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BRITAIN'S INDUSTRIAL FUTURE

BRITAIN'S 5950 INDUSTRIAL FUTURE

being the Report of the Liberal Industrial Inquiry

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PREFACE

T T was felt by many of those who attended year by year the meetings of the Liberal Summer School that there was need for fresh investigation of the economic and social problems by which the nation is now faced, and for the formulation of a policy to deal with them, starting from the Liberal standpoint and aiming at the application of Liberal ideas. With these objects in view, the Summer School Committee, which was fortunate in securing the active co-operation of Mr. Lloyd George, took the initiative in getting together the men and women who have collaborated in this Inquiry. These include not only some of the leading members of the Liberal Party, but also business men, trade unionists and others, some of whom have no formal connection with it. The material of this Report has been prepared by special Committees dealing with various divisions of the wide field which has been under investigation, while a large number of persons qualified by their experience to speak with authority have given evidence, supplied information, written reports on British or foreign conditions, and assisted with advice and counsel.

For the final form in which the Report appears the Executive Committee is alone responsible. It will not be expected, when a Report such as this is presented, that every member of the Committee from which it emanates will concur in every detailed recommendation or consider himself bound by every phrase. Nor can our conclusions and recommendations be more than suggestions, offered for the consideration of the Liberal Party as a whole by the methods of its established procedure. But on the broad policy and the general proposals we are unanimous, and we trust that the measures we suggest, as the outcome of long considera-

tion, may in substance meet with the acceptance of the Party, and through it, in due course, of the electorate.

The problems of British industry are so many and their ramifications so wide that we have been bound to set strict limits to the field of our investigation. We have not forgotten that the temperance question and the standard of national education have a close bearing upon industry; that the structure of our system of local government touches industrial questions at many points; that the issue between Free Trade and Protection is of fundamental importance. If we make little reference to these matters, it is because their problems are special, the considerations that arise are many, and any adequate examination of them would stretch too far the length of this Report.

On all the subjects which we have included within our scope we have tried to offer specific recommendations. Not all of them relate to action by the State. Our proposals would have been incomplete if we had limited ourselves to those that would fall definitely within the political sphere as usually understood. Although the greater part will be found to demand legislation or administrative action from Parliament or the Government of the day, there are many which depend for their adoption upon the approval and the action of those who are themselves engaged in industry.

The problems are urgent. The solutions cannot be easy or simple. To find the solutions and to apply them must be the principal object of the politics of our time.

The Executive Committee desire to express their warm appreciation of the work done by the members of the special committees who, though taking no general responsibility for the recommendations of this report, provided the drafts and memoranda on which it is based.

They are also grateful for the invaluable assistance of all those who gave evidence, supplied criticisms, or in other ways assisted in carrying out the investigation.

The very warm thanks of the Committee are also due to Mr. Eagar and the members of the staff for their efficient, loyal, and untiring collaboration, without which this report could not possibly have been completed.

Finally they wish to record their sense of the profound loss which not only this investigation but the cause of Liberalism generally has suffered in the early death of Mr. C. F. G. Masterman. The members of the Committee mourn a vigorous, inspiring, and loyal colleague and friend.

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INTRODUCTION

INTRODUCTION

EMOCRACY has been established as the ruling principle in the State, through the efforts of the Liberals of the past, in order that the people may have the means of remedying grievances, of creating the conditions that are necessary for their welfare, of securing that no member of the community shall be denied the opportunity to live a full and free life. The task of the Liberals of the present is to frame, and to carry, such measures as will bring us nearer to that goal—still so distant—and so enable democracy to fulfil its essential purpose.

I. DEFECTS OF THE INDUSTRIAL SYSTEM

The grievances of to-day are mainly economic. No impartial man would contend that our industrial system has yet attained an adequate standard either of justice or of efficiency. In its progress it has reached a point where it provides, it is true, a fair level of comfort for a large proportion of our population, but it still allows a mass of great poverty at the one end, at the other an ostentatious luxury which is bitterly, and rightly, resented. For several years a million of our working people have been unemployed; a large additional number have been living as best they could on the low earnings of short time and intermittent work. In spite of the building of numbers of new houses, the slums of the great cities remain almost as they were; from overcrowding, and the ill-health and degradation that come from it, millions of the people are still powerless to escape. Yet all the time, individuals accumulate or inherit great fortunes, and it is clear in all men's sight that, more often than not, the prizes are awarded capriciously, with little regard either to economic service or to personal desert.

So there is discontent widespread among the people. And this discontent is itself a further cause of inefficiency. It some-

b

times leads to restrictive practices among the workers, which in the long run further worsen their own conditions. It gives rise constantly to friction within the industrial system, and not seldom to open and destructive conflict. Those who should be working together in the closest co-operation for common ends waste their energies on mutual quarrels. Much of the driving force of public-spirited men, urgently needed for the tasks of construction and improvement, is diverted to criticism, to antagonism, sometimes to revolutionary schemes of upheaval. All this hinders British industry and lessens its success. Efficiency depends upon contentment; and there can be no lasting contentment where a sense of injustice prevails.

Every motive, then, forbids a silent acceptance of things as they are. The call of human sympathy with those who are in distress, the sense of fair dealing between man and man, between class and class, the realisation that injustice in the long run means inefficiency—all these prevent an acquiescence in existing conditions, forbid an attitude of mere Conservatism.

2. MERITS OF THE INDUSTRIAL SYSTEM

But to say that evils attach to the present industrial system, is not to say that it is without merits and should be destroyed. We are not driven, as the only alternatives, to the crude theories of the Communists, or to the sweeping, and, as we think, ill-considered, proposals of the Socialists.

Private enterprise has achieved great results. If present economic conditions are often bad, it is incontestable that past conditions have been very much worse. The nineteenth century was an age of unequalled material progress. The average level of real wages to-day is four times what it was in 1800; the money-wage has doubled and its purchasing power has doubled also. There has been, and there still is, an energy and resource-fulness in our industry and commerce which it would be harmful to impair and fatal to destroy. The problem is how to cure what is unhealthy in the economic body without injuring the organs which are sound.

3. Scope of State Action

When it is asked how far it is the business of the State to attempt to set things right, we hold that the answer cannot be

given in a phrase or a sentence. We are not with those who say that, whatever may be our present difficulties, the intervention of the State would only increase them. Nor do we share the views of the dwindling band who think that the right course is to hand over to the State the maximum of productive activity and industrial control. We have no love for State intervention in itself. On the contrary, we attach the greatest importance to the initiative of individuals and to their opportunity to back their opinion against that of the majority and to prove themselves right. But the methods of production have been subject of late to great changes. The theory that private competition, unregulated and unaided, will work out, with certainty, to the greatest advantage of the community is found by experience to be far from the truth. The scope of useful intervention by the whole Society, whether by constructive action of its own or by regulating or assisting private action, is seen to be much larger than was formerly supposed. We have no intention of writing a treatise on political philosophy, but before going further we think it well to define more closely, though briefly, the political ideas which run through all our chapters and connect into a whole our various proposals.

4. THE LIBERAL POINT OF VIEW

Liberalism stands for Liberty; but it is an error to think that a policy of liberty must be always negative, that the State can help liberty only by abstaining from action, that invariably men are freest when their Government does least. Withdraw the police from the streets of the towns, and you will, it is true, cease to interfere with the liberty of the criminal, but the law-abiding citizens will soon find that they are less free than before. Abolish compulsory education: the child, and perhaps his parent, will no longer be forced to do what they may perhaps not wish to do; but the adults of the next generation will be denied the power to read, to think, to succeed, which is essential to a real freedom. Repeal, to take one more example, the Shops Acts: short-sighted shopkeepers will be allowed to trade for longer hours, but other shopkeepers and the whole class of shop-assistants will be robbed of their proper share of the leisure without which life is a servitude. Often more law may mean more liberty.

But not of course always. The principle may be pushed too far. There is such a thing as a meddlesome, unjustified officious interference, against which we have to be on our guard. The fact remains that there is much positive work that the State can do which is not merely consistent with liberty, but essential to it. The idea of the extreme individualist, that in proportion as State action expands freedom contracts, is false.

Equally false is the idea that because State action on the widest scale is favoured by Socialists, those who are not Socialists must oppose any and every extension of State action. It will lead, it is said, to Socialism in the long run. It is a partial

surrender to false and flimsy theories.

True that the Socialist is inclined to welcome extensions of State activity for their own sakes; he regards them all as stages on the road to an ideal which he cherishes. But the fact that we do not share his ideal, and do not favour particular measures merely because they might be steps towards it, is no reason why, out of prejudice, we should close our eyes to whatever merits those measures may possess in themselves. If no one had ever generalised about Socialism, or used the word, or made it the rallying cry for a party, these measures might have been universally welcomed. It would be folly to reject what is right because some would have it lead to what is wrong.

We refuse therefore to spend time or energy over the controversy between Individualism and Socialism, which has raged so long and with so lavish an expenditure of breath and ink and temper. While the controversialists have exhausted themselves in struggling for theoretical objectives, work-a-day industry and political practice have moved far away from that issue; if it ever were a real issue, it is certainly now obsolete. To us those stalwarts of controversy seem to resemble the two knights in the story, who engaged in deadly combat in order to determine whether the shield which hung from a tree between them was gold or silver, only to discover that in fact it was gold on one side and silver on the other. Or perhaps it would be truer to say that they resemble two armies, each equipped with obsolete maps, and battling fiercely for the possession of fortifications which have long since been razed to the ground.

In the last hundred years, in this and every other industrial country, the State has progressively assumed a vast range of

functions that closely affect industry and commerce. No one would now propose to repeal them. What would the conditions of employment in Great Britain have been if the Factory Acts and Mines Regulation Acts and Trade Boards Acts had never been passed? What would be the death-rate in our towns, and the infant mortality in particular, if the sanitary authorities had never been set up? To what petty dimensions would our national industry be now restricted if the Limited Liability Company had never come into being, the offspring of wise commercial laws? And what would be the extent of our merchant shipping without the help of the controlling hand of the Board of Trade?

No doubt there are some who will criticise our proposals as a whole on the ground that they would carry fresh interventions too far. We would remind such critics that there has hardly been one of the forms of State action that we have mentioned, proved by experience to have been beneficent, which was not hotly opposed at its inception as an unwarrantable invasion of individual liberty. The fact does not prove, of course, that every new proposal is right. But it does at least suggest that it is wise to keep an open mind. And it would be absurd to assume that precisely the right limit had now been reached, that last year had seen the final instance of useful Government intervention, that next year and the years to come will find nothing left to do.

Almost the whole of the modern system of regulation and assistance—and we have given but a few examples out of a long list of such measures—has been due to Liberal statesmanship; there is scarcely one of the reforms which has not either been carried or initiated by the Liberal Party. We believe that the Party will not be slow to take up the new duties which belong

to a new age.

5. THE CHANGING ECONOMIC ORDER

The economic order in which the doctrine of laissez-faire had its origin has already in large measure passed away. The typical unit of production used to be the small firm, built up within a generation or two by its owner, and financed by his savings or those of his immediate connections. Very many such businesses of course still remain. But the industrial unit which is now predominant is different. The ownership of businesses

has passed, and is passing in ever-increasing degree, into the hands of scattered multitudes of shareholders, who have no real opportunity of forming any judgment as to the problems or prospects of the undertakings, and no effective method of making their opinions felt were they able to form any. Management is in the hands of salaried persons; decisions of policy are left to men who are not staking their fortunes on being right, as did the founder of a one-man business. One consequence of these changes is that the inefficient producer is no longer speedily eliminated. An established business is frequently too strong to be supplanted, although a new one may be better managed. Bankruptcy has gone out of fashion; at the worst "capital reorganisation" has taken its place.

And the increase in the scale of the producing unit has of late been very rapid. In some industries, amalgamations and absorptions have created businesses ten, twenty, or fifty times as vast, in their capital resources, in their labour force, in the dimensions of their trade, as any that would have been thought

possible half a century ago.

Whole tracts of industrial enterprise, again, have already passed, by common consent, out of the sphere of purely private enterprise. We shall analyse the many intermediate forms of management which have sprung up, almost unnoticed, between the business under purely private control and the business under direct State or municipal control. We shall draw attention to the remarkable proportion of British large-scale industry which has come, in greater or less degree, under social authority.

A further great change, that goes far to decide the character of the modern world, is the establishment of political democracy. When individualism took its rise, political rights were still confined to a comparatively narrow class, so that there was no glaring contrast between the industrial status of the manual worker and his political status, between the economic autocracy exercised by the individual employer in farm or factory and the political oligarchy of the "privileged classes" in the government of the State. Universal franchise and the democratisation of political parties have changed all that. There is now felt to be something inconsistent between the industrial status of the worker as a factory "hand," subject to strict discipline and holding his employment on the most precarious of tenures, and his political

status as a free and equal citizen and a maker and unmaker of governments. To a certain extent this inconsistency is inherent in the necessities of industrial organisation. No good can come, as even the controllers of Soviet Russia have had to recognise, of blurring the distinction between those whose function is to conceive and to plan and those whose function is to execute their plans. Nor is there anything to be gained by applying blindly the political devices of the public meeting and the ballot-box to the quite different problems of industrial life. It would, we think, be wrong and dishonest to hold out hopes to the ordinary man that he will ever be in a position to choose at each moment of the day whether he will do this thing or that, or even to take a direct part in the election or dismissal of those from whom he receives his immediate instructions. But it is not unreasonable to hope and to plan both that he shall take a direct part in framing and administering the code of discipline under which his daily work must be done, and also that, through the organisations which he has built and the leaders in whom he has confidence, he shall come to exercise an increasing influence on the wider government both of the business unit and of the whole industry of which he forms part.

The State here, from the nature of the case, can do little; but it can do something, and the nation should resolve that something shall be done. In the main, however, we must look, on the one hand, to a spread of the statesmanlike and pioneering spirit which has already found expression in the best practice of individual firms; on the other, to a growing determination on the part of the great Labour organisations to do their share in promoting, and indeed enforcing, efficiency in the conduct of business enterprise—to make their weight felt as powerfully in the constructive work of organising industry for the tasks of peace as they have made it felt on occasions in the conduct of industrial warfare.

6. THE AIM OF AN INDUSTRIAL POLICY

Our conclusion, then, is not the rough-and-ready rule that, since so much already has been done in the direction of State action, the simple course is to do the rest and to nationalise everything. Individual management and the competition on which it is based still work reasonably well within a wide range of

miscellaneous industries. They are an unrivalled method for ensuring the decentralisation of management—that is, for securing that power and responsibility should be exercised as near as possible to the act to be performed, and not through a long line of intermediaries. They are an excellent means for securing a variety of experiment, and for trying out the comparative efficiency both of methods and of men. They provide, though with some friction and inequality, the only practicable method which has yet been suggested of evaluating the various goods and services which it is the function of industry to supply. We regard, therefore, the direct management of industries by Departments of State, or agencies analogous to them, as prima facie undesirable and likely to remain the exception rather than the rule.

Faced by these conditions in modern industry, convinced that our present social order denies a real liberty to a great proportion of the population, anxious to effect the reforms that are necessary without at the same time injuring the springs of such efficiency (and it is not small) as that order retains, we have framed the constructive proposals, touching the many parts of the one great problem, which this book contains. Financial and industrial reforms, international trade and national development, the juster distribution of wealth, the worker's right to be a citizen, and not merely a subject, in the world of production the measures we advocate in relation to all these things spring from one clear purpose. We believe with a passionate faith that the end of all political and economic action is not the perfecting or the perpetuation of this or that piece of mechanism or organisation, but that individual men and women may have life, and that they may have it more abundantly.

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