Preparing the Ground for the Living Wage Policy

MacDonald’s critics from across Labour’s spectrum constituted a distinct minority. Ernest Bevin’s attempts to get Arthur Henderson to stand for the leadership against MacDonald failed, as did the attempt by the ILP to get the Parliamentary Labour Party to adopt its policy.1 Within the ILP group itself, a gulf was beginning to open between what might be termed “nominal” ILP MPs—those who sought and accepted ILP endorsement and support as a matter of course without identifying very closely or exclusively with the ILP—and the small minority of ILP MPs who saw the promotion of the smaller party’s policies within the larger one as the essential goal. Though the latter group was increasingly critical of MacDonald’s leadership, they had relatively little support in the PLP.

The reluctance of the parliamentarians to participate in an all-out attack on MacDonald’s interpretation of Labour politics was, at first, reflected in the attitudes and decisions of the 1925 ILP conference when it refused to oppose what Marquand describes as an “anodyne resolution” from the Yorkshire Division congratulating “the late Labour Government” on its achievements. Singled out for praise were its efforts for peace, improvements for pensioners, and its “comprehensive Housing Act.”2 One ILP member, Joseph Southall, strongly opposed the motion based on the government’s failures in defence and foreign affairs and its continuance of the “policy of Imperialism.”3 The “anodyne” motion was passed, but the vocal opposition to it and the 139 who voted against it were, as Marquand suggests, better guides to the future than the 398 who supported it.4 Despite the show of support for MacDonald, the conference agenda included critical amendments from a number of branches, including ones opposing Labour MPs wearing court dress or attending “court or ceremonial functions.”5 The section of the NAC report titled “Labour in Office” began by proclaiming that the ILP had “loyally assisted” the Labour government “by every means in their power.” It
went on to say that ILPers had “exercised constant pressure in favour of a vigorous Socialist policy.” No doubt MacDonald would have been more aware of the pressure than of the loyalty.\(^6\)

In retrospect, the 1925 conference came to be seen as one that “repudiated gradualism.”\(^7\) At the ILP summer school in August, Clifford Allen told participants that “we were foolishly filled with hopes, and foolishly disappointed” with the 1924 government. He renewed his advocacy of the Labour Party putting forward full-blooded socialist policies, even if it was again in a minority, thus challenging opposing parties to oust it. “We should say that democracy is something which checks rather than initiates,” he said. “Democracy should be merely a device to prevent things being done that people do not want.”\(^8\) Such radical but risky tactics were clearly never going to be accepted by MacDonald, or by the parliamentary leadership generally. If such tactics were to be ruled out, there was a widespread conviction in the ILP that Labour should never again take office as a minority administration.\(^9\)

Certainly, nothing came of the joint ILP/Labour Party committee in 1925 which considered the ILP’s proposition that “the function of the ILP is to bring to the public a realisation of the urgent need for fundamental changes which socialism represents, and to influence the Labour Party in a more complete and rapid direction.”\(^10\) But other ILP committees were already hard at work producing policies that they hoped and intended would do just that. Allen’s idea of the ILP being a creative nucleus in the Labour Party was being put to the test. Fundamental changes would be demanded in Labour policy and practice.

**Clifford Allen: A New Approach to Politics**

In September 1925, Allen resigned as chairman of the party—ostensibly because of ill health. His health problems were all too real, but Allen battled on determinedly in spite of them. Certainly, the growing conflicts in the ILP with the critics of his “regime” and, above all, with his eventual successor, James Maxton, was the major factor in his departure, as we will see in a later chapter.

It was some months later that Fenner Brockway paid tribute in the *New Leader* to Allen’s crucial role in setting the party on its new course:

> To Clifford Allen more than anyone else we owe the conception or the new approach to politics embodied in this policy. His insistence that it is the duty of the next Labour Government, whether with a minority or majority behind it, to produce its proposals for the redistribution of wealth and Socialist reorganisation, and to stand or fall by them, has had an extraordinary influence on the thought of the Party."
Allen had been instrumental in setting up a number of ILP commissions on a variety of pressing aspects of policy. As F. M. Leventhal maintains, this approach had “sprung from Allen’s mind, rather than the NAC.” The NAC report for the 1925 conference contained appendices giving the reports of the Empire, India, and Industrial Policy commissions. All were, according to John Paton, “effective documents, with much good material,” but they made little sustained impact. The exception was the one that led to the publication of The Living Wage report in September 1926, almost a year and a half after the Gloucester conference initiated the inquiry that led to it.

The origins of that report can be traced to at least as early as late 1923. In December of that year, immediately following the election that was to bring the minority Labour government into office the following month, Allen had urged the party to adopt a bold emergency program aimed at addressing two or three urgent questions. Probable defeat at the hands of the Liberals and Conservatives would open the way to an appeal to the country on these issues. A few months later, at the ILP’s 1924 conference, in his opening address as chairman, Allen had pressed the minority Labour government to take advantage of its temporary control of the resources of the state to initiate inquiries into all major industries and to “set the enquiring mind of the nation dispassionately to work.” He also insisted that “a ‘Living Wage’ must be enforced as a national policy.” At the conference a year later, Allen, in his chairman’s speech, expressed regret about the failure of Labour to follow this course and to “set up a national commission to probe the wages question, and by means of impartial enquiry enable a national verdict to be given as to what constituted a ‘Living Wage’ in a civilised community.”

The call for a Living Wage policy was, in fact, nothing especially new. Even before the war, Labour MP Will Crooks had demanded “a ‘Living Wage’ for all” in a 1911 speech before the House of Commons, which the ILP then published as a pamphlet. In early 1923, Bermondsey’s Labour MP, Dr. Alfred Salter, had likewise delivered a speech to the House of Commons, which the Bermondsey ILP branch published under the same title, “A Living Wage for All.” Salter went on to contribute an article to the New Leader titled “The Cry for a ‘Living Wage,’” which appeared in March 1924. Several weeks later, around the time of the ILP’s 1924 conference, the paper devoted its front page to a drawing, by “Houynhm,” showing a small girl about to discover a large egg labelled “A ‘Living Wage,’” with the caption “An Easter Egg for the Worker’s Child?”

All the same, that Allen was primarily responsible for initiating the Living Wage policy is supported by much contemporary evidence. This includes a New Leader report of the ILP summer school at Scarborough in the summer of 1924. According to the reporter, Allen delivered a keynote address titled...
“A Socialist View of Politics,” in which he argued for the need for an “entirely different spirit” in politics. Labour should avoid “a phase of ‘eternal democratic postponement’ wherein the plea ‘we are in a minority—we can’t do it because we do not have the sanction of democracy’ was made.” He rejected “this false theory of democracy as the source of power, instead of a check upon the arbitrary exercise of power” and went on to outline his proposed alternative, in which the broad outlines of the policy adopted in 1926 are clearly visible: “A national charter of individual welfare should be prepared, a national minimum of health, food, housing and wages, which would kindle the public imagination, and then we should submit our carefully prepared proposals for the economic re-organisation essential to the achievement of these ends to the decision of Parliament and the nation.”

As reported by the *New Leader*, Allen believed the key points in this economic reorganization to be the national organization of finance, the national control of imports, and the national ownership of power and transport. It should be the business of the Labour government to present this program to the nation in such an imaginative fashion that the electorate would become a partner rather than an entity to be exploited to keep one particular party in power. Allen’s address was not received without criticism; indeed, Dollan alleged that he was seeking to substitute “the dictatorship of the politician” for “the dictatorship of the proletariat.”

When one notes that the same summer school included a talk by Eleanor Rathbone on “Family Endowments,” it becomes clear that it marked a significant point in the evolution of the Living Wage policy. Opinion among participants was divided on Rathbone’s contribution, “but she had by no means lost the day,” according to the *New Leader*’s report. The school also featured a talk by Willie Graham titled “The Minimum Wage” and one by Pethick Lawrence called “Banking and Credit.”

The *New Leader* report mentions John Strachey’s contribution to the discussion, in which he argued that what was needed was “neither inflation nor deflation but stabilisation.” Strachey’s view may well have reflected the views expressed by John Maynard Keynes in *A Tract on Monetary Reform*, published the year before, and in the *New Leader* article “Fear and the Business Man,” in which Keynes argued for price stabilization, quipping “I believe that economists have really discovered something thoroughly useful for once.” The same *New Leader* issue in which Keynes’s piece appeared also featured an article by J. A. Hobson called “Saving and Spending,” and both pieces illustrate the quality of economic argument that the ILP paper was capable of producing at this time.

Strachey was by no means alone in stressing the necessity for price stabilization. In September 1923, H. N. Brailsford had advocated it as being both bold
and revolutionary, and he ended another article, in August 1924, with the claim that “a steady price level would, at last, make the battle to secure progressively higher real wages a hopeful enterprise. With an expanding market at home, we might then, without fear, throw all our creative powers into the task of increasing production and adding to the nation’s wealth.”

Allen’s speech as chairman to the 1925 conference reiterated the themes pronounced at the summer school the previous year. He anticipated that it would rarely happen in the foreseeable future that one party would gain a majority of votes cast; in this situation, he said, it was vital to “reject the notion that it is the function of democracy to initiate.” He even quoted Edmund Burke’s famous defence of the independence of MPs in support of his strategy for Labour governments, even minority ones, to put their full-blooded socialist proposals forward and wait for their opponents to vote them out of office, thus precipitating an election on the basis of Labour’s program.

If Allen is, rightly, seen as initiating the process that led to The Living Wage report, Brailsford must take the largest part of the credit for popularizing the new policy, both as editor of the New Leader and as author of the book Socialism for To-day, published in late 1925. As Leventhal says, “Throughout the year and a half of the Commission’s deliberations Brailsford was its lynch-pin, reporting its activities to a cautiously approving NAC, propagandizing for the ‘Living Wage’ in the New Leader, expounding its principles at ILP conferences and ultimately incurring the brunt of MacDonald’s wrath.” What, exactly, was Brailsford advocating that would bring such anger on his head?

H. N. Brailsford: The Living Wage as “Battering Ram”

From the beginning of 1925, Brailsford ran a series of articles in the New Leader, under the title “The Socialist Case Restated,” that prepared the way for The Living Wage report the following year. These articles formed the basis of Brailsford’s book Socialism for To-day, which Leventhal sees, with much justification, as “trying to put the case for socialism succinctly” in the tradition of Robert Blatchford’s Merrie England. The latter had made a considerable impact in the 1890s.

In a prefatory note (dated October 1925) to his book, Brailsford acknowledges a variety of influences, including the writings of E. H. Lloyd and Otto Bauer, J. A. Hobson and the Webbs, and “three friends”: Allen, E. F. Wise, and “Realist.” Since Creech Jones is the only fellow member of the NAC’s Living Wage Commission not mentioned by name, it seems likely that he was “Realist,” a fairly frequent New Leader commentator on economic affairs.

Brailsford’s book began with six chapters on the development of capitalism before turning to the question of “evolution or revolution.” In the mid-nineteenth century, he wrote, the state was seen by socialists as “a
capitalist institution which we must contrive to overthrow by revolutionary force.” However, by the beginning of the twentieth century, “every Socialist Party in Western and Central Europe knew in its heart that any sudden revolution was impossible and believed it was unnecessary.”

Although the Russian Revolution had caused this to be reassessed, Brailsford argued that it had only demonstrated what might take place in very particular and unusual circumstances. The civil war in Russia had been “cruel, prolonged, and appallingly destructive,” yet it offered “only a faint parallel to the horrors which would attend a similar struggle against the numerous and capable middle-class of any Western country.”

Brailsford did not fear that the latter would readily turn to dictatorial methods. “Even in Italy,” he noted, “it required a great deal of lawless provocation from the Red side to create Fascism. The Reds disdained Parliament and legal methods. They believed in direct action, and seized not only factories but ships, and above all, great tracts of agricultural land, by tumultuous violence.”

To succeed, socialists needed the “intelligent consent” not only of manual workers and “the industrial army organised in trade unions” but also of “a part of the professional and managerial class.” Even with this support, no one should underestimate the “embittered and unflinching will to resist” that socialism’s adversaries would show. This might necessitate “emergency measures and war-time precautions.”

Yet, he concluded, “it would be folly to abandon Parliamentary forms.” Brailsford invoked the analogy of the 1640s, foreseeing that “Labour in power would repeat the revolution of the seventeenth century, and rally the nation against any Fascist attempt. It is well to start with the constitutional right to call on the obedience of magistrates and soldiers even though we may expect that some of them will disobey.” A future Labour government must be prepared for “an effort revolutionary in extent if not in method.” Its measures could not be carried out in isolation:

One change may involve a whole series of changes no less considerable. One could not, for example, impose on industry the obligation to pay a true “Living Wage,” without facing at the same time the regulation of credit, the control of prices through the importation, by a National Board, of food and raw materials, and the reorganisation of the more depressed industries.

With what was bound to be interpreted as a criticism of MacDonald and his supporters, Brailsford warned that “the peril of any party which adopts the watchword of evolution is that it may come to imagine that it is playing the ordinary party game.” He added, “Talking of ‘gradualness,’ and deprecating too
much zeal, the evolutionary Socialist who sits down to admire the majestic
and inevitable march of time may in fact create in others the impatience and
despair which hasten the violent catastrophe he dreads.”

Turning to the key demand for a living wage, Brailsford makes it clear that
this means a “figure which will keep the worker not merely alive, but healthy
and efficient; it must allow for a civilised standard of comfort in housing” and
for the worker’s cultural needs. The notion of “what the industry can pay” must
be “ruthlessly disregarded.” The proposal was “for a single uniform standard
applicable to all trades, below which no wage may lawfully fall, though wages in
some trades may and will rise above it.” This might hit some export industries
hard, but the higher purchasing power of the workers would stimulate the
home market. Successful implementation of the policy, he argued, implied the
need to control prices of “necessary goods,” the reorganization of agriculture
to reduce reliance on exports, and the nationalization of “key” industries, with
state subsidy of others, in return for a modernizing reorganization.

Brailsford’s view on compensation would not have found universal support
in the ILP. Certainly, Maxton was unlikely to be persuaded. But Brailsford was
quite clear. “From our resolve to avoid civil war and catastrophic revolution,”
he argued, “it follows that we must pay compensation, at a fair reckoning of
its market value, for the property which we nationalise.” He wanted such com-
ensation to take the form of “national stock, bearing a fixed rate, or possibly
a diminishing rate of interest, or better still, in the form of terminable annu-
ities.” At the same time, “graduated taxation” would reduce unearned income
“as drastically as public opinion will allow.” This would mean that “the owners
of property will in effect compensate each other for the socialisation of land
and industry. The burden will not fall upon the producers.”

Brailsford was cautious about guild socialism. While he believed that it
had “started a fruitful discussion,” it had “laid salutary but one-sided stress on
the interests of the workers.” A weakness of the guild idea was its failure to
suggest “that the State should be armed with the influence which the control
of credit, power and raw materials would confer.” Nevertheless, “a free Social-
ist State” would permit and assist “every form of association for co-operative
production.” Many kinds of activity, he wrote, should never be nationalized.
It was vital, for example, that the press and book publication be independent:
“There must be more freedom than there is today for adventure in word and
thought and deed.”

It is difficult to improve on Leventhal’s summary of this aspect of Brailsford’s
proposals:

Skilfully navigating between the Scylla of bureaucratic centralisation and
the Charybdis of guild structure, he stressed the workers’ right to share
in managing the semi-independent Industrial Corporations. While half of the directing board might be chosen by organisations of workers and technicians, an equal number should be selected for their administrative abilities by parliamentary and consumer groups.

Yet there is little doubt that Brailsford’s position was a conservative interpretation of the 1922 program. As his biographer says, “More concerned to obtain the best managers rather than satisfy demands for worker control, he was willing to sacrifice participation to professionalism.”

As regards credit and banking, Brailsford drew on E. M. H. Lloyd’s Stabilisation and, “for a brilliant analysis of the theory, and of certain complications in its interpretation,” Keynes’s A Tract on Monetary Reform. The first principle, said Brailsford, should be “to regulate credit in such a way as to keep the general level of prices steady,” adding, “Recent theoretical studies leave no doubt that prices are governed much more by monetary policy, and the contractions or expansion of bankers’ credit than by the fluctuations of supply and demand for single commodities. It is now realised that a scientific credit policy can, with adequate organisation, prevent any considerable fluctuation in this general level of prices.” Bank nationalization and the development of municipal banks would end the situation where banks were “money-lenders whose sole aim is profit.” Nationalized banks would have to cover risks and costs but could be used to support agriculture, address the housing shortage, and encourage cooperatives. Another proposal, which followed wartime precedents and would appear in The Living Wage report the following year, was the creation of “boards of supply or corporations with exclusive rights to import for bread and flour, wool, flax, jute, oils, iron, nitrates, rubber.” These boards would be composed of “business men,” rather than civil servants.

“No one in his senses dreams of nationalising every industry at once,” Brailsford declared. “To imagine that we can achieve our end . . . by storming the factories and taking them over would be to doom our movement to disaster. Behind the factories we have to cope with the movement of prices, which govern both wages and profits.” It was, moreover, “useless to try to intervene at any point in the long processes which end with the finished article in the shop, if you leave raw materials in the hands of price rings, gamblers and speculators.” He looked forward to a “few successful experiments in collective contracts” to “pave the way for the formation of manufacturing guilds and the elimination of the capitalist owner.” He foresaw also an extension of municipal enterprise with “the right of the workers to share in the control of their activities,” as was the case with cooperatives.

As for land, this could gradually be taken into public ownership. A tax levied on urban site values could provide a fund for the gradual purchase of land,
and “in this way the owners would compensate each other.” Along with this, agriculture would be reorganized by county-wide or more local committees with a third of representatives from the farmers’ union, another third from the agricultural workers’ union and the remaining third nominated by the Ministry of Agriculture.\(^47\)

The book ends with several shorter chapters. “The Socialist Road to Peace” includes a proposal for an economic League of Nations controlling credit and raw materials. Then Brailsford turns again to the key question of a living wage:

To begin by demanding a genuine “Living Wage” would, I believe, be sound strategy. Hitherto Socialists have argued in their propaganda that if industry and the land were nationalised, the consequence would be an increase in our national wealth, and a fairer distribution of the national income. The happy result looked to the average man rather remote, and preliminary processes did not grip his attention. There is much to be said for reversing the order of thought and action. Let us rather begin by demanding the fairer division of wealth; let us insist, first of all, on the elementary human claim to a living wage and then enforce the wide economic changes by which alone it can be realised and secured. The fixing, whether by combined Trade Union action, or by a Royal Commission, of any adequate figure would drive us at once into big political changes. The demand is a battering-ram levelled at the present system.\(^48\)

Brailsford was a member of the commission that produced *The Living Wage* report, and most of the themes and much of the detail of that report had appeared in *Socialism for To-day*. The final months of 1925 and the beginning of 1926 also saw the emergence of a related but separate initiative, described first in a pamphlet and then in a book, both titled *Revolution by Reason*, by two ILP members who were not part of that commission. They were John Strachey and Oswald Mosley.

**John Strachey and Oswald Mosley: The Birmingham Proposals**

In interpreting the contributions of Strachey and Mosley to the Living Wage policy, it is, of course, difficult to disregard Mosley’s later career as Britain’s leading fascist. Hindsight can sometimes be a great disadvantage to the historian. Strachey, a Labour MP from 1929 to 1931, followed Mosley into the New Party but broke with him over fascism and instead went on to become a leading apologist for communism (although he never formally joined the party). Mosley and Strachey published two different versions—a pamphlet and a book, respectively—of what came to be known as the “Birmingham proposals”; both were titled *Revolution by Reason*. Hugh Thomas may be correct
when he says, of Strachey’s version (1925), that “the book reads today like a generously presented amalgamation between Labour ‘pragmatism’ of the 1960s and fascism.”

To be sure, there was some suspicion and resentment at the way the wealthy, aristocratic and glamorous Mosley was able to climb quickly to prominence in both the ILP and the wider Labour Party. As Brockway notes, the usual ILP rule was that parliamentary candidates sponsored by the ILP were required to have been members for a year. This was set aside in Mosley’s case. Not everyone would have shared the welcome given to Mosley by the New Leader, which featured an article by Mosley under the title “A New Recruit’s Defence of Labour,” in April 1924. Some may well have suspected that Mosley wished to use the ILP as a base for becoming increasingly prominent among Labour’s parliamentary contingent and even, perhaps, that he aspired to eventually become leader of the Labour Party. It seems reasonable to speculate that this might, indeed, have been one of the motives that led to the Birmingham proposals being published—that is, to launch a separate enterprise rather than to respond to the invitation to “assist NAC by submitting memoranda for its consideration” made at the 1925 ILP conference by E. F. Wise, one of the members of the Living Wage Commission.

This invitation was Wise’s response to a motion at the annual ILP conference in Gloucester from the Ladywood branch in Birmingham, moved by Mosley. The motion demanded the nationalization of the Bank of England, the bringing of joint stock banks under public control, and the creation of a Banking Advisory Committee to coordinate banking policy. With conference time, as ever, under severe pressure, the motion was subjected to a successful moving of the “previous question,” a procedural device that terminated debate on the motion immediately without a vote being taken. Allen, in the chair, hastened to insist that this was not because of any lack of sympathy with what was proposed but because what would emerge the following year as The Living Wage report was being referred to the branches. Allen stressed that bank nationalization was already a “traditional” policy of the ILP. The impression of Mosley’s self-promotion is reinforced by Strachey’s dedication of the book version of Revolution by Reason, “To O.M., who may some day do the things of which we dream.”

Yet at a time when the NAC was trying to engage the whole of the membership in consultation over the proposals for a Living Wage policy, it was to the ILP’s advantage to have as much relevant material in print as possible. And, after all, like Brailsford’s Socialism for To-day, Mosley’s pamphlet—though not Strachey’s book—was published by the ILP. Even if Mosley’s recruitment of local support for his Birmingham proposals could be seen as an attempt to
strengthen his base in the ILP and the Labour Party, it might also be an effective way to involve more ILP members in the debate on economic policy.

The Conservative politician Robert Boothby, in a book written after the Second World War, recalled being a guest of the Mosleys in Venice, where he found his host—Tom Mosley, as he was known in his own circle—spending each morning working with another guest, namely, John Strachey, on proposals that seemed to Boothby at the time to be the “height of political audacity” though “it seems very reasonable stuff today.” Following his moving of the Ladywood motion at the ILP conference, Mosley held a well-attended meeting at the Birmingham town hall on 3 May 1925, and in June, he won the approval of his proposals, by 65 votes to 14, by the local Labour Party.

Once more, as with Clifford Allen the previous year, the ILP summer school played an important role in the formation of Mosley’s Revolution by Reason. As its title page explained, “This pamphlet is founded on the speech delivered by the author to the I.L.P. Summer School at Easton Lodge, August 11, 1925.” Mosley claimed that he was seeking the “helpful criticism of the movement” and rejected any notion that the Birmingham proposals were being advanced “in a narrow or dogmatic spirit.”

In his biography of John Maynard Keynes, Robert Skidelsky describes Mosley’s Revolution by Reason as the “first political attempt to apply Keynes’s ideas to economic policy.” Strachey’s book was, Skidelsky maintains, “an enlarged and more muddled version of it.” Strachey had indeed acknowledged the influence of “Mr. Keynes and his Cambridge economists, who have brilliantly developed the purely monetary aspect.” Others credited included MacDonald, Allen, Brailsford, E. M. H. Lloyd, and, of course “Mr. Oswald Mosley, the originator of these proposals.”

Keynes features quite prominently in Strachey’s book. The second chapter begins by acknowledging the influence of A Tract on Monetary Reform, as Brailsford had done, and Strachey later quotes extensively from The Economic Consequences of the Peace. The consequences of underconsumption as outlined by Hobson featured in both versions of Revolution by Reason, with Mosley insisting that “the lower wages fall in their mad competition, the smaller becomes the market for which they are competing.”

Although Brailsford had stressed the interconnectedness of the policies proposed, a greater sense of urgency is evident in both Mosley’s and Strachey’s arguments. “We hold that evolutionary Socialism is in itself not enough,” wrote Mosley. “Time presses in the turmoil of war’s aftermath. The year 1925 holds not the atmosphere of a secluded study where pedants may stroll their way through go-slow philosophies.” Strachey emphasized that “real Socialism, if it is to be quickly effective, must come over the whole productive field simultaneously.”
and that “the keys to economic power . . . must be acquired, not gradually, but by a single decisive act.” He forecasted—accurately enough, as things turned out—“an unprecedented industrial crisis . . . inevitable as early as the spring of 1926.”

The crucial importance of control of credit was underlined by both Mosley and Strachey. Mosley stressed that banks possessed the power “to give and to allocate purchasing power through the manipulation of price level, which in recent years has been ruthlessly employed in favour of the rentier and against the producer.” Skidelsky notes what he considers the most unusual feature of Mosley’s Revolution by Reason: “Whereas most socialists, even the authors of The Living Wage laid the greatest focus on fiscal policy, Mosley focused attention on monetary policy.” While Mosley insisted that the proposals were based on “classic and accepted Socialist doctrine,” he was, he explained, striving to add to that doctrine:

Nothing can be more absurd than the suggestion of our opponents that we propose to make everybody rich by printing an unlimited mass of paper money. It is true that we develop modern monetary theory to a further stage where it unites with Socialist theory and can be made the instrument of transferring economic power and effective demand to the workers.

Maybe we over-emphasise the monetary side; if so it is a useful corrective to the neglect it has hitherto incurred. Throughout the ages currency problems have been regarded as the happy hunting grounds of cranks and futile theorists.

Socialist literature contained little on the subject, he continued, and Strachey and he were attempting fill this gap. It was vital that “the increase in the supply of money was accompanied by an increase in the supply of goods” in order to avoid inflation. Noel Thompson, in his “intellectual biography” of Strachey, pinpoints the relative novelty of his subject’s position on this. “While, therefore, for Hobson, Brailsford et al., monetary policy facilitated, for Strachey it initiated a rise in living standards and the increased level of economic activity which would follow.”

Mosley proposed to campaign with the slogan “The Banks for the People.” The two main objectives would be “to expedite Socialism” and “to alleviate the conditions of the workers during the transitional period.” What Mosley called “the machinery of the Birmingham proposals” was to be an Economic Council whose role would be to estimate the difference between actual and potential production and “to plan the stages by which that potential production can be evoked through the instrument of working class demand,” making sure that
demand did not outstrip supply and thus lead to a rise in prices. The Economic Council would, from time to time, fix wages for firms with overdrafts from the state bank until it could be determined that firms could pay. It might establish a minimum wage and or family allowances. What was needed was “a central, disinterested and, in the last resort, democratically controlled Authority which shall control the supply of the national credit.”

Strachey stressed that “the first step must be the creation and maintenance of effective demand.” He was also keen to “avoid an economic dictatorship under which an all-wise Government provides only those things which it thinks its citizens ought to want. We prefer to let those citizens express their real wants by giving them purchasing power.” There was, he insisted, “an essential difference between planning to meet a genuine, spontaneously manifested, new demand, and planning to give people what the Government thinks they ought to want.”

Both Strachey and Mosley foresaw that one of the consequences of “wealth production directed to working-class uses” might be the “closing down of luxury industry and transfer of labour to useful industry.” As things were, firms producing goods for the working class were “few, small and decaying,” while luxury firms were “numerous, prosperous and expanding.” Skidelsky, in his biography of Mosley, detected a “sharp difference” between him and Strachey in that Mosley attacked the “export fetish.” Indeed, he did, noting the paradox that “capitalism searches the world feverously for new markets, while at our own door men, women and children are almost perishing for lack of goods for which we are told that no market exists.” Yet Skidelsky’s notion of a significant degree of difference in this respect is hard to square with Strachey’s inclusion in his book of a section titled “The Foreign Trade Bogey.”

Both authors disclaimed any attempt at laying down what Strachey called a “cast-iron policy,” with Mosley agreeing that the “collective wisdom of a party and the experience of an expert Civil Service might vastly change and develop these proposals.” But the latter did claim for the Birmingham proposals a great advantage over “current Socialist strategy.” For many in the ILP that strategy was to “fix a statutory minimum wage and socialise every industry that cannot pay it.” The consequence would be that “we should take over first the lame ducks of Capitalism who are too feeble to survive in the new conditions”: under his own proposals, Mosley explained further, “we should take over first the strong and vigorous members rather than the dying and obsolescent industries. We should socialise first not the duds but the plums.”

Certainly, with Brailsford’s New Leader articles, condensed into Socialism for Today, Mosley’s pamphlet, and Strachey’s book, members of the ILP, including the very distinguished member who the year before had been prime minister,
had plenty to consider as 1925 turned into 1926. As Skidelsky concludes, “Mosley was the first to break through to a modern economic policy with his so-called Birmingham Proposals of 1925, but the Independent Labour Party was not far behind with its ‘Living Wage’ policy.”

Already in 1925, it was clear that, whether or not the Living Wage constituted a “modern economic policy,” there was going to be considerable disagreement over it in the ILP. In the April issue of the Socialist Review, John Scurr argued in favour of the idea. “To increase the purchasing power of the bulk of the nation,” he wrote, “is the only remedy, and the first and permanent step towards this is the establishment of a basic ‘Living Wage.’” Two months later, however, in the same journal, Margaret Matheson posed a critical question in an article titled “‘Living Wage’ or Socialism?” What was the matter with the ILP, she asked, that they should propose such “a short-sighted policy”? Emphasizing that the party’s demand must be for “Socialism,” she concluded: “Are the leaders of the I.L.P. afraid of this programme and all that it involves? If so, let them be honest and say so; let them make room for others, more courageous, perhaps younger, who will be a race of St. Georges, out for the complete destruction of the Dragon of Capitalism.”

St. Georges were slow to come forward, but Arthur St. John responded in a letter printed in the next issue, saying that he was delighted with Matheson’s contribution but adding, “though a ‘Living Wage’ is not a Socialist slogan, a living income for all is.” The Socialist Review ended the year with Philip Snowden’s appreciative, though highly critical, review of Socialism for To-day. Though Snowden agreed with Brailsford about gradualism, “judged by the programme he expounds in the later chapters, I should place Mr. Brailsford among the ‘moderates’ and myself among the ‘extremists.’” It was clear that the Living Wage would become ILP policy in 1926, but it was equally plain that this would be far from unchallenged.