “remains too much of a mere empiricist to be conscious of his mental processes, and so but half develops his coordinating powers: he is too intent on the making or maintenance of his private fortune to be free
from bias in the allocation of credits, even if trained to scrutinize its social repercussions” (V. V. Branford 1923, 98).

The separation of science and religion in the Renaissance created the conditions for a growth in technical, instrumental knowledge and the building of a secular, pecuniary culture (V. V. Branford 1923, 37). The expansion of temporal power through the system of finance consolidated the pecuniary culture and finally undermined the autonomy and influence of spiritual reflection. The spiritual power of religion had been in decline since the medieval period and the church was no longer a vibrant source of spiritual values and ideas. Financiers had, in effect, usurped the cultural authority of the church by making their pecuniary culture the dominant cultural force in modern society. The financial system and its values become self-sustaining and lack any critical challenge from independent sources of spiritual power. It is difficult to escape the influence of this dominant cultural outlook; all personal values are measured in terms of material wealth, and society as a whole is marked by a materialistic “Mammonism.” This pecuniary materialism limits the possibilities for any consideration of wider social goals.

Branford and Geddes diagnosed the early stages of a process described much later by Habermas (1981b) as the “colonization” of the institutions of spiritual power (the lifeworld) by the system of temporal power (the “system”). The temporal chiefs that comprise the ruling elite—the controllers of the state and capitalist enterprises—extend their influence over the institutions that nurture the initiators and the energizers. The school and university intellectuals who ought to initiate ideas and the emotionals of the arts and the press who ought to energize social motivations and commitments each lack any significant cultural influence. It is, instead, financiers who control newspapers through ownership and advertising revenue and education through the endowment of chairs in universities.7

Branford and Geddes paid particular attention to the direct financial influence over ideas that is made possible by the advertising system and the profits derived from the sale of advertising space. Newspapers aim to maximize their circulation among those who are the potential purchasers of the products advertised in their pages. This means that editorial and other staff are recruited in so far as they are “whole heartedly devoted to the maintenance, furtherance and development of the pecuniary culture” (V. V. Branford 1923, 142; 1919a, 36). Through an immense growth in consumer advertising in the press and on street hoardings, advertising has become the “characteristic spiritual institution” of the financial age. The purchasing of publicity and celebrity builds “an appeal to the will through the intellect and the emotions” (Branford and Geddes 1919b, 55).

Financial control over the press is manifest in the ways in which news and entertainment are presented. Newspaper coverage of sport,
example, places particular emphasis on the results of games and races and their implications for gambling, and the sports pages appear as extensions of the reports on the financial markets. Readers are encouraged to adopt a calcative, instrumental orientation in all matters, whether this be share prices, football results, or horse racing, and to see everything in relation to its financial implications: “Thus do preoccupations with the market picture spread and extend into hours of leisure and times of relaxation amongst all classes” (V. V. Branford 1923, 142). At the same time, news reports in the “yellow press” pander to the “herd instinct,” introducing the emotional sway of opinion into press reports. Serious theatre had, in a similar way, been largely transformed into the populism of the music hall.

The intellectual, if dull, culture of the liberal age had been transformed into systematic, disciplined forms of education combined with irrational and emotionally charged leisure. This “debased” cultural outlook comes to be embedded in the practices of the educational system and is promoted through school and university curriculums (Branford 1926b, 57–58). Education is standardized and uniform, establishing a “disciplined docility” of the masses enforced by the school board and the school inspector.

In all these ways, financiers attain “a certain mastery of public opinion” (Branford and Geddes 1919b, 58). The mass of the working people are socialized into the social outlook of the financier and the legitimacy of the financial system. In “demanding” the products of the industrial system because of their socialization into consumer “acquisitiveness,” they reinforce the tenets of its utilitarian, pecuniary culture (V. V. Branford 1923, 37). Thus, people live wastefully as they consume indiscriminately and in unfocused ways. They collect fancy bric-a-brac, insist on an unnecessary high quality finish in goods, require irrelevant standards of service and richness in food, fill their time with trivial clubs and leisure pursuits, and read poor-quality books and magazines that convey mere titbits of knowledge. These rather puritan judgments on the growth of mass culture were, as they were later to be seen by Adorno and Horkheimer (1944), grounded in a recognition of the standardizing and alienating effects of the nascent system of mass communications.

**POLITICAL FORCES IN THE FINANCIAL ERA**

In their contribution to the “Making of the Future” series, Branford and Geddes traced the consequences of these cultural changes for the development of contemporary political forces. In the manufacturing stage, they held, liberalism was the political counterpart of the economic laissez-faire of the entrepreneurs. Relations among capitalists and between capitalists and workers were expressed in a competitive system of party politics in
which politicians competed through an electoral mechanism for seats in parliamentary assemblies. The expansionary phase of industrialism saw the development of a political strategy of imperialism as national business interests extended their interests across the globe and expanded the influence of their nation-states. This massive expansion of state power led to a decay in civility and a decline in the regional influence of cities as centralized structures of political administration consolidated the ascendancy of national ministers over regional politicians. This was a tendency for which they adopted the current term of “Zabernitis.”

Branford and Geddes saw the emergence of a “Party of Order” or “Party of Convention” during the first decades of the twentieth century as the liberal and imperialist chiefs coalesced with the financial organizers to form a single political force (Branford and Geddes 1919b, 62; V. V. Branford 1923, 101). This, they argue, is a political movement of the Right, which follows a conservative strategy of reaction and readily resorts to repression to pursue its interests. The exercise of political power tends ever more toward coercion, force, and despotism, a “cult of force” epitomized in the “Prussianism” of statecraft and the Machiavellianism of international diplomacy. Prussianism—“Hegelian Caesarism”—might be “taken neat or diluted with the muddy waters of the Isis” (V. V. Branford 1919a, 28). That is, it might appear in its original German form or in the justifications of the imperial state produced by Oxford idealist social philosophers and New Liberals such as Green (1879), Bosanquet (1899), and Jones (1910). A similar political outlook is apparent in the state socialism of Fabians and other progressive politicians. The groups and organizations that make up the Party of Order, Branford and Geddes argue, are driving the industrial system toward militarism and aggressive “wardom.” The major cities become “war capitals,” foci of economic and political power through which taxes and interest payments are mobilized to sustain the war machines of the financiers (Geddes and Slater 1917; Geddes 1915b). Paleotechnic society comes to be organized around Kriegspiel—war games—and the destructive tendencies of greed, competition, ignorance, and hate (Branford and Geddes 1919a, 60).

Each temporal elite arouses characteristic forms of political opinion among the “people.” When opposition can be organized as “insurgent” groups that stand in the vanguard of social change, the chiefs must face a challenge from outside the sphere of conventional politics. During the manufacturing stage, liberal capitalists were opposed by “radical” factory workers who were excluded from conventional electoral politics and had organized themselves into trades unions. During the imperialist stage, political opposition entered the state itself, with “socialists” such as the Fabians pursuing the interests of labor through centralized policies of collectivist administration that appealed to populations organized as taxpayers and standing armies. In the financial
stage, the principal focus of opposition shifts to the proletarianized and financially subordinate workers who are politically organized as “anarchists” and Bolsheviks. As a Party of Order is formed from the dominant political forces, so radicals, socialists, and anarchists are increasingly fused into a single opposition movement as a rival “Party of Progress” or “Party of Insurgence” (Branford and Geddes 1919b, 59, 62; V. V. Branford 1919a, 38). This is a movement of the Left that tends increasingly to pursue nihilistic, negative opposition toward the dominating power of the Party of Order (see Table 8.1).

The political alignments of the financial age, then, involve a polarization between reactionary and revolutionary movements, each formed into parties and organizations that carry forward their projects. This polarization is the basis of the economic and political crisis that Branford and Geddes diagnosed as the cause of contemporary social breakdown and disequilibrium. The outcome of this clash of social tendencies varies with the balance of power between the two political forces. When the balance shifts toward order, a drift toward warfare is most likely. When the balance shifts towards insurgency, on the other hand, the drift is toward revolution. The financial age, then, is marked by a “tendency to explosive disintegration” through war or revolution. It was in this light that Branford and Geddes interpreted the drift toward European warfare in 1914 and the outbreak of the revolutions in Central Europe and Russia toward its end (V. V. Branford 1919a, 43; Branford and Geddes 1919b, 64, 65–67).

Branford anticipated that Britain could avoid social disintegration if a leading role could be taken by a party committed to a route that is neither capitalist nor socialist. Such a “Party of the Third Alternative” would be oriented to “peacedom” rather than wardom and so could promote an “eirenicon”—a concrete peace proposal—to moderate between the negative and destructive poles of revolution and reaction (Branford 1920; V. V. Branford 1923, 101). This conception of a “Third Way” had been identified some

Table 8.1. Temporal Power Alignments

<table>
<thead>
<tr>
<th>Chiefs: conventional politics</th>
<th>Workers: insurgent politics</th>
<th>Structural principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberals</td>
<td>Radicals</td>
<td>Manufacturing age: profit</td>
</tr>
<tr>
<td>Imperialists</td>
<td>Socialists</td>
<td>Imperial age: organization</td>
</tr>
<tr>
<td>Financiers</td>
<td>Anarchists</td>
<td>Financial age: credit</td>
</tr>
<tr>
<td>Party of Order (Reaction)</td>
<td>Party of Progress</td>
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</table>
years before by Branford (1914a). He was the first person to use the phrase in
this way, using it in a discussion of university education in which he argued
for the need to avoid the “fictitious dilemma” of choosing between private
and public careers.\(^{10}\) In characteristic prose, and citing a verse remembered
from his childhood, he wrote that

there is open for travel that Third Way that was shown to Thomas
Rhymer. He was shown the two Ways we know so well—“the nar‑
row road, so thick beset wi’ thorns and briers” and “the braid, braid
road”—but also a third:—

\[
\begin{align*}
\text{And see ye not that bonny road} \\
\text{That winds about the ferny brae?} \\
\text{That is the road to fair Elfland} \\
\text{Where thou and I this night main gae!}
\end{align*}
\]

(Branford 1914a, 341).\(^{11}\)

The social basis of the Third Alternative is to be found neither in
the temporal chiefs nor in the mass of workers. Rather, it is provided by
four groups: the mass of the “dispossessed poor” who stand outside the ranks
of organized labor, the professional classes who stand outside the sphere of
speculative investment, the clergy, intellectuals, artists, and other “emo‑
tionals,” and women working at home who are excluded from temporal
power and referred to as the “queens of home” (V. V. Branford 1919b, 144;
1926b, 95). The temporally dispossessed and their rising spiritual inspirers
and mobilizers are the key agents of rational social change.

The social change sought by the carriers of the Third Alternative is
rational because it is scientifically guided. A scientific understanding of the
actual tendencies of social change allows a eutopian vision of the future
and a realistic assessment of the mechanisms of reconstruction and renewal.
In the political context of the financial age, Branford and Geddes saw the
organizations and agencies of the Third Alternative building on existing
social tendencies and bringing into being a “neotechnic” age that resolves
the crisis of paleotechnic industrialism. Actual tendencies in this direction
were seen as inherent in the greater command over national energies that
have been made possible by the use of electricity and by its implications
for the organization of work. In its turn, education and civic solidarity can
be transformed through the technically and creatively skilled work of the
designer and the engineer, the architect, and the improver. These tendencies
of change are not confined by existing national boundaries but are global in
character, and the global orientation of the protagonists of the new age will
ensure that it is a truly “Geotechnic” age (Geddes 1905a, 171).
The politics of the Third Alternative was one of a number of political doctrines that drew inspiration from Ruskin’s medievalism (V. V. Branford 1919a, 30). Many on the Left in Britain had become disenchanted with Fabian socialism and the bureaucratic and centralized administrative mechanisms being pursued through the Labour Party. Many sought a more pluralistic and less state-centered socialism that would provide a middle or third way between liberal individualism and state centralism. The Independent Labour Party provided an attractive alternative for some, but those who had come to Labour politics through their commitments to the ideals of Ruskin and Morris were more attracted by the renewed interest in medievalism introduced in Arthur Penty's (1906) book *The Restoration of the Guild System*.

Penty was an architect involved in the Garden Cities movement who, inspired by Ashbee’s adoption of Ruskin’s values, enthused over the aesthetic ideals he found in medieval guild craftsmanship. The social problems generated by industrial technology, he held, were incapable of solution under the existing economic conditions. Stability and social order could be reestablished only if the complex division of labor were to be abandoned and a return made to medieval practices of small-scale craft work. This led him to advocate “guild socialism” as a pluralistic alternative to Fabianism. Guild socialism developed as a recognizable political doctrine from 1912 after Alfred Orage launched a debate on Penty’s ideas in his periodical *The New Age*. Recognizing some parallels with French syndicalism, Orage saw the guild idea as providing an alternative to centralized policies of economic reorganization. It was, therefore, a middle way between centralized socialism and individualistic capitalism that was compatible with the values of Ruskin, Carlyle, and Morris. Orage commissioned a series of anonymous articles—actually written by Sam Hobson—that were republished in book form (Hobson 1914). G. D. H. Cole worked towards similar ideas, setting these out in a series of influential books on the political role of trades unions (Cole 1913, 1917). In 1915, together with Maurice Reckitt, he formed the National Guilds League to promote these new ideas (see Bechhofer and Reckitt 1918).

The guild socialists proposed the formation of autonomous guilds of specialized producers as the collective organizations through which work could be moralized and workers would be able to contribute creatively to communal life. National politics was to be reconstructed through the direct “functional” representation of these guilds in corporatist chambers. Functional associations based in productive, civic, cultural, and other social activities were to be organized on a local basis into “communes,” each sending its representatives to regional and national chambers. These chambers
were to be the foundations of a pluralistic system of power in which central
government was limited to the role of regulator or arbitrator among the
independent chambers and guilds. Cole made this the basis of a compre-
hensive social theory that saw any society as “a complex of associations”
(Cole 1920a, 12). Guild socialism, in this strong form, proved a short-lived
political movement and many of its main proponents moved further leftward
during the 1920s. It was abandoned by Cole who, along with Raymond
Postgate and Rajani Palme Dutt, became a prominent advocate of Leninist
communism, and established the Communist Party of Great Britain.

Penty's ideas had also proved attractive to those on the Right whose
strong religious commitments had led them to see this medievalism and
its encouragement of small-scale property ownership as the basis for a
reestablishment of a distinctively Catholic social order. The roots of this
Catholic social doctrine are to be found in the social policy that Cardinal
Henry Manning had urged on Pope Leo XIII for his landmark encyclical
of 1891 that advocated the recognition of trades unions and the granting to
them of autonomous powers on a principle of subsidiarity. Manning himself
had translated and popularized the papal teachings (Manning 1891) and
exercised a strong influence in wider Christian circles. The Spanish writer
Ramiro de Maeztu produced a fusion of this doctrine with elements of guild
socialism in a series of articles for The New Age (1916). De Maeztu's ideas
influenced Reckitt and Penty to modify their national guilds policy into a
form of Christian socialism (Penty 1923; and the later Reckitt 1932; see
also Peart-Binns 1988), but the key thinkers to develop these ideas were
Hilaire Belloc and G. K. Chesterton, whose emphasis on the redistribution
of property led to their doctrine being called “distributism.”

Belloc had visited Manning frequently as a young man, and after
Manning's death in 1892 he felt obliged to carry forward Manning's social
ideas. He saw the principles of the medieval church, as formulated by Man-
nning, as a necessary condition for the construction of a new social order.
These ideas were developed after a brief and disillusioning parliamentary
career as a Liberal MP from 1906 to 1910. Belloc developed his critique of
party politics with Cecil and Gilbert Chesterton, two Anglo-Catholic broth-
ers who later converted to Roman Catholicism. A general social critique
(Chesterton 1910) was followed by a critique of the parliamentary system as
dominated by a financial oligarchy that blocks any chance of real freedom
and democracy (Belloc and Chesterton 1911). However, it was in Belloc's
Servile State (1912) that the distributist solution was most fully developed
(Carlson 2007; Corrin 1987).

Belloc argued that the Christianization of Europe had made possible
the medieval society of free peasant proprietors—a societal condition that
Belloc called the distributive state. He argued that property was distributed
such that most families are property owners and production is regulated by self-governing corporations of property-owning producers. The slow and gradual development of capitalism had reconcentrated property in the hands of the few and had destroyed the autonomy and liberty of the producers (Belloc 1912, 51–52). The growth of monopolies and trusts in the late nineteenth century had enlarged the gulf between the wealthy few of truly free individuals and the degraded mass of producers. The concentration of property under capitalism generates advantages for the leisured few at the expense of the many who work on their behalf. Belloc concluded that capitalism tends toward the establishment of a “servile state” in which labor is reduced to a state of slavery (1912, 17). This tendency toward servility, he argued, was most marked in Prussia and England, where the Protestant Reformation had had its greatest effects. It was least marked in strongly Catholic countries such as France and Ireland. Belloc anticipated an outbreak of war between these two variants of capitalism and hoped that such a war would seriously weaken the move toward the servile state.

The distributists held that Fabian opposition to capitalism was merely reinforcing its tendency toward servility through the creation of a centralized command system. For this reason, the collectivist response of transferring property to the state and its political officers offered no real solution to the social crisis. Only a distributist solution in which property is transferred directly to individual citizens could offer any realistic chance of ending the drift toward servility. Distributism, like guild socialism, was presented as a third way between the capitalist and collectivist routes to the servile state. The foundations of the new social order were to come about through a huge increase in the numbers of independent and autonomous shopkeepers, craft workers, and farmers. The distributist strategy was to bring about a redistribution of property from the few to the many not through coercive expropriation but through modifications to the credit and taxation systems. By subsidizing small savings and taxing large-scale ownership there would, over time, be a shift in the pattern of ownership and so an alteration in the structure of opportunities open to the mass of the people (Belloc 1912, 110–11).

These distributist views were promoted through the National League for Clean Government—set up shortly after the publication of Belloc’s book—which was renamed the New Witness League and then, in 1926, the Distributist League. Concrete policy details had been in rather short supply in Belloc’s work, and the League was the means through which there was an attempt to formulate more specific proposals. Its membership was, however, quite diverse, including advocates of credit unions and cooperatives together with activists in rural communes such as that at Ditchling in Sussex. Although they were united by the view that property distribution and
the system of credit were the basic problems to be addressed, they differed as to whether reform should be implemented through guilds, cooperatives, or communes. Penty himself had moved from guild socialism to a position much closer to that of the distributists, describing his new position as an advocate of “post-industrialism” (Penty 1922).

Guild socialists and distributists seemed to offer a radical alternative to both Fabian socialism and Soviet communism, both of which placed their hopes in large organizations and state collectivism. Indeed, the affinities were such that many Fabians were attracted to the communist solution (Webb and Webb 1920, 1935). The new programs were united by the desire for a middle way politics in which the pluralism and autonomy of small producer and retailer collectives was guaranteed through larger-scale organizations responsive to their interests and requirements.

COOPERATION AND CREDIT

These “third way” or “middle way” approaches to politics resonated directly with the ideas on the collective organization of consumers into cooperatives that Patrick Geddes and Victor Branford had long advocated. As they developed their Third Alternative, they drew on both guild socialist and distributist ideas, stressing the overriding need for a collective reorganization of the financial system into a system of social credit and cooperation. Parallel views on social reconstruction as an expression of spiritual renewal were outlined by associates within the Theosophical Society (Guest 1912; Besant 1914) and by Rudolf Steiner (1919).

Central to the Third Alternative was the “resorption” of government through the transfer of power to the lowest level possible, allowing authority to be built up from the bottom. Thus, power is to be distributed to localities and work organizations, to cities and guilds, and these are all to participate in national and international federations. This devolution of power is to be complemented by a transformation of private credit into social credit through making finance available at lower rates for public investment and with the allocation of credit being administered but not controlled by bankers. These temporal reforms, taken together, were seen as the bases on which cities would be able to plan improvements in the environment and could encourage the renewal of community spirit by institutionalizing the ethos of the town planner and the “spirit creative” that ensures the aesthetic principles of design are followed. If civic politics were to be the means for humanizing the environment, then guilds and professional associations were to be the means through which work could be humanized and made into a meaningful activity. There would be a shift from a “money-economy” to a “life-economy,” with individuals becoming more fully social in their activity
through adopting the ethos of the artist-craftsman. Finally, education would be organized in relation to civic organization and civic purpose, enabling people to learn from their region and contribute to its development. This is the key to the renewal and extension of spiritual power that underpins all other aspects of social reconstruction (V. V. Branford 1921b, xiv–xv).

The view that Branford and Geddes developed of the need to reform the credit system was rooted in the economic theories they had set out around the turn of the century. Geddes (1881) had begun to explore the foundations of economics when, in 1883, he came across the work of the leading marginalist economist Leon Walras, with whom he subsequently corresponded. Through Walras he discovered the work of both Stanley Jevons and Carl Menger. Geddes (1884a) rejected the marginalist avoidance of physical, biological, and psychological mechanisms and their reliance on exclusively formal, hypothetical models of action. He sought, instead, an invariant measure of value—as had Marx—and could not be satisfied with a focus simply on "exchange value." Utility theory, he argued, had to be based on an understanding of the physiology of human labor and he began to draw ideas from Peter Tait's (1864) summary of the work of Clausius and Joule that had stimulated a school of "social energetics." Geddes combined this approach with what he had learned from Ruskin (1861, 1862; see Geddes 1884b), who had criticized economics for ignoring human aesthetic needs and who had argued that the intrinsic value of an object is to be found in its ability to support life both in its physical and its aesthetic or cultural dimension.

Economic value, for Geddes, reflects the contribution of an object to subsistence and the satisfaction of culturally formed desires. He thus distinguished between the "necessary" (physical) and "super-necessary" components in consumption (Geddes 1888b). Taking up a classification of the sources of energy, he showed that the amount of energy varies directly with the stage of material production, from the Stone Age through the Bronze and Iron Ages to the industrial "Age of Energy." The combination of the physical and cultural dimensions of labor was later to reappear in the distinction between the "rustic" process and the "civic" process in human development. This view of the stages of production, he argued, could be combined with a sectoral classification of economic activity to produce physical input-output tables in which the physical and the culturally variable aspects of labor were combined.

Branford drew on this argument in his attempt to articulate a theoretical basis for accountancy in constructing national accounts. He proposed that accountants devise ways of measuring changes in "social value" by "the sum of mechanical energy expended directly on matter by the collective efforts of a given nation during the year" (Branford 1901b, 399; 1901c, 29). Such a measure, he held, would make it possible to use units of energy to
calculate the distortions introduced into systems of production by capital organized as credit. To eliminate the reliance on private credit, Branford advocated the formation of small-scale credit societies able to mobilize the available savings of the working classes and small savers and so to build up a “national banking fund” (Branford 1901a).

Branford developed these ideas further in 1910, when he proposed a central cooperative credit agency as a mechanism for coordinating national credit. Reflecting on the success of the cooperative principle in the Irish Agricultural Organisation Society, he argued for a unification of landholding societies, trading societies, and credit unions within a Central Cooperative Credit Agency. The agency was to be owned by the constituent cooperative societies, whose holdings would be underwritten by long-term government credit and who would use the agency to provide for their credit needs (Branford 1910). In 1914, Branford argued that an extension of the system of national credit set up in Britain in the early months of World War I could bring about a larger postwar mobilization of the credit system for social investment by effectively turning the credit system “inside-out” as a means of promoting small-scale enterprise (Branford 1914b). This wartime system made the Bank of England responsible for managing state guarantees that would underwrite the creditworthiness of the private banking system and so maintain levels of investment and productivity in the socially necessary industries unable to secure commercial funding. Branford proposed the establishment of a similar system based on cooperative guarantees to mobilize credit for small-scale undertakings. This would, he argued, allow the “organisation of credit for small people” and the “financing of petite culture” (Branford 1914b, 309–10).

The “sporadic initiatives” of the wartime system included the grants, loans, and scholarships given for activities that were not immediately or sectionally profitable, and Branford identified these as illustrating the possibilities that would be offered by a system of national credit. His main examples of the mechanisms through which these could be delivered came from the cooperative movement. He highlighted both the cooperative credit systems operated by the Agricultural Organisation Societies set up in Ireland by Horace Plunkett and Thomas Finlay and in England by Nugent Harris, and the cooperative housing schemes, Garden Cities, and co-partnership schemes with which Sybella Branford had been involved. The cooperative and commune savings banks of rural Germany, he held, also provided a powerful example of what could be achieved through such means. Branford’s (1899) report on the West Indian cooperatives had shown that producer cooperatives could provide credit for investment in further production, but he now also saw the need for a more extensive cooperative system that could compete with capitalist enterprises. Sybella Branford was, in parallel, devel-
opining some ideas about national credit based on her involvement in rural cooperatives. Noting that the real demand for housing in rural areas greatly exceeded the supply, she aimed to rectify the failure of existing commercial mechanisms and proposed a trades union–guaranteed investment fund that would allow “a return to something corresponding to the guild system of the middle ages” (S. Branford 1915, 50). Short accounts of developments in rural credit were produced by Victor Branford’s business associates John Ross (1921) and Frederick Lisman (1922) in support of this view.

The wartime crisis, Branford argued, had highlighted the need to integrate the earlier credit initiatives with the system of financial regulation operated by the Bank of England. He argued that a national council of bankers should be supplemented by a council representing the cooperative system. This mechanism of corporatist, functional political representation would be the basis for a “socialising of finance” (Branford 1914b, 310). The returns to capital, whether as profit, interest, or rent, would be limited and this would free up credit for public purposes. The system would bring together representatives of the workers and the professionals who supply goods and services, the accountants who record and balance credits and debits,20 and the bankers who allocate credit to alternative uses (Branford 1914b, 312–13). Bank credit would be issued at low “insurance” rates, rather than conventional high interest rates. Key agencies in this reconstructed system would be cooperative banks that “manufacture credit not for sale, but for use, and moreover for direct use by the productive group” (V. V. Branford 1919b, 149; 1917). Bankers have typically been concerned with promoting the well-being of one particular kind of “society”—the joint stock company—but they must become involved also in promoting the well-being of such societies as the village, the town, the city, and the nation. The pioneering cooperatives were concerned with the reconstruction and improvement of the environments within which people lived, and this had to be made the aim of the whole national credit system. The system must promote not merely economic efficiency but also an “ennobling and dignifying of life” that furthers “genuinely creative work” (Branford 1914b, 311). By expanding education for citizenship, the Third Alternative creates the possibility for a “resorption” of government into society, achieving the goals of local and regional autonomy pursued by the anarchists (Branford 1914a, 319). This involves a “renewal” of society (Sandeman 1913).

While Branford was clear about the general principles involved in a democratic and cooperative system of credit, he was less clear about the specific mechanisms through which these could be implemented. Indeed, his proposals for the immediate postwar situation were rather naive and unrealistic. He proposed that postwar social reconstruction could be financed through the public use of all private investment income for one year: in
effect, a one-off supertax on property ownership (V. V. Branford 1921a, 88–89). This capital, he held, could be used for social betterment and for building an awareness of working toward the common good. Needs in housing, industrial development, and social welfare could be met from allocations to individuals and enterprises made by local boards of accountants, bankers, and social workers. Needs for cultural improvement, aesthetic and scientific, could be met through boards recruited from the energizers and intellectuals. Scientific and intellectual advances would be furthered through capital allocations made by a board of critical intellectuals willing to break with current schools of thought and to consider novel approaches. Aesthetic improvement was to be controlled by artists and craftsmen, together with “a motherly woman of the people, one of the humbler clergy, and, perhaps a civic sociologist” (V. V. Branford 1921a, 91). Branford saw the two spiritual boards also taking on a broader remit and being organized as, respectively, a council of recreation and a council of social survey. The two councils would work jointly with the temporal powers in regional “soviets.”

This quaint and, so far as women are concerned, rather patronizing view reflected Branford’s naivety in practical political matters. His adoption of the terminology of the “soviet” reflected the wide recognition of the progressive features of the Russian revolution then current on the Left. However, the broad conclusion is clear: the allocation of credit should not be seen in merely financial terms and had to be seen in a wider context of those who are the stakeholders in the utopian future of humanity. There needed to be a moderating of the temporal interests of the financiers and a complementing of this through a newly constituted system of spiritual boards. While Branford abandoned the idea of the one-off supertax in his subsequent writings, the organizational framework for the “expert” allocation of funds was retained.

Branford and Geddes also saw social renewal as something that might, paradoxically, develop out of the experience of war. In time of war, the army recruit feels part of a social organization geared toward collective ends and so is able to transcend the individualism of ordinary economic and political life. War appeals to the soldier’s incipient sense of idealism and calls him to duties and sacrifice in the name of a greater good:

An army in action is an extraordinary synergy, a solidarity of feeling, a combination of individual action all dramatically intensified, of which peace has not yet found the secret. (Geddes and Slater 1917, 48)

The building of a lasting peace requires a mobilization of this idealism and altruism and the “spiritual awakening” fostered by war, using them as a
means to both social reconstruction and spiritual renewal (Geddes and Slater 1917, 60). Peacetime reconstruction requires the “moral equivalents of war” that can bring about a spiritual “conversion” of wardenism into the altruism and social solidarity that would ensure a successful reconstruction of the credit system (V. V. Branford 1919a, 45) and would enhance “social uplift” through the arts and sciences, recreation, and leisure as well as through production. The key thing, he held, was to move from a centralized credit system, to a decentralized, regional one. There must be local credit associations, housing associations, and cooperative retailers (Branford 1926b, 102, 104). Sybella Branford echoed these ideas, holding that the crucial question was: “[C]an the general character of our civilization be changed to one in which the energies of all the more active participants are more or less consciously directed to social ends” (S. Branford 1924, 128). This “social vision,” she argued, must come through the building of a social consensus that would inform the use of social resources.

Victor Branford’s brother Benchara set out an alternative view of the institutional organization of the Third Alternative (B. Branford 1919). He saw the coming polity as one that would combine “occupational” and “geographical” principles of political representation in a bicameral system of representation, and advocated the establishment of a parliament or grand council comprising an occupational chamber of production and a geographical chamber of consumption. The chamber of production was to be elected by occupational guilds while the chamber of consumption would represent people as individual consumers in geographical constituencies of cities and regions. The idea was that diverse occupational interests in a particular locality or region would be integrated through the geographical constituency, while geographical differences would be integrated through the functional chamber that brings together all those in a particular occupation, regardless of their geographical location (B. Branford 1919, 103).

The Sandemans (1919) drew on the experience of Ashbee’s communal workshops and saw the cooperative principle at work as involving communal property in workshops, offices, clubrooms, and dwellings, run by workers elected to a committee responsible for the organization of work and all activities of the community, including schools and leisure activities. The occupational and geographical unity depicted by Benchara Branford is the federation of such cooperative work communities.

Within this overall structure, Benchara Branford held that the guild of bankers should hold a key role. In a reorganized system of national credit, bankers, as technical experts, would be liberated from the control of the financiers and could play the social role set out for them by Saint-Simon and Comte. Bankers, involved in each chamber, are to be the managers of the system of taxation and credit, operating according to evolving ideas of
“public credit that renew medieval principles of distribution” (B. Branford 1919, 111–12).

Benchara Branford thought that this structure should be repeated at each political level from the regional through the national to the international. He placed particular emphasis on the formation of a world parliament that would, as an enlarged League of Nations, be representative of all nations, and he held that emerging geopolitical blocs—European, Asian, and African—must be organized into the larger global body. In this way, individuals are able to act as true “Cosmopolitans” or world citizens (B. Branford 1919, 155).

FROM NATIONAL CREDIT TO SOCIAL CREDIT

An important influence on the politics of Geddes and Branford was the emerging doctrine of social credit that had begun to appear in the pages of The New Age (See Hutchinson and Burkitt 1997). Orage’s commitment to guild socialism had weakened during World War I, and the trade depression and unemployment that followed seemed to him to expose the limits of any political strategy that failed to address the issue of the aggregate level of demand and investment in an economy. He explored the early underconsumptionist arguments of Hobson (Mumery and Hobson 1889) and Arthur Kitson (1894) and was attracted to the arguments of Clifford Douglas, which he published in a series of articles on credit during 1919. It was through these articles that Branford first got to know Douglas. The articles were soon reprinted in book form (Douglas 1921a,b) and were rapidly followed by a much fuller statement (Douglas 1924). Where distributism came to be seen during the 1920s as an increasingly right-wing form of Third Way, medievalist corporatism and Douglas’s social credit came to be seen as the more progressive strands in this complex of ideas.

Douglas’s ideas were forged through his reflections on wartime conditions. He saw the years leading up to World War I and the wartime period itself as having significantly expanded the productive capacity of the factory system. Once the war was over, he felt, it would be possible to shift this productive capacity to peaceful purposes and to produce, on a huge scale, almost any article that it was possible to imagine. However, the total of articles that could potentially be produced could not actually be absorbed by consumers, as the financial resources available for the purchase of the goods is insufficient.

This argument rested on the view that the use of advanced technology in the production of any commodity increases overheads (selling costs, advertising, profits) relative to the direct labor costs involved in production. In an industrial economy, then, the “factory cost” is always greater than
the cost of labor and raw materials, and the ratio of overheads to direct costs is always increasing. At an aggregate economic level, total overheads increase relative to total labor inputs. However, purchasing power is directly proportional to labor costs—it represents the money wages received—so it will always fall below the level necessary to buy the produced goods on the open market. For this reason, “the world’s production is continuously growing more and more in excess of the capacity to absorb or liquidate it” (Douglas 1918, 151); there is always a tendency to underconsumption.

Douglas concluded that there is inevitably a structural contradiction between centralized technology and centralized capital. The technological advance of the forces of production, to use Marxian terminology, generates crises of underconsumption because the structure of control over capital distributes purchasing power inappropriately. Bankers use other people’s money to lend to producers and earn a profit that they can then lend again. The depositors are denied any substantial return on their own money and so are defrauded of its potential purchasing power. The financial structure of the credit system—the “ticket system”—generates an artificial scarcity and establishes a “society of restriction.” Capital is mobilized and controlled in such a way that there is a “constant filching of purchasing power” from the individual citizen to the financier (Douglas 1921b, 79; 1924, 88). The fact that individual borrowers have to repay loans and pay interest reduces their purchasing capacity.

Douglas saw the specific credit mechanisms required by this new system as a citizenship stakeholder model of national resources (see Douglas 1924). According to this model, all individuals, as citizens, are stockholders in the material and cultural resources on which the productive capacity of their society depends. Individual citizens have a stake in the “inalienable and unsaleable” stock of resources. Such resources are their common property and so they are entitled to a “dividend” on their virtual share in the cultural heritage. This dividend, he argued, represents the surplus appropriated by the financiers as overheads and if distributed to individual citizens would enable them to purchase the whole of the society’s production.

The key issue in politics, therefore, is one of distribution, as it was for Belloc and Chesterton (Douglas 1921b, 91–92). Nationally available credit must be removed from the control of the financiers and administered in more effective ways. The centralized, pyramidal system of credit through which financiers and their bureaucratic machines can distort the system had to be abandoned and replaced by a combination of the coordinated organization of technique and the decentralization of “initiative” (Douglas 1921b, 98, 55, 63). This would involve a national bank making available the total amount appropriated in savings as a single national credit fund. In allocating the national credit fund, the bank was to make democratic rather
Douglas agreed with Benchara Branford that this must form part of a strong “functional” system of governance, with power distributed according to functional responsibility and, therefore, according to expert knowledge and competence (Douglas 1921b, 143). Political decision making in a system of social credit, Douglas held, was to be dominated by the expert, the technocrat making decisions on the basis of purely technical considerations. The “economic democracy” that Douglas advocated rested on this decentralized authority, but his relative neglect of “spiritual” power meant that his solution had a more technocratic orientation than that sought by Geddes and Branford. Indeed, Sybella Branford criticized this aspect of the “Douglasite” position for its focus on underconsumption and failure to address the “social question” resulting from the “blind direction of our credit resources without any moral consideration” (S. Branford 1924, 127).

SOCIAL CREDIT AND CORPORATIST POLITICS

Until the 1920s, Branford and Geddes relied almost exclusively on Le Play House and the Cities Committee of the Sociological Society to promote their ideas on the Third Alternative. All their key works were published as books and pamphlets under the Le Play House imprint or as articles in the Sociological Review. They tried to influence mainstream politics through the occasional letter to a politician, but they were far from being political activists. During the 1920s, however, they began to engage with some of the political groups that they felt might give organizational form to their ideas. For the most part, this was limited to participation in small discussion groups where they hoped that their style of political discourse might have an effect and stimulate others to carry it forward. Their naive assumption was that their strategy would be adopted as soon as political and business leaders realized the logic and force of their argument.

Douglas, too, had taken a similar point of view about the implementation of social credit. His ideas were, in fact, considered by the Labour Party—and rejected by them—in 1922, and interest in them began to wane in the mainstream of labor politics. The crisis years of 1925–26, however, led many who feared the collapse of social order to propose private initiatives and private militia groups, and it was in these groupings that Douglas’s ideas began to find fertile ground. The scouting movements discussed in chapter 6 were the primary bases for this subpolitics. Aubrey Westlake, John Hargrave, and Rolf Gardiner—leaders of the Order of Woodcraft Chivalry and the Kibbo Kift Kindred—discussed the possible amalgamation of their groups into a single body tasked with meeting the national crisis that had been brought on by the run up to the General Strike. Hargrave had met
Douglas in 1923 and, encouraged by Rolf Gardiner who had been a member of a social credit study group at Cambridge, he took the lead in advancing social credit ideas. The new organization was seen as a possible social credit body and the presence of Geddes as a key and influential member of both organizations was seen as a fruitful basis for their possible cooperation around a middle way solution to the crisis. Le Play House members were soon drawn into crisis planning discussions at a meeting held under the auspices of a “Centre Party” at the Chertsey home of Norman Glaister of the Order of Woodcraft Chivalry (Edgell 1992, 348). Reservations about the politicization of the movement, however, led Glaister to soften its focus by renaming it from a “Centre Party” to the “Midfolk.” It was through the Midfolk that Glaister proposed a “New Commerce Guild” for the woodcraft group at Sandy Balls (see chapter 6). He proposed that people should offer labor skills as a service to the community and without regard for monetary return. The exchange of services was to be regulated by “certificates” issued to participants in a local credit union—effectively creating social credit—and it was intended that this altruism and self-expression would weaken the cash nexus. However, only fifty people signed up for this and the experiment was abandoned.

Cooperation between the two scouting groups broke down in 1927, however, and it was the Kibbo Kift alone that formed the heart of the emerging social credit movement. Hargrave formed the Crusader League and in 1932 merged it into the Kibbo Kift, which he then renamed the Green Shirts (Finlay 1970, 60–64). The change of name—unfortunately leading the group to be linked in the public mind with the fascist Black Shirts—was intended to mark the ecological concerns fostered by the woodcraft ideals that Hargrave saw as closely linked with social credit. Critical of democracy, which he saw as an all too easily manipulated mass society, Hargrave advocated strong leadership exercised through militaristic, but nonviolent, means. He saw formal politics as a purely technical matter of choosing the correct policy and proposed the closure of Parliament, holding that discussion and debate were unnecessary in matters of technical administration. Rejecting conventional electoral politics and stressing instead street marches as a way of demonstrating popular views, he hoped to mobilize the unemployed and the workers to combine against the bankers and in support of “the people’s credit.” He proposed to make the Bank of England the heart of a new system of national dividend and national credit. Many at the time saw Italian fascism as a positive example of the third way, and Rolf Gardiner became an active supporter of German fascism. In 1935, the Green Shirts were once more reformed as the Social Credit Party of Great Britain, inspired by the example of the Alberta Social Credit Party (Finlay 1970; Drakeford 1997; Macpherson 1953).
Another, smaller grouping active in this area in the 1920s was the Economic Freedom League of Frederick Soddy and Arthur Kitson. Soddy was a Sociological Society activist and had become involved in debates around Douglas’s papers in *New Age*, but he had become disillusioned with Douglas’s emphasis on central state power. He and Kitson formed the League to focus attention on economic theories of monetary reform similar to the “energetics” of Geddes and Branford. They set out these ideas in a journal called *The Age of Plenty* and in two key works (Kitson 1921; Soddy 1926; see also Soddy 1922, 1924). Breaking with Douglas’s idea of the national dividend, they proposed instead that the Gold Standard be abandoned and the issue of “national money” be related, instead, to a retail price index based on the working-class household budget. On this model, aggregate purchasing power would be regulated by changes in money supply that were automatically linked to changes in prices. They combined this with the argument that a nonnationalized banking system should operate on a not-for-profit basis to maximize the level of national investment.

The social credit groups in which Geddes became most actively involved were a cluster of organizations formed by Bosnian émigré Dimitrije Mitrinović, who had fled to London in 1914 and began to write for Orage’s *New Age*. An admirer of Helène Blavatsky and Annie Besant for their advocacy of the spiritual basis of universal brotherhood, Mitrinović aimed to provide social credit with a broader spiritual basis than had been provided by its principal advocates. Mitrinović held to the Comtean vision of the global unity of humanity, though he saw this in rather mystical terms and emphasized the importance of the spiritual “soul” of Europe as the basis for its unity. He developed an idealist account of a universal cultural spirit manifested in the various nations of the world and shaping their historical development. The purpose of political action, Mitrinović argued, should be to overcome the division of this universal spirit and to forge the whole of humanity into a cohesive, solidaristic, and self-conscious social organism (Rigby 1984).

Mitrinović called a meeting of influential writers at the Chandos Hotel in May 1926 to discuss a possible way forward from the current crisis. Those attending the meeting included Maurice Reckitt and Philip Mairet. The latter, who had met Mitrinović in 1914, developed a specifically psychological dimension to Mitrinović’s work from the psychoanalysis of Alfred Adler. Both Douglas and Geddes joined the Chandos Group in 1927 and contributed to a collective volume on the coal crisis in which the group reiterated some guild socialist ideas on the reestablishment of a “real” community. In this community, the creativity that had been lost with the degradation of work under capitalism was to be fully realized. Such a community would have its political expression in economic and cultural councils organized into
a corporate structure that regulated the allocation of social credit (Porter 1927; see also Delahaye 1929).

Mairet had formed a psychoanalytic study group and had, in 1927, formally convened the British branch of the International Society for Individual Psychology (Mairet 1928). The Chandos Group formally allied itself with the Adler Society in 1928, aiming to promote “absolute and eternal principles of true sociology” alongside principles of individual character (Rigby 1984, 96). Adler, however, became disenchanted with this use of his work and Mitrinović began to restructure his organizations. In 1931 he formed two new organizations, each of which operated through semiautonomous local “clubs” from an office at 60 Gower Street. The so-called Eleventh Hour Flying Clubs were to carry forward the political project of the Chandos Group through the redistribution of property and credit within a European federation. The Women’s Guild for Human Order was specifically charged with the distinctively Comtean task of renewing the idea of womanhood as the emotional support for male public participation. Later in the year the Eleventh Hour groups were recast as a national organization with the name New Europe Group. Geddes was appointed as its first president and speakers at its meetings included Soddy and Kitson, whose Economic Freedom League had collapsed in 1930, together with Raymond Postgate and philosopher John Macmurray. Fringe supporters included Ellen Wilkinson and John Strachey. The NEG promoted autonomous worker-regulated enterprises, social credit, and regionally devolved power, seeing a “New Britain” at the heart of a New Europe and the New Europe as the first step toward a new world order.

The New Britain Quarterly, later made into a weekly, was launched to promote these ideas and in 1932 it became the basis for a partially separate New Britain Movement. Alfred Orage became the editor of these magazines and helped to set up the New English Weekly as a successor to the New Age. Contributors to the journals included Philip Mairet, Frederick Soddy, Sam Hobson, Montague Fordham, and John Macmurray, as well as Mitrinović himself, and the enlarged membership included Theodore Faithfull (see Faithfull 1925), Norman Glaister, and Aubrey Westlake. New Britain proposed a “Social State” along the lines suggested by Benchara Branford. The social state would comprise an economic chamber organized along functional lines, a political chamber based on regional representation, and a cultural chamber concerned with intellectual and emotional renewal. The New English Weekly followed an editorial line that aimed at a broadly Christian approach to economic and social matters, especially as these could be achieved through social credit and organic farming. The stress on organic farming was aimed at enhancing agricultural productivity, reducing reliance on imported food, and protecting rural communities in ways set out by Lord
Lymington (1932). Promotion of organic farming became an increasingly important element in Third Way politics as it came to espouse a strong ecological commitment.

*New Britain* presented itself as an antifascist Third Way organization, though some of its supporters did espouse more extreme views. Kitson (1933), for example, was explicitly anti-Semitic and alleged that the dominance of financiers was the result of a Jewish conspiracy (Hammes and Wills 2005). Douglas also began to exhibit similar tendencies. This became a strong element in “English Mystery,” formed in 1936 as a nationalist party promoting “Anglo-Saxon virtues” through agricultural reform and rural reconstruction. Its leading members—Rolf Gardiner, Henry Massingham, and Lord Lymington—were firmly on the political Right, with Lymington being overtly anti-Semitic and pro-Nazi (see Massingham 1944; Gardiner 1943). Its ideology stressed rural themes from Ruskin and Morris and the financial ideas of Chesterton and Belloc, linking the Catholic idea of the organic community with the use of organic farming, and equating “natural” with “national.”

Before internal divisions brought New Britain to an end in 1935 its membership had included such advocates of Third Way politics as the future prime minister Harold Macmillan (1938) and T. S. Eliot. New Europe itself continued for much longer and Geddes was succeeded as its president by other architects of the Third Way and social credit, most notably Kitson, Soddy, and Sam Hobson. The NEG was finally disbanded in 1957, having been actively involved in the early debates over the formation of a European Common Market.

Victor Branford was also actively involved in social credit and corporatist organizations during the 1920s, though his participation was limited by the illnesses of himself and Sybella. He seems mainly to have been concerned with those organizations that were developing corporatist strategies for Britain’s industrial problems, and mainstream opinion in business had, indeed, come to abandon laissez-faire in favor of planning and coordination in industry (Pemberton 2006). Branford was in close contact with Norman Wyld, his old friend and associate from the West Indian Cooperative Union and a regular visitor to Branford’s Hastings home. Wyld had become secretary of the Society of Technical Engineers, later reformed as the Industrial Institute and with offices in Belgrave Road close to Le Play House. Another visitor to his home was Arthur Salter, a civil servant and director of the economic section of the League of Nations. At the height of the coal crisis of 1926 Salter organized an economics conference on reconstruction at the Royal Institute of International Affairs, Chatham House, that was attended by Wyld—in all probability Victor Branford would also have participated.

In 1928, Wyld was involved in the Mond Conference, organized by Sir Alfred Mond (Lord Melchett) to bring together the major employers and trades unions to discuss the prospects for corporatist cooperation with
organized labor. Wyld was used by Mond as an unofficial channel to labor opinion (McDonald and Gospel 1973, 818), though one participant in the conference noted the widespread view that the Industrial Institute was currently ineffective because of the “unacceptability” of Wyld to both employers and unions.28 Even Branford was concerned that Wyld was getting too closely associated with the “currency cranks” Soddy and Kitson.29 The ideas promoted in the Mond Conference were echoed by Lyndall Urwick and others who produced the Liberal Industrial Inquiry report (Liberal Party 1928) and in Max Nicholson’s National Plan (1931), the latter inspiring the formation of the think tank Political and Economic Planning by Leonard Elmhirst and others in 1931.

Shortly after Branford’s death, Salter produced a corporatist manifesto based on lectures that he had given at Cambridge University (Salter 1934). This embodied ideas that had been emerging through the Mond Conference and various international bodies sponsored by the League of Nations. Salter argued for a decentralized system of “institutional self-discipline,” by which he meant self-regulation by economic interests such as the chambers of commerce, the Federation of Industry, employers organizations, trades unions, and professional organizations such as the General Medical Council. These, he argued, must adopt a less “defensive” and more “professional” stance and must be drawn directly into the formulation of economic policy. At the heart of this system would be a transformed Bank of England, a National Investment Board (as advocated by Maynard Keynes), and specialized mortgage-lending bodies for agriculture and each of the major industrial sectors. In a move beyond the ideas of Geddes and Branford, he argued for comprehensive national economic planning through a National Economic Council, but he did not pursue the mechanisms of spiritual renewal that Branford and Geddes had seen as an essential counterpart to economic reconstruction. His model of the corporate state was enthusiastically cited by Oswald Mosley in his book The Greater Britain, but its lasting legacy was, perhaps, the establishment of the corporatist planning system of the 1960s.

This form of corporatism, shorn of its spiritual dimension, was also taken forward by Sir Richard Acland’s Common Wealth Party, which Norman Glaister joined in 1941 (Prynn 1972). Acland, J. B. Priestley, and others later broke with the Labour Party over its role in the wartime coalition, arguing for an extension of collective ownership and for a greater role for morality in politics. Although it was effectively dissolved in the 1950s, the party strengthened the case for a managerialist form of socialism that combined central economic coordination with the collective self-management of industry. It maintained close links with Glaister’s School of Interpretive Social Research at Brazier’s Park, in which Theodore Faithfull’s son Glynn was involved as a teacher.
The interwar years of 1918–1939 were a period of intense discussion and creative thinking about third way approaches to banking, credit, political representation, and economic planning. Victor Branford, Patrick Geddes, Sybella Branford, and their associates all made contributions alongside those of other social reconstructionists and social-credit advocates. The period was, however, dominated by the Great Depression and the growing global polarization between communism and fascism. Especially in Europe, the increasingly polarized politics of the 1930s created a very negative atmosphere for the development of broad reformist coalitions of the type that would have been needed to implement a “third alternative.” Despite the obvious lessons of the Great Depression and the failings of contemporary capitalism, reforms to capitalist structures did not occur until after World War II, and only then in a more limited form than that envisaged by Branford and Geddes. More centralized practices of state intervention and planning were built, but these did not take the cooperative and democratic forms for which Branford and Geddes had argued.