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THE ECONOMIC OUTLOOK

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BY

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ERRATUM

Page 306, delete line 2, and read—

“the other. At present, as the employers of”

PREFACE

How the various articles comprised in this collection came to be written is explained in the Introduction. I have only to say here that they appear now just as they were first written or printed except for a few verbal corrections which might have been made by any intelligent press reader, and the addition of a few footnotes containing references and explanations. I have not thought the articles would gain in interest by being tampered with in the lights, such as they are, of 1912.

The book includes, of course, but a small selection from the flotsam and jetsam of nearly a quarter of a century. The subject of the growth and distribution of population, on which I have often written, is excluded because articles on such matters are necessarily ephemeral, being constantly superseded by the publication of more recent figures. Taxation, too, is excluded, because I have recently summarised most of what I have written on it in the chapters added to the second edition of my "History of Local Rates in England

in Relation to the Proper Distribution of the Burdens of Taxation." Though their titles may suggest a wide diversity of subject, the articles will be found, I hope, to possess a certain unity owing to the fact that they all bear in some way or other upon the direction in which we may expect progress in economic organisation to take place. This must be my excuse for the perhaps too grandiloquent title which, in default of a better, I have chosen.

My thanks are due to the editors or proprietors of the *Economic Journal*, the *Economic Review*, the *Independent Review*, the *Quarterly Journal of Economics*, and the *Clare Market Review* for permission to reprint some of the articles.

EDWIN CANNAN

May 27, 1912

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INTRODUCTION

THE first of the essays in this volume owes its origin to the fact that the subject set for the Oxford Cobden Prize Essay of 1886 was "Political Economy and Socialism: what is the teaching of Political Economy as to the effects of private property and free exchange on the one hand, and of State property and regulated contracts on the other hand, on the production and distribution of wealth?" In the Lower Fifth at Clifton I had for two terms in the winter of 1877-8 taken "Political Economy" as what we called "Verse Equivalent"—that is to say, in place of attempting to learn how to translate English into Latin or Greek poetry. Our teacher was the late H. G. Dakyns, whose fiery temper and lovable nature enlivened and delighted many generations of schoolboys, and who was always at his best in his Political Economy "set." I still have the papers which I wrote for him, and it is interesting to see that I knew that "Adam Smith was a great Political Economist and, indeed, the father of Political Economy, who wrote 'The Wealth of Nations' and flourished at the time of the French Revolution and died at the end of last century."

Our text-book was the fourth edition of Mrs. Fawcett's "Political Economy for Beginners," and I well remember the furious mental struggle which I underwent on being asked to accept J. S. Mill's sophism, "Demand for commodities is not a demand for labour." My incipient unorthodoxy was not much encouraged, as may be seen by the remark "Twisted ideas" pencilled at the side of a praiseworthy attempt to make some sense of that doctrine. However, our good teacher admitted that one of the answers in the first paper showed that I had "wits for the subject," and at the end of the second term he gave me the People's Edition of J. S. Mill's "Principles of Political Economy" as a prize, bound in the familiar whole calf of the prizes of that period. If my memory serves me, I had already read some of that work, having done it as some kind of "extra" for my form master, Mr. W. W. Asquith, an excellent teacher who was always ready to hear—and generally to refute—the arguments of a pupil who felt himself aggrieved. He did not think very highly of my performance on this occasion, and as I have no recollection of arguing the point with him, I probably suspected he was right. J. S. Mill had doubtless confused my sixteen-year-old intellect.

Those two terms completed my economic studies so far as Clifton was concerned. At Oxford I underwent in regard to my social philosophy the kind of change which in regard to religion is

described as "conversion." As I listened to Mr. A. L. Smith, the Historical Spirit entered into me, and I became a new man. I not only learnt that the Norman Conquest was something greater than a scuffle of a few archers and men-at-arms in the neighbourhood of Hastings, but took to heart the truth that all important change is gradual, and that social institutions are not created by the sudden efforts of inspired geniuses but grow "of themselves," usually slower than oak-trees. Driven from the History School by an illness of which the importance was exaggerated, I had to turn to the Pass School, and of course selected Political Economy as one of my subjects. The prescribed books in those days were a portion of the "Wealth of Nations," as now, and Fawcett's "Manual of Political Economy." Mill's more or less plausible restatement of the ideas of 1820 had only confused my very youthful mind in 1877-8; Fawcett's exceedingly unpalatable boiling-down of Mill awoke in 1883 all my native scepticism, and made me look about for new lights. I must have begun to think, as I remember now the joy with which in the stress of the examination it occurred to me to write that the ideal of credit would be attained when coin was so superseded that there remained but "a single sovereign at the Bank of England, which no one would want, because any one could have." If the examiner—I believe it was York Powell—noticed the epigram, he prob-

ably wondered where I got it from, but in *viva voce* he only bothered me about who lost by the fall in the gold price of silver.

After this I abandoned economics for a year and a half, during which I first went round the world by the Cape and New Zealand and then wrote a prize essay on the Duke of Saint Simon, the success of which inspired me to compete for the Oxford Cobden prize of 1886. That prize, however, was won by H. Ll. Smith, Scholar of Corpus Christi College, now known to every one who knows anything as Sir Hubert Llewellyn Smith of the Board of Trade, with an essay which in several ways is extraordinarily suggestive of his subsequent distinguished career. Mr. L. L. Price was honourably mentioned. My own essay has long been decently buried in a winding-sheet of brown paper in my lumber-room. Exhuming it for a moment, I find that it gives in its closing sentences the following summary of its answer to the question proposed:—

“The truth which is laid down is simply that Political Economy does not ‘take a side’ in the struggle between the principle of private property and the principle of State property. It is possible to form a judgment now as to whether a particular form of private or State property will have good or bad effects now, and it will be possible in A.D. 1986 to form a judgment whether the same thing will have good effects then. But

though Political Economy is indispensable at both periods for the formation of sound judgment, Political Economy does not and cannot say now what the effect of a particular form of property will be if it occur in 1986. Political Economy does not tell us beforehand what lines the evolution of society will follow. Some may suppose that future progress will be in the direction of increasing the sphere of private property, and others may suppose that it will be in the direction of increasing the sphere of State property, but neither party should be allowed for an instant to claim that Political Economy is on their particular side. The grounds, good or bad, for their beliefs are to be looked for in the teaching of history or experience, not in the teaching of Political Economy. A knowledge of Political Economy does not lead a man to adopt opposition to communism or private property as a 'principle' of political action."

It seems clear from this and other passages in the essay that the historical spirit within me was offended by the wording of the "subject." It was repulsive to be asked about the "effects of private property" and requested to distinguish them from the effects of "State property" without the least reference to time, place, or circumstances. I was hampered also by a strong desire to show that much of the teaching on which I had been brought up was wrong, and this led

me to introduce a great deal of matter which would probably seem to most readers irrelevant. About half the essay looks more like an attempt to reconstruct general economics than an attempt to deal with the subject proposed. This half I naturally regarded as the more important, and eventually I developed it into the little work published in the spring of 1888 under the title of "Elementary Political Economy," which in subsequent editions has formed a striking example of the justness of the popular instinct which has led to an opprobrious signification being attached to the word "stereotyped." The other part I developed into what I called a "short and simple examination of the question whether Political Economy does or does not support in principle that system which we commonly describe as Private Property or Competition." This, I thought, contained a good deal of what would be considered in some quarters "dangerous doctrine" :—

"But the timid," I continued, "may console themselves, for in truth frank acceptance of the 'dangerous doctrine' here set forth would be far more fatal to wild schemes of Revolutionary Socialism or Social Revolution than a blind adherence to decaying dogmas. Purge Political Economy entirely of the taint of partiality which still clings to it, and there will be hope of inducing the revolutionary Socialist to listen to the reasoning of

the economist and of leading him back to the path of gradual reform—the safest, shortest, and in reality the only road by which the human race can progress.”

The only publisher to whom, so far as I remember, this work was offered, was kindly and encouraging, but not inclined to embark the funds of his firm in the important enterprise of inducing the revolutionary Socialist to listen to the reasoning of the economist. I borrowed from the manuscript matter enough to make up a paper on “Communism in relation to Production” which I read on November 27, 1888, to the Oxford Economic Society, a small body which met for discussion twice a term from December, 1886, till October, 1891, since which date no meetings have taken place. In February, 1889, I seem to have written to Sidney Webb complaining that the collectivisation of the means of production was no cure for extreme poverty. I still have his answers, in which he endeavoured to convince me that there was no difference between us, and that all Fabians were of one mind. I have no doubt that it was owing to his desire to be rid of a pertinacious correspondent and possibly to secure a recruit that I received in March a letter from Sydney Olivier, now K.C.M.G. and Governor of Jamaica, but then in the Colonial Office and Secretary to the Fabian Society, inviting me on behalf of the executive committee of that Society, to read a paper at one

of its summer meetings. He told me to choose my own subject, but remarked: "Mr Webb showed me your last letter to him: your observations in it suggest to me that you might address either on 'The Wrong Way towards Communism' (if that is not a contradiction in terms—being criticism of the Socialist programme and agitation as a means to the end desired—you may assume that we are most of us Communists in ideal or 'The Right Way towards Communism,' being your own notion thereof."

Of course I accepted the invitation with joy, and at 8 p.m. on July 5, 1889, I must have been trembling with excitement at the door of Willis Rooms, King Street, St. James's Square. It was twenty-three years ago, and I cannot now remember what the Fabian Society, then in the heyday of youth, looked like on that summer evening. All that I can recall is that in the middle, one or two rows from the front, there was a very charming lady, whom I discovered, rather to the surprise of my inexperienced mind, to be Mrs. Annie Besant. The Society's minutes record nothing beyond the title of the paper and the name of the reader. My own notes, pencilled on the back of the MS., are short, and the lapse of time has rendered them cryptic. "Interest. Webb thinks he knows: so do I" only reminds me that we and our friends change little with advancing years. I gather from the notes, however, that Sidne

Webb spoke first, Bernard Shaw, not yet famous, second, and "Wallace"—presumably Graham Wallas—third. My recollection is that Sidney Webb declared that I was quite qualified to be a Fabian, and that Bernard Shaw and, I think, other speakers, repudiated me in more or less violent terms.

Anyway, I did not become a member of the Society. I returned to the study of the writers whom, when my generation was young, we used to call "the old economists." The method of direct attack upon what was erroneous seemed likely only to add further sterile and unnecessary controversy to the literature of the subject, and the plan of writing a short textbook ignoring a great part of current doctrine had turned out quite ineffectual. It struck me that the most useful thing to do was to trace the development of general theory, showing it in its early crudeness as well as in the more plausible refinements of later times, and explaining its connection with the circumstances in which it grew up. The "historical spirit" seemed to me to be urgently required in dealing with economic doctrine. I had been strongly influenced by Adolf Held's "Zwei Bücher zur Socialen Geschichte Englands," in which Adam Smith, Malthus, and Ricardo are treated as mortal men affected by their environment instead of strange, inexplicable phenomena suddenly created by some unknown force in the midst of a world of nothingness.

About three years of labour produced my "History of the Theories of Production and Distribution in English Political Economy from 1776 to 1848," which appeared in the spring of 1893. I maintained in it that with the early nineteenth-century economists "practical aims were paramount and the advancement of science secondary," and in order to show further what practical interests Ricardo possessed, although he is usually treated as a theorist entirely remote from all mundane considerations, I wrote the article on "Ricardo in Parliament," which occupies the second place in the present volume.

For thirteen years from the foundation of the *Economic Review* in 1891, I wrote for it the quarterly summaries of "Legislation, Parliamentary Inquiries, and Official Returns," and I was led by this work to interest myself in several subjects which I might otherwise have left alone. A Royal Commission was appointed in 1893 "to consider whether any alterations in the system of Poor Law relief are desirable, in the case of persons whose destitution is occasioned by incapacity for work, resulting from old age, or whether assistance could otherwise be afforded in those cases." This horrible and ill-punctuated jargon was, as I remarked in the summary for July, 1895, intended to elicit an answer to two questions which Mr. Charles Booth had set every one asking: "Is the Poor Law too hard upon the old? Ought we

to establish a national system of old-age pensions?" Perusal of what Lord Salisbury used to call the litter of Reports produced by the Commission moved me to protest in the article headed "The Stigma of Pauperism" against the old Charity Organisation Society belief that there is and ought to be something disgraceful in the receipt of relief from the State which is not and ought not to be found in the receipt of relief from private almsgiving. The stigma of pauperism, where it exists, I argued, is simply the consequence of the popular conviction that the receipt of poor-relief indicates previous idleness or misconduct on the part of the recipient. Therefore, I concluded, "the proposal that the State should provide an equal pension for all old people irrespective of destitution, if carried out, would affix no stigma of pauperism to the receivers of the pension, simply because receipt of the pension would not imply destitution." Experience has shown that this conclusion was correct. The scheme of old-age pensions subsequently adopted does not provide an equal pension for all. The sliding scale which takes away all inducement to have a private income of more than 8s. a week unless it is possible to have more than 13s. is idiotic, and introduces many important evils.¹ But

¹ Its adoption, too, was quite inexcusable, as New Zealand already had a reasonable scale reducing the pension by only sixpence for every shilling of income over a certain amount.

imperfect as the system is, no one alleges that any stigma of pauperism attaches to the old-age pensioner.

In the eighteen-nineties a very exaggerated importance was attached in some quarters to the sphere of Local Government action which we used to call municipal enterprise, and which eventually obtained the name of "municipal trading," although that term was formerly applied to illicit business carried on between local authorities and members of local councils. The mechanical inventions of modern times have rendered it convenient and generally in practice inevitable that certain commodities should be supplied by local monopolies, and as no one proposes that the monopoly should be given unconditionally to the first person who asks for it, or seizes it without asking, some kind of special control by the State or the local authority becomes absolutely necessary. Whether it is better in any particular case to entrust the monopoly to a company working for profit but under regulations intended to protect the consumers, or to entrust it to the local authority is a question of detail, which depends on the character of the commodity supplied, the kind of demand for it, the quality of the local authority, the quality of the company, the comparative probability of the local authority being debauched by subserviency to its own servants or by veiled bribes from the directors of a powerful

local company, and on a host of other considerations which, taken together, quite rightly cause opposite decisions to be arrived at in different places at the same time and at different times in the same place.

But "Progressives" in municipal affairs fought with "Moderates" as if some great principle was involved. The Progressives seem to have imagined that an immense step towards social regeneration was made when capital was lent by investors to a municipality at a fixed rate of interest instead of being partly lent to a company on debentures at a fixed rate and partly invested in the company's shares bearing a fluctuating dividend. Being, however, rather puzzled to explain the great difference between the two systems, some of them began to point out that the company works for "profit" and the municipality for the "public," of course assuming, with their old-Socialist bias, that working for profit and serving the public could not possibly be the same thing, as, thanks, not to the direct interposition of Providence, nor to Nature, but to the excellence of human institutions, they so constantly are. They were then very naturally led to look upon profit-taking by the municipality as improper, and demanded that municipal undertakings should provide commodities or services at cost price, the interest and sinking-fund requirements of loans being regarded as part of cost. The opponents of municipal trading, especially, I

think, those who were interested in electric companies, took up this doctrine with glee. It suited them very well, since if the principle of no profit were adopted, municipal enterprises as a whole would always show a loss, and therefore become discredited among the mass of business people who rightly regard profit as ordinarily a fair test of good management.

I had no extravagant belief in the virtues of municipal enterprise, but I thought it a pity that a form of organisation which is useful in its proper place should be thrown to the wolves by ill-advised friends. Hence the fourth essay in this volume, "Ought Municipal Enterprises to be allowed to yield a Profit?" was read to the Economics Section of the British Association in 1898. No change in law or practice has taken place since that time, so that the essay is still, like many things fourteen years old, quite up to date.

A professional economist usually wishes to keep clear of practical controversies in his class-room. If he allows himself to take a side he almost always ends by regretting it. When he tries to show that some course ought to be adopted, it is almost inevitable that he should fail to allow full force to the arguments on the other side, and the heat which is generated by conflict is unfavourable to instruction in general principles, though it must be admitted that it has often stimulated inquiry. But the professor's reluctance to pronounce *ex*

cathedrâ upon the practical questions of the moment does not mean that he admits that economics is of no practical use. In the address on "The Practical Utility of Economic Science" which I delivered as President of the Economics and Statistics Section of the British Association at Belfast in 1902, I maintained that general economics threw much useful light on many important matters then under public discussion. The ordinary conception of what economic science is being very hazy, I felt obliged to begin with a short sketch of "the course of instruction which the modern teacher, if unhampered by too close adherence to traditional standards, puts before those who come to him." I fear this "modern teacher" is an ideal rather than a real one: the sketch describes rather what I thought ought to be than what was in 1902 or even what is now in 1912. There were in 1902 no teachers who were not hampered by traditional standards, and there are none now. This is partly due to the ordinary examination system, which checks progress by making the teachers afraid to teach anything new because the examiners will not examine in it, and makes the examiners afraid to ask anything new because the teachers will not have taught it. But we cannot ascribe the whole difficulty to the examination system. My own position in respect to that system has been a peculiarly happy one.* The London School of

Economics, at which I have taught for fifteen years, was in its early days entirely free from examinations, and was attended by nobody who did not wish merely to learn: later it became subsidiary to a university which adopted for its "Internal" side the principle that examiners should examine on what has been taught, in place of the old principle or practice that teachers should teach what is likely to be "asked." Nevertheless, in spite of this comparative freedom, I had not approached my ideal of the "modern teacher" in 1902, and I am still very far from it in 1912. Tradition furnishes many less flimsy trammels than examination papers. A real revolution is as impossible in social science as it is in social institutions.

I was quite right in 1902 in insisting that it was necessary to explain to students that the economic system of the day did do its work, not perfectly no doubt, but at any rate a good deal better than the War Office at that period would have done it. But I can see now, ten years later, that I was still hampered by the traditional belief which found expression in the title of the Oxford Cobden Essay of 1886 that private property and free exchange can be put "on the one hand" and State property and regulated contracts "on the other hand." Like Bastiat and other optimists of the nineteenth century, I saw the general harmony between the pursuit of self-interest and

the common good, but if any one had asked why there was such a harmony, I should, I fear, have been at a loss for an answer. I should not have attributed it to Nature or to an Invisible Hand,¹ but I should have had no better suggestion to offer. At the present time I should attribute the harmony which exists to the success of society, continued throughout history, in establishing and gradually modifying its institutions so as to make them as suitable as possible to the circumstances of each period of human development. A man's intelligent pursuit of his own interest generally serves others besides himself simply because the institutions of society provide hedges which are generally close enough to keep him on the road. When it is found that institutions fail to make it the interest of each man to serve the rest, society abandons or modifies them.

The first example which I gave of the practical utility of economics was the effect which the "widespread dissemination" of sound teaching would have in doing away with obstructions to international trade. Like other people, I had no inkling in the summer of 1902 of the great "fiscal" outbreak which was to come within a twelvemonth, or I should doubtless have dealt with

¹ "He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention" (Adam Smith, "Wealth of Nations." Bk. IV., ch. ii., vol. i., p. 421; Cannan's ed.).

this subject at greater length. To that outbreak the sixth essay in this volume, "Colonial Preference," is due. Little happens in nine years, and the situation is practically the same as it was in 1903. Although no Imperial Preferential Tariff has been established to attract them, pioneers of North American agriculture have migrated in large numbers out of the United States into Canada, thus tending to diminish the food exports of the United States and to increase those of Canada. Without being tied by any preferential agreement with the Mother Country, Canada has rejected an arrangement with her neighbour which would have largely diminished the obstruction offered by the international boundary. But the preferentialists are not satisfied. They feel, quite justly, that a sentiment like that which inspired the old maxim "the Jews have no dealings with the Samaritans" is not likely to be able to maintain in perpetuity a wall of tariffs along a line which would scarcely be rivalled in absurdity by one drawn along the southern boundary of Lincolnshire and Nottinghamshire to the Trent near Trent Junction, thence along the Trent to the municipal boundary of the county-borough of Stoke, and then perfectly straight to the top of Milford Haven. But they still, in defiance of all probability, believe that this pair of small islands, two thousand miles from the nearest and five thousand from the farthest point of Canada, will be able *in secula seculorum* to offer

Canadians something which will make it economically profitable for them to maintain this wall of tariffs between them and the great country to the south of them. For my own part I can imagine nothing more desperate than this, and the greater we suppose the future of Canada to be, the more desperate does it seem.

The wish to maintain the most palpably absurd commercial barrier that the world has ever seen is not really the result of a mistaken belief in its economic advantage to Canada, the United Kingdom, or the Empire at large, but is begotten of a desire to maintain the political severance between the United States and Canada, which is supposed to be necessary for the continued existence of the British Empire. If the spectre of political union between Canada and the United States were once laid, we should hear little talk of the advantages of commercial separation. But those who are terrified by this possibility of political union might reassure themselves, if they would only reflect on the improbability of its occurrence before the importance of national flags has been removed by the establishment of an international court which will have power enough to make its decisions respected. Political union even of States retaining a very large measure of autonomy is important at present, because the common flag involves war in common: when war is ruled out, political union will mean nothing but

a few trifles such as a common currency and possibly a common marriage law, though the first of these is likely to become an international matter before long, and England and Scotland have managed to exist for two hundred years without the second. The present anarchical condition of international relations may possibly continue for a few generations more, but the end will probably come rather suddenly. The removal of the possibility of war would dry up at once the main source of international disputes, since the quarrels of the present are almost always the result of the desire of one or other or both of the parties to put themselves in a better position for a war. Whether the end of barbarism comes soon or late, it will in all probability come before the Canadian provinces are admitted as States of the United States, or before the British Parliament is asked to pass an Act for the admission of the States of the United States as Provinces of the Canadian Dominion. When it has so come, nobody will feel it a question of vital importance whether either or neither of these events take place.

In the next article, "The Division of Income," written early in 1905, I revert to the less exciting subject of the teaching of general economics. It seemed to me that the old doctrines about wages, profits, and rent were in danger of being superseded by a very carefully thought-out theory which might not be incorrect in itself, but which answered

no question which was of the least interest to mankind. Just as in the address on the practical utility of economics I set up an ideal modern teacher who taught better than any one has done yet, so here I set up a bogey professor who carried to the most absurd length the tendency to reduce Distribution to a jargon about the value of particular contributions to production instead of treating it as the part of the science of economics which explains why some people are able and willing to make, and actually do make, valuable contributions, while others fail to do so. Several professors have told me privately that they did not think that my portrait of the professor resembled them, but it was not intended for them, but for others who have given no sign. Since 1905, however, there has been a change for the better, and the attempt to treat Distribution as subordinate to the discussion of Value is gradually being abandoned.

The eighth essay, which asks the question, "Must a Poor Law pauperise?" follows up, after eleven years' interval, the one in which I tried to explain the "stigma of pauperism." The cause of old-age pensions had been won; the question now was not what could be done for the aged, but "What can we do for the unemployed?" It was generally agreed that they must not be "pauperised," but there was no attempt to settle what the essence of pauperisation is. The old

charity organisation school seemed still to identify the demoralisation which is suggested by the verb "pauperise" and the substantive "pauperisation" with "pauperism" in the usual technical sense of dependence on the particular resources of the State and local authorities which are devoted to poor-relief. Against them I ventured to maintain that a reduction of pauperism may easily mean an increase in pauperisation, and that a Poor Law sufficiently liberal to be an effective check upon private charity is a better preventive of pauperisation than one which is popularly regarded as too hard on the poor, and therefore makes all kinds of cadging more profitable.

Whether the legislation is called a Poor Law, and whether the funds which the State provides are called poor-relief or insurance money to provide for sickness and unemployment, are purely questions of nomenclature. We may regard the scheme of national insurance passed by Parliament in 1911—if it works in spite of its enormous complication—as a step towards the required end. It is recommended strongly by the complaint often brought against it, that it is likely to diminish voluntary efforts to relieve the sick and unemployed poor. There is not a cadger in the United Kingdom who should not feel that the Insurance Act will cause a slump in the value of his patter. But, however successful in its own field, national insurance is not enough, and I am still inclined to

maintain that what is wanted is a cross between a "labour colony" and an "unemployed camp," where people who cannot "get suited" in the general societary organisation should be allowed to try to maintain themselves outside it.

The fiscal controversy led me to inquire more particularly what the real utility of foreign trade to a nation consists in, and this very naturally led to the deeper question, "What do we mean by the good of the country or the nation?" At the end of "Colonial Preference" I had said that a State's wish for its subjects should be like that of a parent for his children, that they should do the finest and best paid work of the world. But the analogy halts, since the enlightened parent does not think his children must be tied for ever to the parental hearth, but is willing that they should go away to better themselves: they are to find the best work they can wherever it may be. The term "nation," on the other hand, has lost nearly all its original tribal significance, as is shown by the fact that we constantly treat it as interchangeable with "country." More and more we identify the interests of a particular nation with that of the inhabitants of the territory of that nation. The significance of the term has become almost purely territorial. Consequently we are not, for example, prepared to say that Norway would be serving the national interest if she were to maintain a system of technical training which

encouraged young Norwegians to emigrate to America, even if they were able to earn much higher salaries there than they could by that or any other system have been enabled to earn at home. Our national ideal evidently differs from our family ideal: what is it?

I endeavoured to answer this question in the ninth essay, "The Economic Ideal and its Application to Countries or Nations," which was written on the windy coast of County Clare, after a week spent in travelling from Larne, by the north coast to Londonderry and thence through Connemara and Galway. A journey better calculated to stimulate the inquiry, "What should be the national economic ideal?" would be difficult to devise. The population of Ireland in 1908 was not much more than half what it was in 1845. Were we to agree with Adam Smith that "the most decisive mark of the prosperity of any country is the increase of the number of its inhabitants," and to conclude that "Ireland" or the Irish nation had moved steadily away from what ought to be the national economic ideal for more than sixty years? We did not go to the Aran Islands, but one of my most vivid impressions is of certain carefully walled enclosures on the shore of the mainland opposite those islands. I call them enclosures and not fields, because the word "field" would convey quite a wrong impression, since inside the walls there was nothing to be seen but large boulders.

Perhaps we were imposed upon : possibly some particularly valuable plant (or seaweed) is sheltered by the boulders ; or conceivably the Nationalists of the neighbourhood put the boulders there when they heard the night before that it was just possible that two cyclists from England might pass that way. But certainly a great part of Ireland is not likely to make a dispassionate observer sigh for a return of a golden age in which " each rood maintained its man." The impression conveyed to my mind was that the smaller population was much more likely to maintain itself in tolerable comfort than the greater, so that the people of Ireland, though less numerous, were better off than they were. But what of those who had been " driven out " ? In a sense, of course, they are lost ; but if they had not gone (and, of course, if others had not gone or been born in place of them) there would be some ten, twenty, or perhaps thirty million fewer people in the United States and a few other places ; and there is not the least reason to suppose that the added millions are worse off than the Irish of 1845, or even than other people in the places in which they are found.

The paper admits that it asks without answering the question what the national economic ideal should be. I scarcely understood then that what I was really searching for was something which each nation might strive for with full assurance

that its efforts would tend to the common good of that mundane society of which the inhabitants of different countries are at any given moment the constituent parts. Since 1908 the study of the principles of local finance has made this clearer to me. It seems obvious that in local finance we ought to try to maintain or establish a system which will induce local authorities to act in the manner which will best promote the interests of the country as a whole. I found that a genuine attempt on the part of each local authority to benefit a fluctuating mobile body called the "inhabitants" of their area is not in the least likely to promote the common interest of the whole country, and that it was better that each local authority should be encouraged to do what tends to utilise best the resources of the locality, regardless of whether this tended to increase the number of the inhabitants or to attract a rich class of persons to inhabit.¹ The same principle must be applied to countries. In order that the economic interests of the world may be best served, the best use of the "resources" of each part of the earth's surface should be made. The best use coincides roughly at present with the most profitable use, and the coincidence is likely to become more exact as the grosser imperfections of the distribution of wealth are gradually removed.

¹ See my "History of Local Rates in England," 2nd ed., ch. vii. and viii., especially pp. 176-86.

There is no possibility of denying that these ideas are wholly incompatible with nationalism or patriotism, if that term be preferred, as now conceived by bad poets and military enthusiasts. But that kind of nationalism or patriotism has got to go. The lust of conquest, which was probably never highly developed in any age among the common people, is practically extinct. Most nations are still armed to the teeth, but it is not because they wish to attack others, but because they are afraid. In time these terrors will be seen to be as childish as they really are, and anxiety about military power will disappear. Rivalries of races and language will of course remain, at any rate for some time. But these rivalries do not at present coincide with territorial political divisions, and nobody with any knowledge of history expects them to be decided on the battlefield.

Reflections such as these led me to call in question the nationalist basis usually assumed for Socialism: when asked to address a "Social Evening" at Ruskin College, in the spring of 1909, I chose as my subject "The Incompatibility of Socialism and Nationalism." The address was not delivered on the date fixed for it, because on that very day—I do not think it was more than a coincidence—a section of the students went on strike against the teaching of the college as insufficiently socialistic. A postponement for some months took place, but during the interval I made

no material changes in the address, so that it may be taken as belonging to the earlier date. The three years which have since elapsed have made some difference. It would seem unnecessary now to insist so strongly on the incompatibility of socialistic progress with a fire-eating nationalism always bent on the diversion of more and more of the forces of mankind into military and naval preparations. The socialists of all countries are more awake to the necessity of fighting this spirit than they were, and the fire-eating nationalists are more convinced of the want of patriotism of the socialists. The possibility of soldiers refusing to shoot begins to dawn upon the mind of the most violent as something which will have at any rate to be thought of.

But in respect of that side of the address in which the objections to a national basis for socialism are set out, there has been little change. The nationalisation of everything is still clamoured for, and that not merely as a step towards some wider and better organisation, but as if it were the final end. Possibly syndicalism may indicate the coming of a change of opinion. Syndicalism seems to be at present very inarticulate, but the little that can be learned about it suggests an organisation of society based on trades rather than nations, and trades are not national, but spread over many and sometimes over all countries. How distribution between the trades which happen to

require a large quantity, of valuable instruments of production, natural and artificial, and trades which do not is to be arranged on a basis satisfactory to those which do not remains to be explained. Little or nothing also seems to be known about the arrangements which must be made for securing the required supply of new instruments of production for the various trades. It would be absurd to regard syndicalism as at present a promising substitute even for so unworkable an ideal as territorial socialism, whatever it may be in forty years' time.

Forty years may seem to the impatient a long time for the development of a theory of that kind. If any such impatient person, however, has read as far as this point, which is improbable, I would remind him that socialism is nearing its centenary, and yet remains somewhat nebulous, and a subject of dispute among its professed followers. I remember William Morris coming to Oxford and answering one who asked him how long it would be before socialism was established with the words, "Twenty years." The twenty years have long since elapsed. Of course, "we are all socialists now," but that was said by Sir William Harcourt in 1894, and is now, as then, a metaphor which merely misleads.

Speculation about the remote future is unprofitable. Revolutionary change is impossible, so that the only way to secure any ideal in the future is

to make gradual approaches towards it. History seems to teach that approaches are not made by going backwards in order to make the greater jump forwards, and that each improvement of detail fits at length into the general course of improvement, so that we need not think that we have to make things worse before they will be better, but may be confident that each change which is good in its time will also be favourable to progress in the long run.

Therefore we may turn with relief to the last of the articles in this volume, in which "Equity and Economy in the Remuneration of Labour" under present conditions is discussed. It was written just after the great railway strike of August, 1911. A newspaper had asked me to write something about the course of wages in recent years, and when I declined this task as an unsuitable one for a short summer holiday, and also out of my own line, it occurred to me to put on paper some of the thoughts suggested by the various opinions expressed on the strike and its causes. I began by trying to discredit the popular idea that there is some abstractly "just" or "equitable" scale of wages for different occupations with which every one ought to be "satisfied." Then I tried to show that our whole organisation is kept going by the usual practice of each person asking for as much as he can get, and refusing to work for those who offer him less, and that refusal

to work, concerted among large numbers of persons, is on occasion as necessary as individual refusal. Finally, I contended that well-disposed people ought to sympathise with those changes in the scale of earnings which, without injuriously affecting production, tend to make the distribution of wealth more equal.

The whole discussion in this article will appear somewhat unreal to many readers, because it is a discussion of the distribution of earnings among earners instead of a discussion of the distribution of the whole of income between owners of property on the one side and workers on the other. I submit, however, that the really important questions in distribution concern the division of the income derived from property and labour among the individuals or families who receive it. That is to say, it is important how the income derived from property is distributed among the various members of society, and it is important how the income derived from labour is distributed among the various members of society, but it does not matter so much how the whole income is divided between all the owners of property on the one hand and all the workers on the other. A distribution between property and labour, extraordinarily favourable to labour, say nine-tenths to labour and only one-tenth to property, might be compatible with a large portion of the people being in the most abject poverty, and a distribution extra-

ordinarily favourable to property, such as half to property and half to labour, might be compatible with an equality of distribution hitherto unknown. When the distribution was favourable to labour, the property might be massed in few hands, and earnings very unequally distributed; when the distribution was favourable to property, the property might be widely distributed and earnings very equal. The distribution of property depends on a number of circumstances, such as the law and custom of inheritance, social practice regarding the marriage of the rich with the poor, and the numbers of children born to the rich and the poor, which are not dealt with in the article because they are no part of its subject, not because they are not of great importance to the welfare of the world.

The practice of trying to ignore the distribution of earnings among earners, and pretending that every increase in the cost of labour in any trade comes out of the pockets of the "capitalists" or the "employers," cannot last much longer. It becomes more and more obvious that the working classes work for each other more than for the capitalists and the landlords. Great stoppages of work, like the coal strike of 1912, are seen to hit the workers generally much more than the owners of property, and it seems inevitable that the object-lessons thus afforded will eventually suggest to the workers that they pay each other for what

they consume more than they pay the owners of property. Of course most increases of earnings are due to greater product, and these cannot be regarded as being at any one's expense, but every rise in the earnings of an occupation which is simply due to more being paid for the same product, takes place partly and in most cases chiefly at the expense of those who are paid for doing other kinds of work. These others always consume some part of the product, and generally the greater part of it. The fact is often unrecognised, because the manual labour class, or perhaps we should say a certain large but very indefinable part of the manual labour class, is commonly treated as if it comprised the whole of the workers, and all other workers are treated, in a very misleading manner, as belonging to the capitalist class. When this is done, it is certainly much easier to suppose that increased amounts received by any section of this limited working class may be mostly paid by people outside it. Even this, however, is generally far from true. The working class, even thus limited, form the bulk of the population, and their consumption is, much more largely than that of the richer classes, composed of things of which the price chiefly consists of wages paid to people belonging to this limited working class.

When the facts are appreciated, there is likely to be much less popular inclination for the sympathetic strike than there is now. At present

the so-called working class is apt to act as if it worked entirely for something outside itself known in harangues as "the capitalist" and in ordinary conversation as "the public," and as if every increase in the cost of any particular kind of labour must fall entirely on this outside body. It then naturally becomes a point of honour to sympathise with and support every effort of every section to secure a rise. When it is seen that the rise in one section will mean a fall in others, more discrimination will be exercised, and sympathy will only be extended where the remuneration is regarded as unduly low.

A reduction of indiscriminate sympathy is likely to be accompanied by a still greater reduction of confidence in the policy of making every strike as big as possible which has recently been adopted. Ten or twelve years ago American financiers were smitten with what the late Lord Salisbury used to call megalomania. They supposed that the combination of a number of businesses into one huge whole was certain to pay, even if the businesses when separate had been far from successful. Experience is rapidly modifying the capitalists' belief in the gigantic, but their megalomania was caught by the labour enthusiasts. The maxim "Make a strike big enough and it is sure to succeed" became almost universally received. It is, no doubt, true that a big strike is more likely than a small one to terrify a weak-kneed

Government, a timid Parliament, and a nation influenced by a sensational press which it only affects to despise. Consequently it may often be good policy at any rate to threaten, if not actually to cause, the most extensive possible strike when it is desired to secure particular action on the part of governments or particular legislation by Parliaments. But when it is merely desired to secure better terms from certain employers, the policy of extension appears altogether a mistake, and absolutely suicidal when carried to its logical conclusion of the general strike. Of course, if all the employers in a trade determine to hang together, there is no choice, but where they act independently, it is contrary to common sense to order a strike against A, B, and C, because D, E, and F are unsatisfactory employers. On the face of it, D, E, and F will be much more likely to give in if they see A, B, and C carrying on their usual business comfortably, and, in addition, filching away a good deal of their own trade, than if they see A, B, and C also reduced to inactivity, and can dispose of their stocks at high prices and look forward to the maintenance of these prices for some time after the conclusion of the strike. The only semblance of a justification of the policy of including A, B, and C is to be found, firstly, in the belief that persons not belonging to the "working classes" who happen to be inconvenienced by the strike, will "bring pressure to bear" upon D, E,

and F, and secondly in the belief that the bigger the strike is the more difficult it will be to secure other men, usually called "blacklegs," to take the places of the strikers.

The first of these beliefs is founded upon "working class" ignorance of the conditions prevailing among the other classes, which is, perhaps, as profound as the ignorance of those classes with regard to the "working classes." These other classes cannot, owing to a multitude of social customs, bring any effective pressure to bear, even if they desired to do so; they cannot, or think they cannot, use the arts of strikers' pickets, nor treat employers who inconvenience them as the Rileys were treated when they refused to join the union. And, which is perhaps more easy to explain, they do not desire to bring pressure to bear. On the contrary, they sympathise entirely with A, B, and C, who loudly proclaim that they have no quarrel with their employees, and only desire to go on serving the public as heretofore. Their sympathy with A, B, and C naturally turns them against the authors of the strike, and eventually their annoyance with the strikers takes away any feeling against D, E, and F which they may have had.

The second belief is more specious. It fits in well with the widespread faith in the doctrine that there is always an immense reserve of qualified workers in every trade ready to rush in and take

the places of any who may go out or be put out. This reserve is mostly imaginary ; it consists of persons more or less ready to take the place of the others, but not of qualified workers. To put luggage off a platform into a van does not seem to require a high degree of skill, but I remember seeing at a Dublin terminus bags and boxes indiscriminately strewed all over the floor, and bicycles laid on their sides one on top of the other. When I asked the reason of this lunacy, I was told there had been a strike, not the day before, but some weeks before, and the men at work were the "blacklegs" who had taken the places of the strikers. I believe this to be a fairly typical example : employers seem generally very glad to get strikers back again, and not overcome with grief when the "blacklegs," whom they feel bound to retain as long as they stay and work with a tolerable amount of will, find the employment too exacting. The strike, to be of any use as a strike, must, no doubt, have a certain magnitude, determined in each case very largely by the magnitude of the employing units or combination of employing units with which it has to deal, but this magnitude is usually not very enormous.

The uselessness of the policy of extension has been illustrated by the railway strike of 1911 and the coal strike of 1912. The men's cause was not in the least helped by the extension of the strike to the North Eastern, which had already

agreed to the main demand ; if the North Eastern had been allowed to continue running as usual, every one would have asked why the other lines could not have adopted its policy ; as it was, people only asked what was the good of a conciliatory policy when the men were just as ready to strike against those who had adopted it as against those who had not. The excuse that the North Eastern would have helped the other lines was scarcely put forward ; it could not be, in face of the fact that the South Western, which the strike did not touch, did not make any attempt to help, not even by trying to run the through trains over the northern lines. The result of the excessive magnitude was that the strike came into conflict with the public instead of the employers, and though settled on terms accepted by the organisations concerned, is scarcely regarded as the great victory which was expected, and which might have been won by greater concentration.

The coal strike was similarly extended to fields in which the particular grievance complained of did not exist. Instead of attempting to put large profits into the pockets of the employers who had met their wishes, and causing the others to lose their trade just when prices were extraordinarily high owing to a big stoppage of work, the miners chose to stop good and bad alike. The halfpenny press shrieked, and politicians were gravely apprehensive about the next election, but the owners

did not collapse in five days, as had been expected. The poorest class of the population suffered from cold and want of cooked food, and a not very well-to-do class suffered considerably through being thrown out of employment. The income-tax paying class had to do without a fire in the dining-room after midday, or perhaps without one in the drawing-room in the evening, and to travel more uncomfortably and slowly; the super-tax payers were obliged to travel in their own motors instead of in trains, which they found too slow and too crowded, and the mine-owners sold their stocks of coal at enormous prices, and looked forward to the high prices continuing for some time after the conclusion of the strike. It has long been a commonplace of the theory of taxation that a tax on a necessary of life is harder on the poor than on the rich; people began to observe the obvious truth that a stoppage of the supply of a necessary of life has the same effect as a prohibitive tax upon it. How far the miners themselves have got what they want remains to be seen, but it is tolerably clear that they would not have got less by a well thought out policy of hitting the enemy only, instead of every head they happened to see.

There are still some enthusiasts who think that mistakes in detail, such as the too long warning given or the too accommodating minds of the union officials, were the cause of the failure to secure everything asked for. They hold it to

be obvious that specialists producing a necessary of life can, if they choose to exercise their monopoly powers to the utmost, exact any terms they please from the rest of society short of such as would induce society to turn round and reduce the specialists to slavery. But this is to overlook the fact that while society is dependent upon the specialists (at any rate till others can be trained) for the particular necessary of life, the specialists are themselves dependent on society, not only for one of the necessaries of life but for all. So far the practice has always been for society to go on supplying the specialists with all the necessaries of life so long as the specialists have money to pay for them at the same prices as other people. This allows the struggle to continue for some considerable time when there is a large stock of the necessary on hand, or when the "necessary" is not really a necessary, but only something which can be dispensed with at the cost of some inconvenience. But in case of urgency—that is to say, if society found itself really being severely pinched, instead of merely tickled—people would play tit for tat, and refuse to sell to those who refused to supply the necessary of life, and the conflict would very quickly terminate in a complete victory for society. We may dismiss from our minds the somewhat chimerical picture of each small section which happens to produce a so-called necessary of life being able one after the other in succession to "bring society to its knees."

There are other enthusiasts who hanker after a "general strike" of all workers, or perhaps of all manual workers only, which would be much the same thing in practice. Belief in the efficacy of a general strike is even more groundless than belief in the omnipotence of a strike of specialists producing a necessary of life. If every one left off working for money, every one would be inconvenienced at once, most would be hungry in a few hours, and many starving in a few days. The infant mortality would be great the first day and stupendous on the second. On the third day the strikers—who would, of course, comprise nearly the whole population—would be burying their own children, and would not be deterred by the crowds assembled in the streets to boo the mourners, nor by the pickets of undertakers' men and gravediggers posted at the cemetery gates to turn them back. On the fourth day, or earlier, people would find it convenient to exchange service for service, and soon they would find it simplest to exchange money for service. Before the week was out the general strike would be dissolved in universal blacklegism, and in a fortnight things would have slipped back into their usual train. The bogey of a general strike could never have been believed in if people had tried to exercise their imagination in working out its picture in detail. Instead of "a death blow to capitalism," it would be merely a futile attempt at suicide on the part of the

working classes — an attempt which would be farcical except for the deaths of the infants and the sick which even a few hours' duration would cause.

My conclusion is that the economic outlook is neither alarming nor dismal. Our economic institutions will be changed in the future as they have been changed in the past, gradually and almost insensibly; they are stronger to resist revolutionary change than either those who attack or those who defend them imagine. They will not be replaced by a system of socialist or communist societies based on existing national divisions. On the contrary, aided by other forces, they will crush nationalism, as now understood, and reduce the present independent national governments to a proper dependence, as mere local authorities, on society at large. But this will not prevent the nations, as we know them (or with some small changes), having a great deal to do with the big engineering works suggested by modern science and with the prevention and relief of poverty within their territories. The Elizabethans found the parish a serviceable unit for this purpose; we have outlived that, but it will be a long time before the present national areas are found too small to play a useful part, though a certain amount of concert is already beginning to be recognised as necessary.

There is no reason to suppose that it will not long remain desirable that men and women should get the best terms they can by individual bargains, and by such combination as intelligent self-interest suggests to them. We need not fear that combination, whether intelligent or otherwise, will enable either party to get too much, nor that anti-social combinations will be successful. Instead of rushing wildly after each new quack remedy for industrial disputes, we had far better make up our mind to face them with a stout heart, with a cool head, and, above all, with unfailing good temper. It is childish to be angry with every one who will not pay you what you ask, and with every one who will not work for what you offer; and childish anger ends in tears.

The Economic Outlook

I

ECONOMICS AND SOCIALISM *

THE historical spirit has made so much way in recent years that no one now expects any particular organisation of industry and society to be described as the best for all times and places. There is not on the one side a party which wishes to introduce complete communism all over the world to-morrow, and on the other side a party which wishes to do the same with complete individualism. The debate rather lies between those who think that the path of progress leads towards greater and greater communism and those who think that it leads towards greater and greater individualism.

Both these parties show some inclination to claim Political Economy as an ally.

The individualists, and others also, very often

* Read to the Fabian Society on July 5, 1889, under the title "The Bearing of Recent Economics on Individualism, Collectivism, and Communism."

assert or imply that the founders of Political Economy were individualists: the old Political Economy of the end of the eighteenth and first half of the nineteenth century is even called the individualist Political Economy. Now, it seems to me that the individualism of the old economists has been enormously exaggerated. They were for the most part above everything Free Traders: indeed, a great part of their doctrines, including even the boasted Ricardian law of rent, was invented in the course of attempts to support a Free Trade policy, and the want of progress which characterised Political Economy for many years after the triumph of that policy in England was due to the reluctance of economists to abandon weapons which had served well enough against such folly as the Corn Laws, but were good for no other purpose. But it is a mistake to confound Free Trade with individualism. Certainly complete individualism necessarily involves Free Trade, but complete Free Trade does not involve individualism. No one imagines that Protection is communism, and it is difficult to see why it should be supposed that Free Trade is individualism. Protection, so far as it is not inspired merely by the selfishness or degraded individualism of particular classes of producers, is merely the outcome of certain very childish economical delusions, such as that the commodities which a country imports are a loss to it, or that

they take away what is called "employment." Free Trade is simply the negation of these delusions. It may be urged that the old economists wished to abolish the Poor Law: some of them certainly did so, though one of them was a member of the Commission which brought about its reform.¹ But the Poor Law was not the only communist institution then existing: the economists attacked the Poor Law because it worked so badly, not because of the principle involved. The greatest communist institution of the nineteenth century—State education—was spoken of rather favourably by Adam Smith himself.²

However this may be, the mere opinion of the old economists is not now of much importance. Let us look at the arguments of the present-day individualist.

The individualist of the present time says in the first place that progress cannot lead towards communism because Political Economy shows that complete communism must be for ever impossible. In proof of this he gives two reasons which were supplied by Malthus, who alone of the old economists may perhaps be classed as a genuine individualist. The first of these reasons is that communism can never afford any adequate stimulus to industry. The individualist forgets that most

¹ N.W. Senior.

² "Wealth of Nations," Bk. V., ch. i. Pt. III., Art. 2, vol. ii., pp. 267-70, Cannan's ed. See also Adam Smith's "Lectures," p. 256.

economists of the last twenty-five years have been great believers in co-operative production as a system which affords a more adequate stimulus to industry than the present. Now, the stimulus to industry in co-operative production is exactly the same as in communism. In both each is expected to work well in order that the product of all and therefore the dividend of each may be large. And it is obvious that in the individualist system it must often be to the interest of the individual that the product of all should be small in order that his own share may be large.

The other reason given by the individualist for his belief that political economy shows communism to be for ever impossible is that either private property or immorality is necessary in order to keep population from increasing beyond the economic limit—that is to say, beyond the size at which the productiveness of industry would be as large as possible in the then existing state of knowledge and means of production. He forgets that there is nothing whatever to show that complete individualism would keep population down to that level. All that can be shown is that inequality of wealth, which is the necessary result of individualism, prevents population from being quite so great as it might conceivably be. It is a check, but not an intelligent check, on the growth of population, and J. S. Mill, who had almost a monomania about the necessity of checking the

growth of population, has shown very conclusively that communism would be likely to impose more effectual checks, if needed, without any violation of morality, than individualism.¹

In the second place the individualist asserts that progress must lead towards greater individualism because individualism is necessary in order to maintain the struggle for existence, which is a necessary condition of the development of the human race. The fittest, he says, survive, and if you do away with the struggle for existence the unfit will survive. It sounds very conclusive, but it must be remembered that the statement that the fittest survive is in itself merely a truism. The fittest what for? Simply to survive. If we in this room were to engage in a murderous pugilistic struggle, those of us who are fittest to engage in such a struggle would survive, but it is far from clear that the development of the human race would be assisted by that survival of the fittest. The individualist struggle is supposed to assist the development of the race because it is considered to be a continuation of the struggle for existence which takes place among plants and the lower animals. To the economist, however, it is by no means certain that this is the case. There are obviously enormous differences between individualist competition and the struggle for

¹ "Principles of Political Economy," Bk. I., ch. i., § 3, p. 207, Ashley's ed.

existence among the lower animals. The lower animals struggle for existence both with other kinds of animals who want to eat them, and with their own kind who want to eat the same food as they. Civilised man has long ceased seriously to struggle for existence with the animals, or even the insects, who want to eat him ; he has got the upper hand. And his struggle with his own kind for subsistence differs in a very important respect from the struggle of the lower animals with their own kind. The quantity of subsistence for any kind of the lower animals available for them at any period is fixed independently of their wishes or exertions. Man's subsistence, on the other hand, can always be increased by man's industry. Consequently, while the lower animals' struggle is to appropriate a part of a fixed quantity, man's struggle is to obtain a large portion of a quantity which his own struggle (whenever individualism works economically) is actually increasing. The successful efforts of one animal to obtain subsistence make it more difficult for the others to obtain it, and so crush the weakest out of existence, but the successful efforts of one man to obtain wealth as a rule make it easier for the others to obtain it, and have no tendency to crush the weakest out of existence. To suit the individualist theory it ought to be the case that the successful members of society propagate the race more than the unsuccessful ; whereas as a matter of fact it is

known that rich families tend to become extinct far more than poor ones.

While the Darwinian theory does not appear to have done much for individualism, the recent progress of practice and theory seems to have been in favour of progress towards communism. It surely requires a large quantity of credulity to believe that all that has been done in the civilised portion of the world during this century in the way of increasing the property and functions of the State is merely the product of a passing craze. Does any one seriously believe that when we become more enlightened we shall abolish our State aid to education, and sell our streets and roads and drains to private persons?

As for theory, communism has been greatly favoured by the discovery of Jevons' doctrine of value and of Cairnes' doctrine of non-competing groups.

The gradual adoption of the Jevonian theory of value is perhaps the most important change which has taken place in Political Economy during recent years. The theory is very commonly supposed to be something exceedingly obscure and difficult to understand. In reality it is the simplest thing in the world. It is nothing more than the theory which every one holds, that values depend on supply and demand. What Jevons did was to explain why it is that values depend on supply and demand. By doing so he put the theory on

a firm basis. When you know why a thing happens, you are in a very different position from that in which you are when you only know that it does happen.

Jevons explained that the value of a commodity falls as the supply of it increases because each additional given quantity is less useful, produces less utility or material welfare. "Let us imagine," he says, "the whole quantity of food which a person consumes on an average during twenty-four hours to be divided into ten equal parts. If his food be reduced by the last part, he will suffer but little; if a second tenth part be deficient, he will feel the want distinctly; the subtraction of the third tenth part will be decidedly injurious; with every subsequent subtraction of a tenth part his sufferings will be more and more serious, until at length he will be upon the verge of starvation. Now, if we call each of the tenth parts *an increment*, the meaning of these facts is that each increment of food is less necessary, or possesses less utility, than the previous one." ¹ When the whole of the commodity sold has to be sold at one price, the value is settled by the usefulness of the least useful part.

The connection of this with individualism and communism is not perhaps at the first glance very apparent. It is, however, very intimate and important.

¹ "Theory of Political Economy," ch. iii.

If each additional given quantity of any commodity is less and less useful to a person, it follows very clearly that, so far as individuals have the same powers of enjoyment, inequality of wealth is an economic evil, possibly a necessary evil, but still in itself an evil. To the old economists inequality was not an economic evil. They declared that Political Economy was only concerned with wealth, and in defiance of the original meaning of that word, which they would have known if they had ever happened to hear the prayer for the King's Majesty read, they insisted that it meant only material objects, such as loaves, tables, and coats, and that its quantity was to be measured by exchange value. Consequently to them £1,000 a year added to the income of one man who has already £100,000 a year was just the same thing as ten hundreds added to the incomes of ten men who have only £75 a year each. In the light of Jevons' explanation it is easy to see that the ten hundreds will produce far more material welfare than the one thousand: and whether they choose to give absurd definitions of "wealth" or not, there can be no doubt that the world expects economists to make material welfare the subject of their studies. Consequently inequality of wealth is seen to be an economic evil, and every approach to equality, or, strictly speaking, to equality modified by differences of need, when not accompanied by counteracting evils, is seen to be an

economic good. As every one knows, inequality is necessarily inherent in individualism, and equality modified by differences of need is the true and only rational basis of communism.

Cairnes' doctrine of non-competing groups,¹ now generally accepted in the main, is hopelessly inconsistent with those economical harmonies on which individualists rely. Adam Smith believed that legally free competition must make the whole advantageousness of all the different employments of labour equal. "If," he said, "in the same neighbourhood there was any employment evidently either more or less advantageous than the rest, so many people would crowd into it in the one case and so many would desert it in the other, that its advantages would soon return to the level of other employments."² It is a delightful picture, this. Every employment equally advantageous! What could be more fair? What more economical? It is difficult to imagine, however, how any one could read the rest of Adam Smith's chapter without discovering something wrong. Under the guise of showing that non-pecuniary advantages often make up for small pecuniary earnings, and non-pecuniary disadvantages often counterbalance large pecuniary earnings, he proves conclusively that free competition does not

¹ "Some Leading Principles of Political Economy," Pt. I., ch. iii.

² "Wealth of Nations," Bk. I., ch. x., vol. i., p. 101, Cannan's ed.

make the whole of the advantages and disadvantages of different occupations equal. He says that earnings are higher where trust has to be reposed in the labourer: is it a disadvantage to a man to have trust placed in him? He says, and this is much more important, that the trades for which an expensive education and training are necessary are better paid than those for which little or no education and training are necessary. Now, individuals, except in very rare cases, do not pay for their own education and training, and can it seriously be maintained that it is a disadvantage to a man which has to be counterbalanced by higher pecuniary earnings that some one else has given him an expensive education and training? Yet even after the lapse of three-quarters of a century J. S. Mill was able to say, quite truly, of this chapter of Adam Smith that it contained the best exposition then given of the subject in question, and he added, "I cannot, indeed, think his treatment so complete and exhaustive as it has sometimes been considered, but so far as it goes it is tolerably successful." Mill's predecessors had mostly swallowed the chapter whole. Ricardo, indeed, does not seem to have done so well as this. He appears to have adopted the view of the uninstructed public, namely, that all employments are not equally advantageous and that there is nothing which requires expla-

* "Principles," Bk. II., ch. xiv., p. 385, Ashley's ed.

nation in the fact.¹ Ask the man in the omnibus—say a prosperous head clerk—why he is better paid than the omnibus-driver, and he will first stare at you, then gasp, and finally, pulling himself together, say that his work is so much more difficult than that of the omnibus-driver. This, you point out, is merely a question of training and experience. No doubt if the omnibus-driver were now to take the place of the head clerk the business would go to ruin, and the principal's name appear in the *London Gazette*, but, on the other hand, if the head clerk were suddenly to take the place of the omnibus-driver, the omnibus would be upset, and the names of half a dozen City men would appear in the *Times* obituary. By this time your head clerk has recovered his faculties. "Oh," he says, "of course the reason I'm better paid is that my work is more valuable." This is the answer with which Ricardo was content, but of course it is no answer at all. The very thing we want to know is, why is one kind of work more valuable in proportion to the labour bestowed on it than another?

¹ "The estimation in which different qualities of labour are held comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer and intensity of the work to be performed. The scale when once formed is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted and placed in its proper position in the scale of value" (Works, p. 15).

The answer was given by J. S. Mill, but not in a sufficiently clear and emphatic manner to attract much attention. It was repeated in a pompous form by Cairnes, who had an extraordinary talent for stating the simplest truths in language so inflated as to impress the great class which most erroneously believes that the only useful political economy is that which is difficult to understand. Divested of its cumbrous trappings—"equations of reciprocal demand" and the like—Cairnes' doctrine of "non-competing groups" is simply that the relative earnings of different employments depend on what we vaguely call competition, or supply and demand, which means the relative numbers of individuals who devote themselves to the several employments. This is an obvious fact: every one knows that a withdrawal of workers from any occupation tends to raise the earnings of those who remain, and that an addition of workers to any occupation tends to decrease the earnings of those already employed. In consequence of this fact if every one could by a mere exercise of will adopt any occupation he pleased, the whole advantageousness of all the different occupations would be equal; Adam Smith's first proposition would be correct. But it is not the case that every one can by a mere exercise of will adopt whatever occupation he pleases. The choice of most people is limited by many circumstances, the chief of which is

the pecuniary and social position of their parents. In all known countries these circumstances have limited individuals' choices of occupations in such a way as to prevent Adam Smith's equality of advantageousness from being realised. Moreover, they have limited choices so much that the excess of advantageousness existing in the occupations for which an expensive training and education is required is greater than what would just counterbalance the extra expense with its accrued compound interest.

Thus there are, so to speak, hereditary castes of labour, whole classes of men who are employed in the overstocked and consequently lower paid occupations simply because their fathers were employed in those occupations before them, and other classes who are employed in the understocked and consequently higher paid occupations because their parents were in comfortable circumstances. Of course many individuals rise from the lower classes to the higher, and many fall from the higher to the lower, but these are the exceptional cases. The great bulk remain unmoved. The better paid classes, who are constantly complaining that their occupations are overstocked, whereas in reality they are permanently understocked, are sometimes assured that the scarcity of individuals fit for the better paid occupations is due to Nature, that they themselves, in fact, are a limited body of Heaven-

born geniuses and are more highly paid in consequence of their superior merits. "The common sense of men," says Mr. Rae, "everywhere would unhesitatingly pronounce it unjust to requite the manager who contrives, organises, directs with only the same salary as the labourer who executes under his direction, because, while both may spend the same time of labour, the service rendered by the one is much more *valuable* than the service rendered by the other."† To say it is more valuable is a truism: to say that the common sense of mankind would pronounce it unjust to remunerate the two kinds of labour at the same rate is preposterous. If there were a sufficient glut of skilled managers and directors in the market, the common sense of mankind would engage them at the lowest possible figure, and would not be in the least disturbed by their earning less than those who work under their direction.

With a recognition of the true causes of differences of earnings in different occupations Adam Smith's picture of economy and fairness melts away.

While the recent development of political economy has been thus rather favourable to gradual progress in a communist direction, it has, I think, been extremely unfavourable to the old-fashioned Socialism.

The old Socialism was more or less revolutionary,

† "Contemporary Socialism," p. 381.

while modern Political Economy has become historical, and consequently does not believe in revolutions. What are called revolutions are not enormous changes suddenly effected, but merely some striking incident in the course of long-continued change.

The particular revolution advocated by the old Socialism—the abolition of private property in the instruments of production—seems to be only a chimerical imagination fostered by the erroneous doctrines of the old economists. Common or State ownership of the means of production, but not of the means of enjoyment and income, is an utterly chimerical state of things. It is quite impossible and always will be impossible to divide the instruments of production from the means of enjoyment. Railways are always classed as instruments of production, yet it is obvious that they are used as a means of enjoyment by every one who is travelling for pleasure or health and not for business purposes. Furniture seems to be considered a means of enjoyment and a consumable commodity, though it is obvious that it is often an instrument of production which is a very long time in being consumed. Whether houses are supposed to be instruments of production and consequently, State property in the old socialistic Utopia I have never been able to discover. The imaginary distinction between instruments of production and means of enjoyment is simply the

old economists' distinction between the capital of a community and the part of its stock of wealth which was not capital, a distinction based on another distinction which has now been definitely abandoned, the distinction, made by the Physiocrats and amended (or rather altered) by Adam Smith, between productive and unproductive labour. The capital of a community is like the capital of an individual, the whole of the material wealth possessed at a given point of time, and cannot intelligibly be opposed to anything except the income of the community, which is the wealth it can (without decreasing its capital) enjoy in a given space of time.

No one need feel much regret that common ownerships of instruments of production and not of consumable commodities is impossible, for if it were possible it would simply mean giving public sanction to a disgusting exhibition of luxury and sensuality. What could be more abominable and absurd than to refuse to allow a man to build a toolshed for himself, and yet to allow him to accumulate, and possibly to bequeath, an unlimited number of racehorses, feather-beds, and billiard-tables?

Why, then, did the old Socialism insist so strongly on the nationalisation of the instruments of production? Chiefly, I think, in consequence of the pessimism of the old economists as to the earnings of labour in general. The old economists

after Malthus' time continually spoke as if it were the inevitable destiny of mankind to be forever engaged in reproducing and increasing a mass of capital, the increase of which was never going to make ninety-nine hundredths of the human race a bit better off. And in their gloomier moments they even doubted the continuance of this peculiar kind of "progress." Malthus, in his "Political Economy," observes: "Mr. Ricardo has very clearly shown that the rate of profits must diminish and the progress of accumulation be finally stopped, under the most favourable circumstances, by the increasing difficulty of procuring the food of the labourer. I in like manner endeavoured to show in my 'Essay on the Principle of Population' that under circumstances the most favourable to cultivation which could possibly be supposed to operate in the actual state of the earth, the wages of the labourer would become more scanty and the progress of population be finally stopped by the increasing difficulty of procuring the means of subsistence." ¹ Truly this was a dismal science. Men's minds naturally revolted against it.

The old Socialists made use of this pessimism as the basis for an attack on the existing industrial system by representing it as the true attitude of mind if that system was maintained, but as untrue if certain fundamental changes were made. But the pessimism was really altogether unreasonable

¹ "Principles of Political Economy," 1820, pp. 370-71.

in any case. The Physiocrats were not pessimists, nor was Adam Smith. Pessimism was introduced into Political Economy by Malthus in the gloomy time of the great war and the reaction after the French Revolution, three years after the Speenhamland "Act of Parliament." Now, Malthus, though his book was very successful, and probably on the whole a great benefit to this country, was a most confused thinker, and discovered nothing which had not been just as well explained long before. He did not, as is often supposed, discover "the law of diminishing returns," and he certainly was not, as some recent philosophers have imagined, an anticipator of Darwin in the discovery of the principle of survival of the fittest, though his theory of a tendency of population to increase beyond the means of subsistence suggested the idea to Darwin. What Malthus did was simply this: he considered first the fecundity of a part of the human race and found that, fully exerted, it was capable of doubling a population in twenty years. Then he considered the land of England, and concluded that its produce could not go on being doubled every twenty years. So little head had he for Political Economy that he did not bring into account the extra labour which would be expended on the land if the population doubled. He did not say, "Forty years hence four times the present labour will not produce four times the present produce," but simply looked at the

land and said, without regarding the labour at all, "It will not produce four times the present produce." Thus the law on which Malthus' pessimism was based was a law of absolutely limited, not of diminishing, returns. The law of diminishing returns, on which most of the Ricardian pessimism was based, was, I believe, first promulgated¹ in 1815 by Sir Edward West, in the "Essay on the Application of Capital to Land," referred to by Ricardo in the Preface to his "Principles." "Each equal additional quantity of work bestowed on agriculture," West says, "yields an actually diminished return. . . . Consider the case of a new colony; the first occupiers have their choice of the land, and of course cultivate the richest spots in the country; the next comers must take the second in quality, which will return less to their labour, and so each successive additional set of cultivators must necessarily produce less than their predecessors." The law of diminishing returns was to him an actual historical truth. He thought that as time goes on and population increases the productiveness of agricultural industry does actually, as a general rule, decrease, in spite of all agricultural improvements.

¹ In fact, Malthus, West, and Ricardo all rushed into the field at the same time. West, with his use of the word "diminishing" and the phrase "diminished return," may be considered, at any rate, the author who gave a name to the doctrine. See my "History of the Theories of Production and Distribution," pp. 147-68.

Ricardo was of the same opinion, and so also, generally speaking, was J. S. Mill. Mill, however, sometimes explains the law of diminishing returns as if it meant merely that the returns *would* diminish *if* there were no improvements, or if population increased as fast as human fecundity would allow it—two suppositions which are very seldom, if ever, realised. This is the view which has now been generally adopted. No one now holds that the productiveness of agricultural industry has actually been on the decline throughout the course of history, and is still declining, and likely to decline still further. Every one knows that it has increased, is increasing, and is likely to increase still further. The economist of to-day fears no "stationary state"; he sees no reason why the productiveness of industry should not go on increasing indefinitely.

So far, then, as the pessimism of the old Political Economy depended on the idea that the productiveness of industry is as a general rule decreasing, it must be pronounced entirely baseless, and can afford no ground for a demand for change in the constitution of society.

And it seems to me that the pessimism of the old Political Economy did depend almost entirely on this belief in the decrease of the productiveness of industry. At first sight the supposed perpetual smallness of the earnings of labour appears sometimes to be attributed to a different cause—namely,

a tendency on the part of capital (which was wrongly supposed to be the source of wages) to increase more slowly than population. But this is not really a different cause, for the old economists imagined, quite wrongly, that the rapidity with which capital is accumulated is regulated by the rate of interest, and, still more wrongly, that the rate of interest is regulated by the productiveness of industry. Consequently, the supposed tendency of capital to increase more slowly than population was only an effect of the supposed tendency of the productiveness of industry to decrease.

If the old pessimism has any other foundation, it must be looked for in the theory propounded at the beginning of Ricardo's chapter on wages. "Labour," he says, "like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers one with another to subsist and to perpetuate their race without either increase or diminution. . . . The market price of labour is the price which is really paid for it from the natural operation of the proportion of the supply to the demand ; labour is dear when it is scarce and cheap when it is plentiful. However much the market price of labour may deviate from its natural price, it has, like commodities, a tendency

to conform to it." ¹ Here bare-subsistence wages are represented as the natural wages of labour simply because Ricardo believed that the value of "things which are purchased and sold, and which may be increased or diminished in quantity," is regulated by cost of production, and chose to consider labour to be "*like* commodities."

Now, labour is not a commodity, and is not like commodities. There is no such thing as a demand for labour. Labour has not only no natural price, but also no market price, no price at all. It is not purchased and sold; no one buys it, no one sells it, no one would take it as a gift. What is bought and sold is not the labour, but the commodities and services produced by the labour; not the labour, but the work done by the labour.

It is extraordinarily difficult to convince some people of this, especially if they happen to have been taught to believe in the sophistical proposition that "demand for commodities is not demand for labour." ² They admit that when a man works on his own account, what he gets paid for is the produce of his labour; but they think that if he works under a contract for some one else, then he sells his labour. Yet surely it is plain enough that no one will undertake to pay a man wages without the expectation of getting in return something which is not labour but the produce of labour.

¹ Works, pp. 50, 51.

² J. S. Mill, "Principles of Political Economy," Bk. I., ch. v., §9.

If these people who think that labour is bought hired a stone-breaker at so much a day, would they be satisfied with his labouring most earnestly, so that he streamed with sweat all day long, if he broke no stones? Say, for instance, if he belaboured the stones with the handle end of the hammer? Of course they would not be satisfied; they would find that they did not want labour, but to have the stones broken.

A demand for some particular kind of labour, though not a strictly accurate expression, is intelligible enough. It means an offering of other commodities and services in exchange for the commodities or services produced by that kind of labour. But a demand for labour in general is an expression which conveys no meaning to the economic mind. How can there be conceived a greater or less offering of commodities and services in exchange for the commodities and services produced by *all* kinds of labour? The total amount of commodities and services there are to offer depends on the total amount of labour which is undergone. The more labour undergone the more commodities and services there are, so that to suppose that (apart from the law of diminishing returns) there can be so many labourers as to reduce earnings is simply the fallacy of general over-production.

It is scarcely just to father the doctrine that competition wages naturally amount to a bare sub-

sistence upon the early nineteenth-century political economists. It was not they who invented it. Nor was it invented by Turgot, as is sometimes alleged. When Turgot said "the wages of the workman are limited by the competition between workmen to his subsistence,"¹ he was merely repeating an eighteenth-century commonplace. Writers on taxation continually used it to prove that no taxes could by any possibility fall on the poor.

Political Economy in these days knows no iron or brazen law of wages. Assuming that the number of non-workers is so small in proportion to that of the workers that some increase or decrease in its size will make no appreciable difference, it teaches, what is obviously the fact, that the earnings of labour depend on the amount of income produced *per capita*, and the way in which it is divided between Labour and Property. It says that average earnings (*i.e.*, earnings *per capita*) cannot decrease unless there is either a decrease in the income produced *per capita* or an increase in the proportion of the income produced which falls to the owners of property. There is thus no opening left for pessimism about average earnings, unless it be maintained either that the income produced *per capita* is on the decline or that Property takes an increasing proportion of the whole income.

¹ "Réflexions sur la formation et la distribution des richesses," § vi.

The income produced *per capita*, let us say the average income, cannot decrease unless either a smaller amount of labour is undergone *per capita* or the productiveness of industry decreases. But it will be generally admitted that if the average amount of labour has undergone any diminution (which is improbable), the diminution of the average income resulting from this cause has been more than counterbalanced by the increase which has resulted from the growing productiveness of industry.

Then it is left to those who despond about average earnings—those who quote with approval Cairnes' dictum that the earnings of labour can never rise much above their present level¹—to maintain that property takes a larger and larger proportion of the whole income of Society, and not only a larger proportion but a proportion so much larger as to counterbalance the effect of the increase of average income. For instance, if when the average income is twenty Property takes a quarter, then if it is to keep earnings down at the old level when the average income has risen to thirty it must take a half.

But does any one maintain that the proportion which goes to Property increases in this way? Does any one maintain that it increases at all? I do not know of any one who does so.

Economic theory can give no answer to the

¹ "Some Leading Principles," Pt. II., ch. v. § 7.

question whether it does or not. The old economists thought that theory showed that the rent of land as a rule rises. No doubt this is the case, but it does not prove that a larger proportion of the whole income of the community goes to rent. They said that as a rule the rate of interest falls, and this, too, is true, though not in the least on account of the reasons given ; but a fall in the rate of interest does not show that capital receives a less proportion of the whole income. As regards land and capital or rent and interest taken together, the old economists did not profess to have a theory.

The question can only be answered by history or statistics, and it is of no use to attempt to answer it by giving statistics of earnings in several "typical" trades at different times and generalising from these. The changes in the relative remuneration of different occupations, the changes in the occupations themselves, and the changes in the relative numbers of persons employed in them are far too many and too great to allow this method to lead to any useful result. We have got beyond the stage at which acceptance can be found for such crude notions as Ricardo's opinion that "the scale" of remuneration in different employments "when once formed is liable to little variation."¹

The only efficient way of arriving at an answer to the question would be to form estimates of the

¹ Above, p. 64, note.

total income of Labour and the total income of Property at different times. Whether this can be done with sufficient accuracy and certainty to be of much use I do not feel sure.

I used to think that in countries like this at the present time Property must have a larger proportion of the whole income than in countries with small amounts of capital such as Russia or Greece, and one day (long before I began to write this paper or had ever heard of the Fabian Society) I took Table H in Mulhall's article on "Wealth" and endeavoured to find out if it bore out this view, fully expecting it to do so. I assumed that the rate of interest in this country was 3 per cent., in France $3\frac{1}{2}$, in Germany $3\frac{1}{2}$, in the United States, Australia, and Russia 5, in Greece 6. Then I calculated Property's proportion. It came out thus: Greece 54 per cent. of the whole income, United States 33 per cent., France 29, Russia 28, Australia 22, United Kingdom 21. This surprised me greatly.

I do not mean to say that conjectural figures like these are in themselves worth anything. I only give them because they seem to me to suggest at any rate that the pessimists' case is not to be taken as founded on notorious facts. If the pessimists really believe that Property takes a continually increasing proportion of the whole income and a proportion increasing so much as to reduce average earnings in spite of the increase in the

productiveness of industry, let them say so definitely and endeavour to prove it in an intelligible and comprehensive manner.¹

If Socialism is to be transplanted from the land of metaphor and mysticism and to flourish in the soil of British common sense in agreement with modern Political Economy, its adherents should take the advice which Jevons gave to economists to "fling aside once and for ever the mazy and preposterous assumptions of the Ricardian school."² They will not have done this till they cease to complain of an imaginary "subjection of labour to capital," cease to represent the existence of private property in the means of production as the cause of extreme poverty, and cease to expect a national regeneration from the extension of mercantile institutions worked by the State.

The phrase "subjection of labour to capital" is obviously not to be taken literally, for it would be unintelligible to say that a species of human action is subject to a mass of mute, and for the most part inanimate, material objects. It must be supposed, then, that "subjection of labour to capital" means "subjection of labourers to owners of capital." Now, if an assertion that labourers are subject to owners of capital were only intended to indicate that a large portion of

¹ This subject recurs in the essay on the "Division of Income," No. VII. in this volume.

² "Theory of Political Economy," Preface.

the income of society as now constituted goes to the owners of the capital, all that could be said would be that the language used is singularly ill-chosen. If it were intended to indicate that in many cases the owners of capital take the risks involved in industrial enterprises, all that could be said would be that this is a very good thing for labourers. Doubtless it is intended to convey far more than this, but what it is intended to convey is by no means clear. Possibly it means that owners of capital "exploit" labourers. A person who says that labourers are exploited cannot very well be contradicted unless he is rash enough to give an explanation of the word, which he very seldom is. If exploit means anything, I suppose it means to employ at competition wages. How this involves subjection it is not very easy to see, as the will of the owners of capital has nothing to do with fixing competition wages; if it had, I am afraid every class of workers would be on a bare subsistence wage. Moreover, there is a very large class of wage-earners, chiefly consisting of domestic servants, which is not supposed to be employed by capital. It is a curious commentary on the subjection of labour to capital that it is in this class and not in the class supposed to be employed by capital that the old-fashioned servility is most flourishing.

That the existence of private property in the means of production is not the cause of extreme

poverty may be very easily shown. Of course the fact that Property has a large share of the income of Society accounts for the greater part of the inequality of wealth which prevails, but it does not account for the whole of the inequality. The very large incomes are entirely due to the possession of property ; I do not suppose any one ever earned £30,000 a year for ten years together, while incomes greater than this derived from property are common enough. But besides inequality of property there is such a thing as inequality of earnings, and it is to inequality of earnings that the extremity of poverty is due. Property (according to the estimate adopted in the Fabian pamphlet " Facts for Socialists ") receives nine twenty-fifths, or a little more than one-third, of the whole income of this country, and it will be admitted that there would not be any great amount of acute poverty if every worker had an equal share of two-thirds of the present total income, as would be the case if earnings were equal. Doubtless the share of each worker would be a rather small sum, but given a moderate amount of providence, it would be sufficient for the healthy and happy existence both of the workers and the non-workers dependent on them.

People often talk, however, as if the inequality of earnings was somehow a direct result of Property's having a share of the total income—as if one man earned little because Property deducted

a large portion of the produce of his labour, and another man earned much because Property deducted a small portion of the produce of his labour. According to this view the millionaires are supported entirely by those who are on the borders of pauperism. In reality the income of Society is a joint product divided into shares in the course of production, and you cannot say that one set of individuals pay this, that, or the other share of it. So far from its being the case that Property benefits more largely from the existence of the ill-paid than from the well-paid worker, the truth is that the poorest class does not completely maintain itself, but is a burden on the rest of the community, including the owners of property.

Institutions like the Post Office and State railways, which are the subject of what appears to me extravagant admiration on the part of present-day Socialists, are of extremely little use in combating poverty. In working them the State acts, and must act, on the whole very much in the same way as private owners would work. The institutions are not communistic as regards the consumers of the commodity sold. If they were, the commodity would be sold cheaper to the poor than to the rich. Nor are these institutions communistic as regards the workers employed in producing the commodity sold. Different kinds of work are paid for at different rates, which correspond in the main

to those paid for similar kinds of work in the outside market, and it is impossible to see on what other principle the remuneration could be settled. I read in one of your pamphlets that great things are expected if railway servants are raised to the lofty level of postmen by being employed by the State, but the proposition that postmen have so much more social spirit than other people seems to me as extravagant as the opinion which I heard lately expressed in a tramcar: "Well, you see, when you make a man a Government official, you make a rascal of him."

The chief causes of extreme poverty are not the "subjection of labour to capital" nor yet "the tribute of industry to idleness," but ignorance, vice, and weakness of mind and body. Certainly extreme poverty is a cause as well as an effect of these evils; it is maintained by them and in its turn reproduces and maintains them. But we do not wish to get rid of these evils merely because they maintain poverty, but because they are great evils in themselves. Poverty, on the other hand, in itself is one of the petty evils of life; if a man were guaranteed knowledge and health of body and mind, he would be a very contemptible creature if he shrank from poverty. Poverty may be diminished, at any rate for the moment, by measures which do not have the effect of diminishing these evils. Consequently it is far better to attack the evils directly than through merely economic or

pounds-shillings-and-pence measures. Every man and woman in the community can do this in fifty different ways every day of their lives without invoking the aid of the State.

Nevertheless the aid of the State is necessary, and it is admitted to be so by all except a very small knot of pure individualists who have no influence whatever. The aid of the State is already freely given in innumerable ways, and every year it is given more freely and in more different ways. Most of these ways involve a taking from the rich to give to the poor, which is communism, however much the proposers of each particular change may insist that it is not communistic. But they do not involve a premature attempt to abolish free exchange of commodities and services as the basis of industrial organisation, nor a belated attempt to make the community into one vast manufactory, with the State as a beneficent but unmistakably eighteenth-century capitalist at the head of it.

II

RICARDO IN PARLIAMENT¹

AFTER his retirement from business, Ricardo, as McCulloch's Preface to his collected Works tells us, "determined to extend the sphere of his usefulness by entering the House of Commons." That an economist and retired stockjobber worth three-quarters of a million should have any difficulty in carrying out this plan probably never occurred to any one at that time, and McCulloch continues without a break, "In 1819 he took his seat as member for Portarlington." The electors of Portarlington are said to have been about twelve in number. Probably Ricardo never saw them.² All

¹ Reprinted from the *Economic Journal* for June and September, 1894.

² The member for Galway said in the House of Commons on April 24, 1823: "The hon. member for Portarlington had talked gravely about the influence of the aristocracy. Now, he did not think the hon. gentleman could name one of the constituents by whom he was returned. They were about twelve in number, and he did not recollect that he had ever set foot in Ireland. The hon. gentleman had, therefore, he presumed, been indebted to that influence, or to some equivalent one, for his seat for Portarlington" (Hansard, viii., 1285). "He is understood

that we know is that he was elected on February 20, 1819, in place of Richard Sharpe, Esq., of Mark Lane, who had accepted the Chiltern Hundreds, and that on the dissolution of Parliament at the death of George III. he was re-elected for the same constituency, and continued to represent it till his death on September 11, 1823.

For his time Ricardo was a very active member. His speeches number 126, and though many of them are merely brief, casual remarks, they occupy together 177 columns of Hansard. The Hansard of that period seldom gives the list of the majority in parliamentary divisions, but from February 21, 1819, to September 10, 1823, there are 237 lists of minorities, and Ricardo's name occurs in 166 of them. It also occurs in eight out of the nine lists of majorities. That he voted in many of the majorities of which the names are not recorded is improbable, but even if he voted in none of them it is clear that he must have attended divisions most conscientiously.

As regards the miscellaneous questions of general politics which concern an economist no

to have lent £20,000 to the proprietor of the borough, free of interest, on condition that the latter returned him free of expense. He never, indeed, saw the borough of which he was the representative, and could speak and vote as he thought proper, without being influenced in any degree by the opinions of his constituents. He was in every sense a truly independent member" (McCulloch, "Treatises and Essays," 2nd ed., 1859, p. 555, note).

more than any other citizen, Ricardo invariably acted with the most liberal section of the House. The very first vote which he cast (March 2, 1819) was in favour of Sir James Mackintosh's motion for a committee to inquire into the criminal law with a view to reducing its excessive severity. He voted for the Forgery Punishment Mitigation Bill in 1821, and for the Abolition of Punishment by Whipping Bill, and also for Mackintosh's resolutions in favour of the abolition of capital punishment for a number of offences, in 1823. In the autumn session of 1819 he voted steadily against the repressive measures which became known as the Six Acts. Against one of them, that for the Prevention of Seditious Meetings, he made a speech in which he maintained that the people's right of public meeting "was a right of meeting in such numbers and showing such a front to ministers as would afford a hope that bad measures would be abandoned, and that public opinion would be respected." Such meetings were inconvenient, he admitted, and were not "the sort of check which ought to exist in a well-administered Government," but till Parliament was reformed they were necessary.

"He had read with surprise the abhorrence of radical reform expressed by several members of that House. He believed there were among the advocates of that measure wicked and designing men. But he also knew that there was a great

number of very honest men who believed universal suffrage and annual Parliaments were the only means of protecting the rights of the people and establishing an adequate check upon government. He had the same object as they professed to have in view ; but he thought that suffrage far from universal would effect that object, and form a sufficient check. He therefore thought it would be madness to attempt a reform to that extent, when a less extensive reform would be sufficient." ¹

He always voted for Reform whenever the subject came up, which was not very frequently. Speaking briefly in favour of Mr. Lambton's motion for Reform in 1821, he "regretted that his hon. friend did not propose the introduction of voting by ballot, which he thought would be a greater security for the full and fair representation of the people than any extension of the elective franchise. It might be supposed that if they were able to vote freely the effect would be that in time the people would get rid of the lords." But "The people would never, when left to their own free and unbiassed choice, be anxious to get rid of that which they considered the instrument of their good government ; and unless gentlemen were prepared to assert that the lords were an instrument of bad government, which he believed nobody would assert, they could not entertain any

¹ December 6, 1819.

rational fear that the people would be anxious to get rid of them."¹

In a longer speech delivered on Lord John Russell's motion in 1823, he divided the subject into three parts: (1) the extension of the suffrage, (2) the mode of election, and (3) the duration of Parliaments.² The suffrage, he said, ought to be extended, but "the other two points appeared to him to be of deeper interest." He inquired, "Of what use was it that the power of choosing its representatives should be given to the people, unless the free exercise of that right were also secured to them?" The only way to give them this free exercise was to introduce the ballot. "Unless the system of ballot were resorted to, it would be in vain to attempt any reform at all of Parliament." The wisdom of our ancestors' argument he brushed away with scorn. "He thought the present generation possessed not only

¹ April 18, 1821.

² April 24, 1823. In reprinting the "speech on the plan of voting by ballot," which appears at the end of his edition of Ricardo's Works, McCulloch calls it a "report of one of Mr. Ricardo's speeches in Parliament—most probably the one he delivered on the 24th April, 1823, in the debate on Lord John Russell's motion—written in his own hand." That McCulloch had not taken the most ordinary pains to verify a haphazard conjecture by referring to Hansard is shown by his use of the words "most probably"; that he had not taken the trouble to read the speech which he was reprinting is shown by the fact that it talks of "the Bill," and is particularly addressed to criticism of two "clauses" in the Bill. If Hansard is to be trusted, it was never delivered.

as much wisdom as any of those which had preceded it, but a great deal more."

On questions of foreign policy he did not speak, except once on March 18, 1823, when he rose to protest against the inference that those who, like himself, had attended a dinner given to the Spanish minister, were in favour of war. "He felt a deep sympathy with the Spanish people," but "had no hesitation in declaring his opinion that it would be wise in this country to keep out of the war." He voted consistently against the Foreign Enlistment and Alien Bills.

As to the Queen, he voted against the Government but did not speak.

A subject on which he seems to have expended some study, and to have felt very keenly, was the policy of prosecutions for blasphemy. He was in favour of the most unrestricted liberty of expression, as well as of opinion. Speaking on March 26, 1823, in favour of the prayer of Mary Ann Carlile for the remission of the exorbitant fine non-payment of which was detaining her in gaol after the expiration of her sentence of imprisonment, he protested against the Attorney-General's demand that the woman must first express contrition for her offence, or, as he preferred to put it, "must commit an act of the most shameless duplicity, in order to become a proper subject for the mercy of the Crown." This led him to denounce the practice of asking a witness

in court whether he believed in a future state, and declining to take his evidence if he said he did not.

“Blasphemy,” he said, “was an offence which it was quite impossible to define. Nobody, in committing it, was aware of what he was offending against. It was one thing in this country and another in France. . . . He must now inform the House that after a long and attentive consideration of the question, he had made up his mind that prosecutions ought never to be instituted for religious opinions. All religious opinions, however absurd and extravagant, might be conscientiously believed by some individuals. Why, then, was one man to set up his ideas on the subject as the criterion from which no other was to be allowed to differ with impunity? Why was one man to be considered infallible, and all his fellow-men as frail and erring creatures? Such a doctrine ought not to be tolerated; it savoured too much of the Inquisition to be received as genuine in a free country like England. A fair and free discussion ought to be allowed on all religious topics. If the arguments advanced upon them were incorrect and blasphemous, surely they might be put down by sound argument and good reasoning, without the intervention of force and punishment.”

Wilberforce was scandalised by this speech, and complained that “the hon. member for Portarling-

ton seemed to carry into more weighty matters those principles of Free Trade which he had so successfully expounded." He appealed to Paley's teaching that ridicule, invective, and mockery on religious subjects might be suppressed without violating religious liberty.

On July 1, 1823, a petition was presented from certain ministers of religion and their congregations deprecating the prosecutions for blasphemy. Joseph Hume delivered a long speech and proposed a resolution to the effect that "Free discussion has been attended with more benefit than injury to the community, and it is unjust and inexpedient to expose any person to legal penalties on account of the expression of opinions on matters of religion." Wilberforce opposed, objecting to "ribaldry and indecency," and again quoting Paley. Ricardo followed in support of the motion. Paley, he thought, was more liberal than Wilberforce, and "he, as well as the other chief ornaments of the Church, for instance, Dr. Tillotson and Dr. Porteous, had asserted, in the largest sense, the right of unfettered opinion." As in his speech of March 26th, he drifted into an attack on the plan of asking a witness whether he believed in a future state. He read a long passage from Tillotson, "for the purpose of showing, and from a great authority in the Church, that the obligation of religion was not alone considered as the influential test

of moral truth, and that a man might be very sceptical upon doctrinal points, and yet very positive in the control of moral impressions distinct from religious faith. For instance, there was Mr. Owen of Lanark, a great benefactor to society, and yet a man not believing (judging from some opinions of his) in a future state. Would any man, with the demonstrating experience of the contrary before his eyes, say that Mr. Owen was less susceptible of moral feeling because he was incredulous upon matters of religion? Would any man pretending to honour or candour say that Mr. Owen, after a life spent in improving the condition of others, had a mind less pure, a heart less sincere, or a less conviction of the restraint and control of moral rectitude than if he were more imbued with the precepts of religious obligation? Why, then, was such a man (for so by the law he was) to be excluded from the pale of legal credibility? Why was he, if he promulgated his opinions, to be liable to spend his days immured in a prison?"

As for making the reservation that attacks on religion must not be made with "levity and ribaldry," he asked:—

"What was it but to say: 'You may discuss, if you please, in the most solemn, most serious, and therefore most influential manner, any topic of religion you please; but the moment you discuss it with levity or ribaldry—that is, in such a manner

as to be sure to offend the common sense of mankind, and therefore deprive you of really acquiring any serious proselytes—then the law takes cognisance of your conduct and makes your imbecility penal.’ ”

Later in the debate a member protested against the allegation that Owen disbelieved in a future state. Ricardo was ready to apologise if he had misrepresented Owen, and explained that it was a matter of inference:—

“ It was one of the doctrines of Mr. Owen that a man could not form his own character, but that it was formed by the circumstances which surrounded him—that when a man committed an act which the world called vice it ought to be considered his misfortune merely, and that therefore no man could be a proper object for punishment. This doctrine was interwoven in his system ; and he who held it could not impute to the Omnipotent Being a desire to punish those who, in this view, could not be considered responsible for their actions.”

Ricardo's name appears in neither of the two lists of votes on the Roman Catholic question which are given in Hansard during the period covered by his parliamentary career. As one of these lists ¹ gives the names both of the majority

¹ That of February 28, 1821. The other list (April 30, 1822) gives the names only of those who voted against the Roman Catholic claims.

and minority, we must conjecture that he remained neutral. This is curious. Can it have been due to some compact with the power which gave him his seat for Portarlington?

One of his earliest speeches (May 4, 1819) was in favour of a motion for abolishing State lotteries. It is unfortunately reported in a very brief form:—

“Mr. Ricardo supported the motion and pointed out the evils which arose from the drawings of the lottery so often in the year. He quoted the resolutions of a Society to which many of the ministers belonged, deprecating the lottery; and observed that they were thus condemning, as individuals, the law which they came to support by their votes.”

No one had a word to say against the motion except Canning, who delivered a shamefully cynical speech, Castlereagh, Vansittart, and Huskisson, but it was lost by 133 to 84.

Coming now to economic subjects proper, we may put in the first place that great currency question which had first exercised Ricardo's powers of economic exposition. Here the Government had adopted his views, so that he was of course one of their strongest supporters. When he took his seat in Parliament the Bank was apparently drifting into difficulties in consequence of an undertaking into which it had rashly entered to pay in specie all notes dated earlier than January 1, 1817. A committee of secrecy reported

that a stop should be put to its proceedings, and Peel brought in a bill for the purpose on April 5, 1819. Ricardo spoke shortly in favour of this bill, urging that before the Bank could safely give cash for notes it should bring the notes to par value by reducing their number. When Peel proposed his resolutions for the definitive resumption of cash payments (May 24, 1819), Ricardo, as McCulloch tells us, did not rise till he was called on loudly from all sides of the House. Hansard sprinkles his speech with an unusual number of cheers, and records that "the hon. member sat down amidst loud and general cheering from all sides of the House." There is, however, nothing remarkable in the speech, which merely recapitulates the views which Ricardo had been advocating for many years. It expresses without much reserve his extremely poor opinion of the capacity of the Bank directors. "The House," he remarked, "did not withdraw its confidence from the Bank from any doubt of its wealth or integrity, but from a conviction of its total ignorance of the principles of political economy." When the resumption had once been decided on, Ricardo's task was to defend the measure against the attacks of those who attributed the depression of trade and agriculture to it. He had frequently to urge that the appreciation of the currency caused by it was much less than it was represented to be, to show that the fundholders had not been

benefited by it to any very great extent, to argue that the depression was due to the Corn Laws and the National Debt, and to bring forward objections to bimetallic¹ and other proposals for producing a depreciation. The most interesting of the speeches which he delivered on the subject is that of June 12, 1822, against "Squire" Western's motion for a committee. In it he went thoroughly into the distinction between "depreciation" and "diminution of value," quoted the pamphlet of 1816, and declared in italics that "*quantity regulated the value of everything.*" This was true, he added, of every commodity, but "more perhaps of currency than of anything else." This speech occupies fifteen columns of Hansard and is Ricardo's longest. Nothing daunted by a defeat in a division of 194 against 30, Western reopened the question on July 10th with eighteen lengthy resolutions. Ricardo was the first speaker against them, and in the end they were negatived. On June 11, 1823, the indefatigable Squire again returned to the charge, and Ricardo was again his first opponent. In his speech on this occasion there are traces of the discussion between him and the Squire becoming slightly personal. In a pamphlet the Squire had referred to him somewhat unpleasantly:—

"Without naming him, the hon. gentleman

¹ "If there were two standards there would be greater chance of variation" (December 24, 1819).

alluded to him and his opinion in a way that no one could mistake the person meant, and said that it required the utmost extent of charity to believe that in the advice he had given he was not influenced by interested motives. The hon. gentleman would have acted a more manly part if he had explicitly and boldly made his charge, and openly mentioned his name. He did not pretend to be more exempted from the weaknesses of human nature than other men, but he could assure the House and the hon. member for Essex that it would puzzle a good accountant to make out on which side his interest predominated. He (Mr. Ricardo) would find it difficult himself, from the different kinds of property which he possessed (no part funded property), to determine the question. But by whom was this effort of charity found so difficult? By the hon. gentleman whose interest in this measure could not for one moment be doubted—whose whole property consisted of land—and who would greatly benefit by any measure which should lessen the value of money. He imputed no bad motive to the hon. gentleman. He believed he would perform his duty as well as most men, even when it was opposed to his interest; but he asked the hon. gentleman to state on what grounds he inferred that he (Mr. Ricardo) should, under similar circumstances, be wanting in his."

He concluded by declaring that "it was too late to make any alteration in the currency. The

difficulties of the measure of 1819 were now got over. The people were reconciled to it." If agriculture were not flourishing before long, "it would only be on account of the mischievous Corn Law, which would always be a bar to its prosperity."

Next to the currency among Ricardo's interests comes the question of the Corn Laws. His first attack on them in the House was made on December 16, 1819, in the course of a speech on Sir W. de Crespigny's motion for a committee to consider Owen's scheme. "The proportion of the capital to population," he agreed with Brougham in believing, "regulated the amount of wages, and to augment them it was important to increase the capital of the country." Low profits led to the emigration of capital to countries where the rate was higher. Profits were naturally smaller in England than on the Continent, but "the capital continued in this kingdom, not only because persons felt a solicitude to keep their property under their own eye, but because the same confidence was not reposed in the security of others: the moment, however, other kingdoms by their laws and institutions inspired greater confidence, the capitalist would be induced to remove his property from Great Britain to a situation where his profits would be more considerable: this arose from no fault in the Government, but the effect of it was to produce a deficiency of

employment and consequent distress. Then came the question, had we taken the proper steps to prevent the profits upon capital from being lower here than in other countries? On the contrary, had we not done everything to augment and aggravate the evil? Had we not added to the natural artificial causes for the abduction of capital? We had passed Corn Laws that made the price of that necessary of life, grain, higher than in other and neighbouring countries, and thus interfered with the article which was considered the chief regulator of wages. Where grain was dear, wages must be high, and the effect of high wages was necessarily to make the profits on capital low."

Immediate repeal of the Corn Laws, he thought, was impossible, but notice should be given that "after a certain number of years such an injurious system of legislation must terminate." A fortnight later (December 24, 1819) he repeated this argument when speaking on a petition of the merchants of London respecting commercial distress. On May 12th of the next year he declared that "there was not a more important question than that of the Corn Laws. Nothing, in his mind, was better calculated to afford general relief than the lowering of the price of corn. It was the first step to that great remedy, the making labour productive." On May 30th he exposed the absurdity of endeavouring to fix "a remunerating price" for grain. "You might," he said, "have

fifty remunerating prices according as your capital was employed on productive or unproductive lands." Endeavouring to prove the doctrine of his "Essay on the Influence of a Low Price of Corn," and of his speech of December 16, 1819, he said:—

"The high price of subsistence diminished the profits of capital in the following manner: The price of manufactured articles—of a piece of cloth, for instance—was made up of the wages of the manufacturer, the charges of management, and the interest of capital. The wages of the labourer were principally made up of what was necessary for subsistence; if grain was high, therefore, the price of labour, which might be before at 50 per cent. on the manufactured article, might rise to 60, and being sold to the consumer at the same rate, the 10 per cent. (difference) would necessarily be a reduction from the profits of stock. If food was high here and cheap abroad, stock would thus have a tendency to leave the country and to settle where higher profits could be realised."

He would grant that the country could grow enough to support a considerably increased population, but he questioned the expediency of attempting to do so:—

"All general principles were against it. They might as well urge that, as in France, they could grow beetroot for the purpose of producing sugar,

as grow grain sufficient for home consumption merely because it could be done. The right hon. gentleman opposite had ridiculed that absurd scheme of Buonaparte in the most pointed language, but all his ridicule applied equally to the growing of corn in this country when we could get it cheaper elsewhere."

Of the notion that because commerce and manufacture were protected, agriculture should be protected also, he made short work. "The argument of the agriculturist was," he said, "that the legislature having enabled the shipowner and cotton manufacturer to injure the community, they should give him a privilege to do the same."

In 1821 Ricardo dealt with the Corn Laws in a speech on Mr. Gooch's motion for a committee on agricultural distress (March 7th). After repudiating the suggestion which had been made to the effect that he had a personal interest to serve, by asserting that "he was not a mercantile man—that he was not a man of funded property, but that he was a landed proprietor," he "begged that he might not be understood as advocating an unlimited free trade in corn; for there were circumstances attending that question which rendered it imperative upon the legislature to impose some shackles upon a trade which, more than any other, being once without restraint, speedily required them." If British agriculturists could show that they had to cope with any

particular taxes which foreigners had not, then he would allow a countervailing duty to that amount. "The great principle upon which they should go was this—to make the price of their corn approximate, as nearly as possible, to the price which it bore in other countries." The existing system produced a glut of corn whenever the price rose above 8s. :—

"The system which had been proposed by the hon. member for Bridgenorth, of duties that should rise as the price of corn fell, and fall as the price of corn rose, he could not consider a very wise one. What would be the situation of the grower, if such a system were put in practice? Supposing he had to contend with the deficiencies of a short crop in one season, he naturally expected to make up for them in the next season. But the adoption of these duties would leave him no such remedy for his misfortunes."

The depression of agriculture was not, he felt sure, due to taxation, for taxation raised the price of products instead of lowering them. "Take," he said, "the commonest article of trade—a hat, for instance. If the hat were taxed, the price of the hat rose, of course."

"The hon. member for Cumberland had asked: 'Can we grow corn in England on the same terms as the foreign grower?' To this he would answer, 'No'; and for that very reason he would import it. But what was the proposed end of all

capital if it was not this—that the possessor should procure a great abundance of produce with it? Now, if he could prove that by getting rid of all that capital which is employed in land he could make a more profitable use of it, then he contended that was in effect so much capital gained by him. But here again an erroneous idea prevailed. The House was told of the capital which was employed in land, and told in a manner as if it was absolutely and entirely vested in it. Let them just consider, however, the wages of labour, the price of improvements, the charges of manure, and they would find that the total cost of all these items would be a capital saved.”

Speaking on Brougham's motion for reduction of the taxation of the agricultural and other classes on February 11, 1822, he acknowledged boldly that he wished to see a diminution in the quantity of land under tillage:—

“His hon. and learned friend had stated that, unless something were done to relieve the farmer, much of the land would be thrown out of tillage. He said so too; and it was to that very circumstance that he looked forward as a remedy.”

On April 3rd he made another attack on the doctrine of fixing a remunerating price. A committee on agriculture had spoken of the imposition of duties to “countervail,” not only the taxes on agricultural produce, but also the whole additional expense of growing corn in this

country as compared with other countries. But to such duties there could be no limit, since as population increased poorer and poorer lands would be taken into cultivation, and the expense of production would keep on rising. Moreover, effective duties on this principle applied to all commodities would simply put an end to all foreign commerce. "If," he said, "on this plan they attempted to give a monopoly to grapes reared in hothouses, countervailing duties might be imposed on wine, to make it as dear as the produce of the hothouses."

Since 1815, it will be remembered, the sale of foreign corn in England was absolutely prohibited except when the price had risen above a certain limit—in the case of wheat 8os. per quarter. The price had been below this level since February, 1819, but the agriculturists were haunted by a fear that when, as they hoped would soon happen, the price rose again to the limit, there would be such an immense importation that they would profit nothing. The Government proposed, therefore, that even when the import price was reached the foreign corn should be liable to a heavy duty. Numerous amendments were brought forward, and Ricardo proposed (April 29, 1822) that as soon as the price of wheat had once exceeded 7os., importation should be allowed, whatever the price might be, on payment of a duty of 2os., which should be reduced one shilling per annum till it was

only 10s. He also proposed a bounty of 7s. on exportation. The debate was enlivened by a long and vigorous attack upon Ricardo from Matthias Attwood. One passage in Attwood's speech puts forward an objection to Ricardo's theory which those who take their history of economic theory exclusively from J. S. Mill imagine to have been discovered by H. C. Carey. Quoting Ricardo's proposition that "in the progress of society, when no importation takes place we are obliged constantly to have recourse to worse soils to feed an augmenting population," Attwood said:—

"He believed that the fact thus assumed was directly the reverse of that which did in reality exist; that so far from the average quality of land becoming poorer as population and wealth advanced, it became richer; and he had no doubt, but the average quality of the land under cultivation in this country at the period of its highest prices, and of the greatest prosperity of agriculture, at the period prior to the close of the last war—that the average quality of land was then more fertile: that it produced more corn on an average by the acre, and with less positive labour: that it yielded a greater surplus produce than at any former period. It was not true that the cultivation of any country proceeded in the manner and according to the calculation here assumed. It was not the best land which was first cultivated, nor the worst land which was last cultivated. This

was determined in a great measure by other circumstances : by the rights of proprietorship, by locality, by enterprise, by the peculiarities of feudal tenure, its remains still existing : by roads, canals, the erection of towns, of manufactories : all those and other obstacles of a similar nature interfered with the calculations of the hon. member ; and bad land, when it was once brought into cultivation and subjected to the operations of agriculture by draining, by watering, by the application of various substances, frequently became the best land, and was afterwards cultivated at the least expense." †

"The price of corn," he proceeded to show, "had never risen in the way the hon. gentleman had supposed." Ricardo's answer to this portion of the speech was feeble in the extreme:—

"The hon. gentleman talked of the impossibility of the cultivators of the soil having recourse to land of an inferior quality, but the hon. gentleman did not correctly state the argument. It was not that cultivators were always driven by the increase of population to lands of inferior quality, but that from the additional demand for grain, they might be driven to employ on land previously cultivated a second portion of capital which did [not] produce so much as the first. On a still further demand a third portion might be employed which did not produce so much as the second: it

† May 7, 1822.

was manifestly by the return on the last portion of capital applied that the cost of production was determined. It was impossible, therefore, that the country should go on increasing its demand for grain without the cost of producing it being increased and causing an increased price."

These remarks are almost pointless, since Attwood obviously intended to argue not only that there was "in the progress of society" no diminution in the productiveness of land (produce per acre), but also that there was no diminution in the productiveness of labour (produce per man). Ricardo spoke four times in the course of the debate, but his resolutions were rejected by 218 to 25 (May 9).

To protecting duties and bounties on manufactured articles Ricardo was no less hostile than to the Corn Laws, and no consideration of self-interest had any influence upon him. He objected equally to taxes on England for the benefit of Irish industry¹ and to commercial restrictions on the colonies for the benefit of England.² That his own constituency was in Ireland was a fact which never moved him in the least. His speeches against all kinds of commercial restrictions other than the Corn Laws were invariably short and pithy. Here, for example, is the whole of his reply to the doctrine often

¹ May 30, 1823, on the Irish Tithes Bill.

² March 13, 1822.

heard even in these days, that the Government ought to buy nothing of foreign manufacture:—

“ Mr. Ricardo thought that if the various articles likely to be consumed at the coronation could be bought cheaper in the foreign than the home market, there could be no objection to their not being home manufacture, seeing that they must be purchased by the produce of our own industry.”¹

To the argument that the government of England must interfere with commerce because other governments were doing so, he had a sharp retort:—

“ The hon. mover had stated that foreign monarchs were embarking in the corn trade, that they were becoming merchants, and that the King of Sweden was importing oats into this country. Now if this were the fact, he for one should rather rejoice at it, because he should expect to make much better bargains with kings and princes than with their subjects. The hon. gentleman, however, need not be under any alarm ; for if, as he represented, these trading potentates would not take back our hardware and pottery in exchange, there was a sufficient security for our continuing to grow our own corn.”²

Speaking on the question of the timber duties, he said that by purchasing timber from Canada instead of from the North of Europe the country

¹ July 3, 1820.

² April 5, 1821.

was losing £400,000 a year, and he would much rather make a direct grant of that amount to the shipowners; "for in that case the capital thus given to them would be more usefully employed. At present it was a total sacrifice of £400,000 a year, as much so as if the ships engaged in the coasting trade should be obliged to sail round the island in order to give employment to a greater number. He was of opinion that according to the true principles of commerce it ought to form no part of the consumer's consideration to enter into the distribution by the seller of the money or labour which he (the consumer) exchanged for any commodity which he wanted. All the consumer had to consider was where he could get the article he wanted cheapest; whether the payments were to be made in money or in manufactures was matter quite of minor importance." ¹

Repeating this doctrine in more general terms a week or two later, he said:—

"It was contended that the interest of the producer ought to be looked to as well as that of the consumer, in legislative principles. But the fact was that in attending to the interest of the consumer, protection was at the same time extended to all other classes. The true way of encouraging production was to discover and open facilities to consumption." ²

¹ April 5, 1821.

² April 16, 1821.

In a speech on the Colonial Trade Bill on May 17, 1822, he made quite a lively attack on the system by which "vexatious and unnecessary burdens were cast upon one class, and that class was allowed to relieve itself by preying upon some other." Some one had asked what became of the million and a half which was said to be taken from England for the sake of the West Indies:—

"No one got it. That was what he (Mr. Ricardo) complained of. The people of England paid grievously for their sugar, without a corresponding benefit to any persons. The sum which they paid was swallowed up in the fruitless waste of human labour."

For internal restrictions on freedom of trade he had as little mercy as for Protection. Of the Usury Laws he spoke with contempt:—

"He had had great experience in the money market, and could state the usury laws to have always been felt as a dead weight on those wishing to raise money. With respect to those concerned in the money market itself the laws had always been inoperative, and during the war indirect means had been found of obtaining 7, 8, 10, and 15 per cent. interest. The laws therefore occasioned inconvenience, but did no good." ¹

Lender and borrower, he explained on another

¹ April 12, 1821.

occasion, "conspired to evade the law. These laws operated in precisely the same way as the laws against exporting the coin of the realm. Now, notwithstanding those laws, did not the exportation of that coin take place? The only effect of the statutes in that case was to place the traffic in the hands of characters who had no scruples against taking a false oath. They were encouraged to evade the law, and made a great profit by so doing."†

In 1823 Huskisson proposed to repeal the Acts 13 Geo. III. ch. 68, 32 Geo. III. ch. 44, and 51 Geo. III. ch. 7, commonly called the Spitalfields Acts, which empowered the magistrates of London, Westminster, Middlesex, and the Tower to fix the wages of journeymen silk weavers within their jurisdiction, and also prohibited masters residing within those limits from employing weavers in other parts of the country at a different rate of wages from that so fixed. When an ably drawn petition was presented on May 9th in favour of the repeal, Ricardo immediately rose. He "could not help expressing his astonishment that in the year 1823 those Acts should be existing and in force. They were not merely an interference with the freedom of trade, but they cramped the freedom of labour itself." On May 21st petitions came in from the journeymen silk weavers of London and Sudbury. On the reception of the

† June 17, 1823.

London petition Ricardo, in a speech of some length, said:—

“The hon. member for Weymouth [Fowell Buxton] had observed that the petitioners knew nothing about political economy, the principles of which seemed to change every two or three years. Now, the principles of true political economy never changed; and those who did not understand that science had better say nothing about it, but endeavour to give good reasons, if they could find any, for supporting the existing Act. He most assuredly would not utter a word that could be injurious to the working classes; all his sympathies were in their favour: he considered them as a most valuable part of the population, and what he said was intended for their benefit. But why should this particular trade come under the cognisance of the magistrate more than any other?”

On the Report stage of Huskisson's bill (June 9th) he argued that if the acts were beneficial they ought to be extended to the whole country and to all manufactures:—

“But the question was whether labour should or should not be free. The quantity of work must depend on the extent of demand, and if the demand was great the number of persons employed would be in proportion. If these acts were repealed, no doubt the number of weavers employed in London would be greater than at present. They might

not, indeed, receive such high wages ; but it was improper that those wages should be artificially kept up by the interference of a magistrate. If a manufacturer was obliged to use a certain quantity of labour, he ought to obtain it at a fair price. . . . An hon. member for Bristol had talked about political economy ; but the words ' political economy ' had of late become terms of ridicule and reproach. They were used as a substitute for an argument."

Before the third reading debate on June 11th he had collected or been provided with information on the subject. He was " in possession of a number of cases " showing the inconvenience caused by the acts, and changed his ground, contending now that the repeal would not reduce the weavers' earnings:—

" Mr. Ricardo contended that the effect of the existing law was to diminish the quantity of labour, and that though the rate of wages was high the workmen had so little to do that their wages were in point of fact lower than they would be under the proposed alteration of the law. He could not bear to hear it said that they were legislating to the injury of the working classes. He would not stand up in support of the measure if he thought for one moment that it had any such tendency. . . . He was perfectly satisfied that if the present bill should pass there would be a much greater quantity of work for the weavers

in London than there was at present. With respect to wages, he was persuaded that in all the common branches of the manufacture they would not fall; for at the present moment they were as high in the country, with reference to those branches, as they were in London."

The bill passed by 53 to 40, but was amended out of recognition by Lord Eldon in the Lords, and did not become law. The repeal was not affected till the next year by 5 Geo. IV. ch. 95.

The prohibition of the truck system fared no better with Ricardo than the Spitalfields Acts. In 1822, certain "miners, iron-makers, and coal masters" of Dudley prayed the House of Commons to enjoin a more strict observance of the law:—

"Mr. Ricardo," Hansard reports, "thought it impossible to renew so obnoxious an act. Mr. Owen prided himself upon having introduced the provision system. He had opened a shop at New Lanark in which he sold the best commodities to his workmen cheaper than they could be obtained elsewhere; and he was persuaded that the practice was a beneficial one."¹

On June 29, 1820, there was some debate on the motion for a select committee "to inquire into the means of relieving the cotton weavers which may be attempted without injury to the community." The proposer, Mr. Maxwell, suggested that power looms ought to be taxed because the

¹ June 17, 1822.

“articles on which the weaver was compelled to exist” were taxed. If the machine paid no taxes, he thought its competition with the hand worker was unfair. He also urged that the State should expend some money in providing land for cultivation by weavers unable to find employment, and asked, “Was it consistent with the harmony of the universe that one class of men should want the necessaries of life, while another abounded in every luxury and superfluity?” Ricardo’s reply was short.

“Mr. Ricardo said that he conceived the duty of Government to be to give the greatest possible development to industry. This they could do only by removing the obstacles which had been created. He complained, therefore, of government on very different grounds from the hon. mover, for his complaint was against the restrictions on trade, and other obstacles of that description, which opposed the development of industry. The recommendations of the hon. mover were inconsistent with the contrast between one class and another. If government interfered, they would do mischief and no good. They had already interfered and done mischief by the Poor Laws. The principles of the hon. mover would likewise violate the sacredness of property, which constituted the great security of society.”

Immediately after his election in 1819, Ricardo was added to a select committee on the Poor Laws

which was then sitting. The "proceedings" of committees were not published at that time, and in "minutes of evidence" the names of questioners were not given, so that it is impossible to distinguish the part played by any individual. The Report of the Committee does not show any particular signs of Ricardian influence, and on the general question contents itself with referring the House to the Report of the Committee of 1817. The evidence which it took was very little and not of a general character, so that Ricardo was not compelled to make himself acquainted with the subject. When he spoke on it in the House he was quite vague and general. His maiden speech, delivered on March 25, 1819, was on Sturges Bourne's Poor Rates Misapplication Bill. Under this Bill it was proposed to give free board, industrial training, and education to the third, fourth, and all subsequent children of poor fathers, and to prohibit all relief to the able-bodied labourer in employment—"a provision which," Mr. Bourne hoped, "would point out the necessity of granting him more adequate wages."

"Mr. Ricardo thought that the two great evils for which it was desirable to provide a remedy were the tendency towards a redundant population, and the inadequacy of the wages to the support of the labouring classes; and he apprehended that the measure now proposed would not afford any security against the continuance of

these evils. On the contrary, he thought that if a provision were made for all the children of the poor, it would only increase the evil; for if parents felt assured that an asylum would be provided for their children in which they would be treated with humanity and tenderness, there would then be no check to that increase of population which was so apt to take place among the labouring classes. With regard to the other evil, the inadequacy of the wages, it ought to be remembered that if this measure should have the effect of raising them, they would still be no more than the wages of a single man, and would never rise so high as to afford a provision for a man with a family."

On May 17th, at the second reading stage, "Mr. Ricardo opposed the bill, principally on the ground that it tended to increase the population. If at present there existed a difficulty in supporting the poor, in what situation would the country be placed in twenty years hence, when these children so educated grew up to manhood? The Bill was only the plan of Mr. Owen in a worse shape and carried to a greater extent."

The second reading was carried by 47 to 22, and, strange to say, the Bill was eventually sent up to the Lords, where, however, it met its fate without the compliment of a division.

In 1821 a Bill was brought in by Mr. Scarlett which proposed to establish a maximum beyond

which the poor rate could not be raised, to abolish inability to obtain work as a claim for relief, and to do away with removals to the place of settlement. Ricardo supported it (May 8th) on the ground that it "proposed to have the labourer paid in just wages by his employer instead of having him transferred to the poor rates"; the effect of the measure "would be to regulate the price of labour by the demand, and that was the end peculiarly desired."

"With respect to the pressure of the taxes and the National Debt upon the poor, that pressure could not be disputed, especially as it took away from the rich the means of employing the poor; but he had no doubt, if the supply of labour were reduced below the demand, which was the purpose of his hon. and learned friend's measure, that the public debt and taxes would bear exclusively upon the rich, and the poor would be most materially benefited."

In this age of pension schemes, it is interesting to find that Ricardo advocated a plan for providing pensions. On June 1, 1821, when the Budget was under discussion, he remarked:—

"He should offer but a word or two relative to saving banks. He highly approved of them; but a plan had been suggested by a gentleman in the country, to which he thought the House would do well to pay some attention. The name of this gentleman, he believed, was Woodrow, and his

plan was one by which a life-annuity income might be obtained in these banks. The plan was that persons at an early age might be willing to make a trifling sacrifice, which, by the operation of compound interest, would in the course, say of thirty or forty years, increase to a considerable sum. At the birth of a child, a father might be disposed to put by a small sum of money for the purpose of procuring to the child an annuity hereafter ; a plan of this kind would be productive of great benefits."

The person referred to evidently read or heard of this speech, and determined to avail himself of the services of his new ally, for on February 18, 1822—

"Mr. Ricardo presented a petition from Mr. John Woodson, who, he observed, had taken a great deal of pains in examining into the best mode of relieving the poor, and who was of opinion that the principle on which the savings banks were at present conducted was not the most beneficial that could be devised. He conceived it would be much better if those who vested their money in these banks were paid by way of annuity, but at a less rate of interest than was now given. Their money might be allowed to accumulate, and thus a comfortable provision would be insured to them when they arrived at an advanced age. He (Mr. Ricardo) thought the plan deserved the attention of the legislature."

Of Owen's ambitious plans, which played in 1819 almost exactly the same part as General Booth's in 1890, it may be said that the more Ricardo examined them the less he liked them. At a meeting held in Freemasons' Hall on June 26, 1819, he had been nominated to serve on a committee which was appointed to inquire into Owen's "plan." In accepting the nomination he had thought it necessary to let fall a word of caution.

"Mr. Ricardo begged to trouble the meeting with a few observations. As his name was placed on the committee he should state shortly those circumstances in which he agreed and in which he differed from the preceding speakers. . . . In a limited degree he thought the scheme likely to succeed, and to produce, where it did succeed, considerable happiness, comfort, and morality by giving employment and instruction to the lower classes. No person could admire more than he did, or appreciate more highly, the benevolence that led his friend (Mr. Owen) to prosecute his plan with so much zeal and at the expense of so much time and trouble. He could not, however, go along with him in the hope of ameliorating the condition of the lower classes to such a degree as he seemed to expect ; nor should he wish it to go forth to the public that he thought the plan would produce all the good anticipated from it by his sanguine friend. As a member of the committee

he should do everything in his power to forward the objects for which it was appointed."†

This committee eventually recommended the establishment of a kind of experimental Owenite village with the communism left out, which was much like proposing the adoption of General Booth's plans excluding religion and conversion. On December 16th Sir W. de Crespigny moved in the House of Commons "that a select committee be appointed to inquire into the nature of the plan proposed by Robert Owen, Esq., and to report thereon; and how far the same, or any part thereof, may be rendered available for ameliorating the condition of the labouring classes of the community, or for affording beneficial employment of the poor, by an improved application of the sums raised for their relief." Lord Archibald Hamilton seconded, relying chiefly on the good effects of Owen's government of New Lanark. Brougham spoke in favour of the motion on educational grounds. Vansittart opposed because Owen "looked to the adoption of a plan subversive of the religion and government of the country." Mr. John Smith "eulogised the character of Mr. Owen," and drew attention to the fact that no man employed by him at New Lanark had been convicted of crime in a period of fourteen years. Then—

"Mr. Ricardo observed that he was completely

† The *Times*, Monday, June 128, 1819.

at war with the system of Mr. Owen, which was built upon a theory inconsistent with the principles of political economy, and in his opinion was calculated to produce infinite mischief to the community. Something had fallen from an hon. member on a former night on the subject of machinery. It could not be denied, on the whole view of the subject, that machinery did not lessen the demand for labour ; while, on the other hand, it did not consume the produce of the soil, nor employ any of our manufactures. It might also be misapplied by occasioning the production of too much cotton or too much cloth ; but the moment those articles ceased in consequence to pay the manufacturer, he would devote his time and capital to some other purpose. Mr. Owen's plan proceeded upon this—he who was such an enemy to machinery, only proposed machinery of a different kind ; he would bring into operation a most active portion of machinery—namely, human arms. He would dispense with ploughs and horses in the increase of the productions of the country, although the expense as to them must be much less when compared with the support of men. He confessed he did not agree in the general principles of the plan under consideration, but he was disposed to accede to the proposition of a committee. Spade husbandry Mr. Owen recommended as more beneficial to production. He was not informed enough on the interests of agriculture to give an opinion,

but that was a reason for sending the subject to a committee. For what did the country want at the present moment? A demand for labour. If the facts stated of spade husbandry were true, it was a beneficial course, as affording that demand. And though government or the legislature would not be wisely employed in engaging in any commercial experiment, it would be advantageous that it should, under present circumstances, circulate useful information and correct prejudices. They should separate such considerations from a division of the country into parallelograms, or the establishment of a community of goods, and similar visionary schemes."

Ricardo's name is constantly to be found in the short lists of the tiny bands which Joseph Hume carried with him into the lobby after inflicting his dreary collections of figures upon the House. On one at least of these occasions, in spite of the mildness of his manners, Ricardo took part in grossly obstructive proceedings. At an early period of the evening of March 12, 1821, the House went into committee on the Army estimates. At 12.30 the first division was taken, and strangers were excluded till 3.20 a.m. During this period five divisions were taken, "each of which was preceded by warm discussions." When the reporters were readmitted, "ministers were at that time sitting on the Opposition benches, their places being occupied by their opponents."

Then there were three more divisions on frivolous pretexts, and "at 4 o'clock fresh candles having been brought in, Mr. Lambton moved that they should be excluded." This was defeated by 146 to 38, but Lord Castlereagh had to give way and allow the House to adjourn. Ricardo was among the thirty-eight who voted against the fresh candles.

He was, of course, opposed to the absurd arrangements with regard to the Sinking Fund which prevailed at the time. When the excess of income over expenditure was about £1,600,000, the nation through one agent sold new stock to the value of £13,400,000, and through another set of agents bought £15,000,000 worth of old stock for cancellation. The sole result of the operation was, of course, to present the Stock Exchange with the brokerage and jobbers' profit on the sale and purchase of the £13,400,000 worth of stock. Mr. Pascoe Grenfell moved on May 13, 1819, that the House should go into committee to consider the act on which these proceedings were based. In the course of his speech he remarked that "loan contractors were not in his judgment exactly that description of persons by whose advice in these matters a Chancellor of the Exchequer ought to be governed. In 1814 the right hon. gentleman (Vansittart) had stated in his place, that, having conferred with a number of gentlemen contracting for the loan with regard to acting on his (Mr.

Grenfell's) suggestion, they all, with one exception only, signified their disapprobation of it, and recommended a loan of £24,000,000 instead of £12,000,000. The exception to which he alluded was that of his hon. friend (Mr. Ricardo), who, greatly to his credit, observed to the Chancellor of the Exchequer that if he considered his own interest merely, he must agree with his brother contractors, but if he were to consult the advantage of the country he should advise the application of the Sinking Fund, and a loan of £12,000,000 only."

Vansittart, of course, undertook to support the existing system, but had nothing to say in its favour except that it was supposed to make a market for the funds. "Were it not for the regular purchases made by the commissioners, there would be few real buyers, and persons under the necessity of selling would be at the mercy of stock jobbers." After Lord Althorp and another member had spoken, Ricardo rose, evidently a little indignant with Vansittart. After explaining that the loss involved consisted of "that regular premium which the contractors obtained independently of the events of peace or war, which they were entitled to for undertaking the risk of such extensive undertakings," he said :—

"Any gentleman who supposed that if [the] process did not go on, it would be in the power of the jobbers to make hard terms with the sellers of

stock, must have been perfectly ignorant of the stock market (hear, hear) for competition was nowhere carried to such an extent, and nowhere operated with more benefit to the public. His hon. friend had alluded to the opinion which he (Mr. Ricardo) had given before the Chancellor of the Exchequer in 1814. He had certainly then given the opinion which he had long entertained. He should have shrunk into the earth before those who had long known his sentiments if he had given any other ; but he knew that those gentlemen who gave a contrary opinion had given it just as conscientiously ; for great and sincere differences of judgment on this subject existed in the City."

He thought the Chancellor of the Exchequer might just as well attempt to improve the corn market "by sending a commissioner to buy a quarter of wheat, while he sent a contractor to sell the same quantity." Common sense was heavily beaten in the division, the numbers being, for the resolution 39, against 117.

Ricardo was opposed to any attempt to keep the revenue above the current expenditure with a view of redeeming debt, because he was firmly convinced that the current expenditure would always rise to the amount of the current revenue.¹ Except for the weakness of human and especially ministerial flesh, he thought Pitt's plan of providing

¹ See speeches of June 18, 1819, March 6, April 5, 1821, February 18, 1822.

for the interest of every new loan and in addition 1 per cent. for the redemption of the capital was an excellent one. As a matter of fact, some Chancellor of the Exchequer would always, like his predecessors, come down to the House and inform them that some deficiency had been discovered or some emergency had arisen which rendered it necessary to appropriate the whole of the 1 per cent. Sinking Funds. In reply to one of his speeches to this effect, Baring observed :—

“ His hon. friend said he was not opposed to the principle of Mr. Pitt’s Sinking Fund ; but he objected to the preservation of any surplus at all, because he was sure that somebody would take it away ; he was afraid that some minister or other would take it away, and, therefore, he was resolved to take it away himself. This reminded him of a Frenchman in some play, who upon being appealed to for his advice as to the best mode of resisting the advances of her admirer, replied that the best way of resisting temptation was to yield to it at once.” †

This criticism would have been more properly applicable to the policy of a Chancellor of the Exchequer who argued that he must remit taxes and reduce the Sinking Fund because if he did not his successor would, and Ricardo was able to retort with unusual wit that “ his hon. friend the member for Taunton had facetiously observed that because he (Mr. Ricardo) thought ministers were going

† February 28, 1823.

to rob the Sinking Fund, he would willingly take it away himself. It was, he thought, good policy, when his purse was in danger, rather to spend the money himself than allow it to be taken from him. He did not, he confessed, think the national purse safe in the hands of ministers. It was too great a temptation to entrust them with." ¹

Holding these views, he followed the simple rule of voting against all increases and in favour of all remissions of taxation by whomsoever proposed. On April 3, 1822, he was able to declare that he had voted for every reduction of taxes that had been proposed during the session. He could even make common cause with Squire Western and the country gentlemen against the taxes on malt and agricultural horses.² He did not, he explained, believe that either of them was "in itself a bad tax or pressed with peculiar hardship on the landed interest," but he voted for their repeal "with a view of compelling the observance of strict economy in the administration of government."³ He only drew the line at voting for such a reduction as would have caused an actual deficit. "Enemy as he was to all taxation"⁴—he thus describes himself more than once—he was not much troubled by distinctions between good and

¹ March 6, 1823, *cf.* July 1, 1822.

² Divisions on March 21 and April 3, 1821.

³ April 5, 1821.

⁴ March 7, 1821.

bad taxes. In one debate on new taxes he actually declared that "as to the particular taxes, it was unnecessary for him to state his sentiments, seeing he was an enemy to taxation altogether." * Speaking after him in this debate, Mr. Lyttelton mentioned "the argument which had fallen from one of the highest authorities on questions of political economy in this kingdom (Mr. Ricardo) —namely, that a tax upon the necessaries of life did not fall heaviest on the poor," and said that although he might be disposed to admit the truth of that principle, the malt tax did fall heaviest on them, as it was on "an article the very last, as it might be said, before those necessaries." Hereupon "Mr. Ricardo explained. He said that he hoped the House and his hon. friend would understand that he was not contending that the taxing of necessaries was not injurious to labourers, but that it was no more injurious to them than any other mode of taxation. In fact, all taxation had a tendency to injure the labouring classes, because it either diminished the fund employed in the maintenance of labour or checked its accumulation. In the argument which he had used he had supposed that it was necessary to raise a certain sum by taxes, and then the question was whether by taxing necessaries the burden would be particularly borne by the labouring classes. He thought not ; he was of opinion that they would

* June 18, 1819.

ultimately fall on the employers of labour, and would be only prejudicial to the labourers in the same way as most other taxes would be, inasmuch as they would diminish the fund employed in the support of labour."

Once, indeed, we do find him moved from his customary attitude of indiscriminate hostility to all taxes. Though the tax on salt, he said, "was undoubtedly very burdensome, it did not appear to him to be that which most demanded reduction. The taxes on law proceedings seemed to him the most abominable that existed in the country, by subjecting the poor man and the man of middling fortune who applied for justice to the most ruinous expense. Every gentleman had his favourite plan for repealing a particular tax, and this tax upon justice was that which he should most desire to see reduced." †

His own scheme of finance was to reduce the taxes at one blow by paying off the National Debt immediately by means of an assessment on all the property in the kingdom, including the funds themselves. He referred to this plan first on June 9, 1819. After objecting to a new tax suggested by a private member, he said :—

"He would, however, be satisfied to make a sacrifice ; the sacrifice would be a temporary one, and with that view he would be willing to give up as large a share of property as any other

† March 20, 1822.

individual. By such means ought the evil of the National Debt to be met. It was an evil which almost any sacrifice would not be too great to get rid of. It destroyed the equilibrium of prices, occasioned many persons to emigrate to other countries in order to avoid the burden of taxation which it entailed, and hung like a millstone round the exertion and industry of the country."

In the discursive speech of December 16, 1819, already mentioned, he was a little more explicit as to his plan, and makes it clear that it involved repudiation of a large proportion of the debt:—

"With respect to the National Debt, he felt that he entertained opinions on that point which by many would be considered extravagant. He was one of those who thought it could be paid off, and that the country was at this moment perfectly competent to pay it off. He did not mean that it should be redeemed at par; the public creditor possessed no such claim—were he paid at the market price, the public faith would be fulfilled."

No one seems to have thought it worth while to protest against this astonishing view of the nature of the contract between the nation and the fundholder. On December 24th he again broached the subject. The debt, like the Corn Laws, he averred, raised the price of food and consequently the price of labour, and therefore reduced profits and tended to drive capital abroad, leaving that

which remained to pay more than its fair proportion :—

“To guard against this evil, which was productive at once of individual injustice and national injury, the whole capital of the country ought to be assessed for the discharge of the public debt, so that no more capital should be allowed to go out of the country without paying its fair proportion of that debt. The execution of this plan might be attended with difficulty, but then the importance of the object was worthy of an experiment to overcome every possible difficulty. The whole of the plan through which he proposed the payment of the public debt might in his view be carried into effect within four or five years. For the discharge of the public debt he proposed that checks should be issued upon the Government to each purchaser, which checks should be kept distinct from the ordinary circulating medium of the country, but should be received by the Government in payment of taxes. Thus the debt might be gradually liquidated while the Government continued gradually receiving the assessments upon capital to provide for that liquidation. He would not, however, dwell further upon this chimerical project, as he understood it was considered by every one except himself.”

Brougham's unsympathetic remark that “the effect of such a measure would be to place the property for five years at the mercy of all the

solicitors, conveyancers, and money-hunters in the country" did not destroy his faith in his project. On May 30, 1820, he waxed quite enthusiastic over it.

"This," he said, "would be the happiest country in the world, and its progress in prosperity would be beyond the power of imagination to conceive, if we got rid of two great evils—the National Debt and the Corn Laws. When he spoke of getting rid of the National Debt, he did not mean by wiping it away with a sponge, but by honestly discharging it. His ideas on the subject were known, and he had heard no argument to show that the measure he would recommend was not the best policy. If this evil were removed, the course of trade and the prices of articles would become natural and right; and if corn were exported or imported, as in other countries, without restraint, this country, possessing the greatest skill, the greatest industry, the best machinery, and every other advantage in the highest degree, its prosperity and happiness would be incomparably and almost inconceivably great."

Three years later he was still enamoured of "what an hon. friend had been pleased to call his 'crotchet,'" and had come to think that the whole business might be accomplished within twelve months.¹ Replying on March 6, 1823, to criticism which had apparently been rather of

¹ March 11, 1823.

the "Jupiter and Saturn" order, he waxed eloquent over the advantages of getting rid of the expense and heart-burnings arising from taxation, of the cost and immorality of smuggling, and of ministerial patronage and artificial conditions of trade. "Was this," he inquired rhetorically, "legislating for men or for stocks and stones?"

Few more drastic "democratic" financial proposals have ever been made than this one of laying an immediate tax of six or seven hundred millions upon property in order to get rid of about thirty millions of annual taxes on consumable articles. That Ricardo could propose it seriously may perhaps be looked upon as confirming the common view that he was an unpractical theorist. But will any one venture to say positively now that the increase in the material welfare of the nation in the next seventy years would not have been more rapid than it was, if the National Debt had been redeemed by one heroic effort in 1823?

The word "redeemed" scarcely covers Ricardo's proposal to pay off the fund-holders compulsorily at the market price; the fund-holder certainly had a right to demand either the continuance of his annuity or £100. Whether it was justifiable to demand that the fund-holders should contribute their proportion of the tax necessary to pay them off is more doubtful. McCulloch in 1816, it may be remembered, wrote an essay (not mentioned in his "Literature") recommending a compulsory reduction of the interest on the debt.

III

THE STIGMA OF PAUPERISM *

"YES, it will be a good thing to do. It won't be remunerative, of course, but I can spend my old age in the workhouse."

"What a gloomy prospect!" exclaimed the Poor Law Guardian.

"Not at all. What can be more pleasing and honourable than to be supported in our infirmity by the great State of which we are members? I'm not afraid of the stigma of pauperism."

The Guardian was amazed and scandalised. But the economist was neither surprised nor shocked. Since the historical method came in economists have attained to a philosophic calm. While the pury householder murmurs "confiscation," "robbery," in his sleep, and sees visions of blood running down the gutters, and the Lord Mayor suspended from a lamp-post, those who he thinks ought to guide opinion aright are merely regarding the new ideas with interest, and tracing their affiliation to the old. So, in this case, the

* Reprinted from the *Economic Review* for July, 1895.

economist only began to wonder what the stigma of pauperism is, and why it should seem so strange and horrible to the Poor Law Guardian that a person not in rags nor addicted to drink should profess, whether truly or not, to have no fear of it.

As he liked, in such an inquiry, to begin at the beginning, he looked out the word "stigma" in his Liddell and Scott, and found it interpreted as "a prick or mark of a pointed instrument, a spot, mark, esp. a mark burnt in, a brand, esp. of a runaway slave." In this sense of the word, the branded marks of "V" for Vagabond, and "S" for Slave, which certain Tudor Poor Law legislation ordered to be set on the persons of incorrigible idlers, might very well have been called the stigma of pauperism. To be marked on the bare skin with a red-hot iron, no anæsthetic being used, is decidedly painful, and reluctance to incur such a stigma would need no explanation. There are still here and there some outward and visible marks of pauperism, such as the old-fashioned clothes commonly worn by the inmates of workhouses; but these are not the stigma of pauperism in the sense in which the term is used. It appears to mean a certain disgrace which is incurred by becoming a pauper.

Many of the witnesses examined before the Commission on the Aged Poor,¹ evidently imagine that

¹ The Minutes of Evidence of this Commission are numbered C. 7684 i. and ii.; the Report is C. 7684.

the disgrace is somehow the product of the appellation "pauper," which they appear to regard as a term of abuse. Mr. Pitkin said :—

" I do not know what the meaning of a pauper is, I am sure. I have been told that it is not an English word at all. I do not know, I do not study the dictionary much, but I have been informed so ; I know it is a word very much disliked." ¹

Mr. Pitkin was a Buckinghamshire agricultural labourer, aged sixty-seven, from whom a knowledge of Latin could scarcely be expected ; but others seem to share his feelings, if not his ignorance, with regard to the word "pauper." The Rev. Canon Hinds Howell remarked in a parenthesis that "pauper" was a word which he detested and hated—he wished there was no such word in the world ; ² and a Cardiff town councillor, who wished to divide persons receiving assistance from the rates into three classes, said of the first class :—

" They ought not to lose their citizenship because of any help, which I would not call relief, that they may get in this way. I should like that they should not be called "paupers," or by any designation which would carry the stigma of pauperism at all. . . . Some other designation should be found rather than anything which would carry the idea of parochial relief." ³

This last witness appears to think a stigma

¹ Quest. 14,178.

² Quest. 7,953.

Quest. 5,399.

attaches to the term "relief," as well as to the term "pauper." Now, the term "pauper" is very modern, but it was coming into use before the nineteenth century opened,¹ and there is no evidence to show that it had at first any evil significance. It was then, as it is now, simply a convenient name for a person in receipt of relief from the parish. To attribute a degrading effect to the name of "pauper" is as ridiculous as to suppose that a man sentenced to penal servitude is injured by being called a "convict." If it is disgraceful to be a pauper, it can only be because it is disgraceful to receive relief, or, as the Cardiff town councillor prefers to say, "help," from the Poor Law.

A good deal of light is thrown upon the official diagnosis of the stigma of pauperism by the well-known circular to local authorities issued by the Local Government Board in the spring of 1886, and re-issued since, as some authorities have observed, whenever the weather rendered it impossible to carry out the recommendations made in it:—

"The Local Government Board," says the version of 1892, "are convinced that in the ranks of those who do not ordinarily seek parish relief there is evidence of much and increased privation, and if the depression in trade continues, it is to be

¹ The Oxford English Dictionary gives examples back to 1775. The word occurs even in the title of an Act of Parliament as early as 1808 (48 Geo. III c. 96.)

feared that large numbers of persons usually in regular employment will be reduced to the greatest straits.

“The spirit of independence which leads so many of the working classes to make great personal sacrifices rather than incur the stigma of pauperism is one which deserves the greatest sympathy and respect, and which it is the duty and interest of the community to maintain by all the means at its disposal.

“Any relaxation of the general rule at present obtaining, which requires, as a condition of relief to able-bodied male persons, on the ground of their being out of employment, the acceptance of an order for admission to the workhouse, or the performance of an adequate task of work as a labour test, would be most disastrous, as tending directly to restore the condition of things which, before the reform of the Poor Laws, destroyed the independence of the labouring classes, and increased the poor-rate till it became an almost insupportable burden.

“It is not desirable that the working classes should be familiarised with Poor Law relief, and if once the honourable sentiment which now leads them to avoid it is broken down, it is probable that recourse will be had to this provision on the slightest occasion.”¹

¹ The circular is given in full in the Labour Department's Report on the Unemployed, 1893, pp. 185-7.

Here the reluctance of a destitute man to become a pauper is elevated into the rank of an honourable sentiment, a product of a spirit of independence deserving of the greatest sympathy and respect. Curiously enough, however, this noble feeling appears to be largely dependent on the fact that the workhouse on the labour test is insisted on. We are positively asked to sympathise with and respect the feelings of a man who only dislikes Poor Law relief because he is required to perform "an adequate task of work as a labour test." Our sympathy is not to be alienated by the fact that, if he performs the work, and finds his hands are not blistered, or if the test is dispensed with, he will probably ever afterwards have recourse to this provision on the slightest occasion. When the independence of the labouring classes was destroyed, according to the circular, by the condition of things which existed before the reform of the Poor Laws, the feeling which induced an "independent" labourer not to apply for relief was a much more robust "spirit of independence" than that now held up to admiration.

Determined that the honourable sentiment described shall not be violated, and also desirous that no cases of "death by starvation" shall appear in the newspapers, the Local Government Board proceeds to suggest that, in order to relieve artisans and others who have hitherto avoided Poor Law assistance, and who are temporarily de-

prived of employment, the sanitary authorities (now the town and district councils, and in London the vestries and boards of works) should provide, for men recommended by the Guardians, "work which will not involve the stigma of pauperism."

So, in the opinion of the Local Government Board, the stigma of pauperism which is incurred by breaking stones for the Guardians in the work-house yard is not incurred by laying the same stones on the road for the District Council. If the Guardians give a man relief after he has satisfied the labour test, he incurs the stigma, is familiarised with Poor Law relief, and ever afterwards will have recourse to it on the slightest occasion. If they recommend that he be admitted to relief works instituted by the District Council, none of these disastrous results ensue. Yet in some rural districts the Board of Guardians and the District Council consist of exactly the same persons, and meet in the same room on the same day, and some good authorities look forward to a time when the Poor Law will be administered by County and District Councils, and Boards of Guardians will disappear. If this should happen, will the stigma of pauperism go along with them?

It will perhaps be suggested that the distinction between relief work performed for a District Council, and a labour test performed for a Board of Guardians, lies not merely in the fact that the authority is different, but also in the fact that the

District Council pays wages while the Guardians only give alms. The work which the applicant is called on to perform before he receives relief, it will be said, is of little or no value ; it is required merely as a test. But this is also the case, to a large extent, with regard to the relief works of the sanitary authorities. These authorities are not directed or recommended to carry out useful works at the most convenient time, nor to employ upon them only such men as can be profitably employed. They are told to carry out works which can be executed by unskilled labour at a very inconvenient time, and to employ upon them persons recommended by the Guardians on grounds quite other than capacity to perform manual labour of an unskilled character. The wages are not to be what the work is worth, but " something less than the wages ordinarily paid for similar work " (which probably means that the men are to be paid nearly as much as ordinary labourers performing work to which they are accustomed), " in order to prevent imposture, and to leave the strongest possible temptation to those who avail themselves of this opportunity to return as soon as possible to their previous occupations." This is, of course, the guiding principle of the Report of 1834, that the situation of the individual relieved " on the whole shall not be made really or apparently so eligible as the situation of the independent labourer of the lowest class." It is really impos-

sible to deny that the works recommended are relief works or labour tests, administered through the sanitary authorities.

Like Mr. Pitkin, then, the Local Government Board lays itself open to the accusation of treating the stigma of pauperism as if it were a mere matter of words. Mr. Pitkin thinks the lot of the aged paupers will be improved if they are called "aged poor" instead of "aged paupers";¹ and the Local Government Board thinks that able-bodied men will not, and should not, feel degraded by accepting relief from a number of persons sitting at a workhouse as a District Council, although they would and should feel degraded if they accepted the same relief from the same persons, drawing upon the same funds, and sitting at the same workhouse, on the same day, with the same clerk and the same doorkeeper.

If we wish to go beneath mere names and technical distinctions of local authorities, we shall find the inquiry why it is considered disgraceful to receive poor-relief much facilitated by a consideration of the different degrees of disgrace which appear to be attached to the receipt of relief under different conditions. Lunatics and children incur no appreciable disgrace by the receipt of poor-relief. When we are told that a man has been in a lunatic asylum, few of us trouble to inquire whether he was a paying or a pauper

¹ Aged Poor Commission, quests. 14,177,14,178.

patient. The boys and girls of a country workhouse, returning from the National or Board School in their uniform of glengarry caps and black straw hats, seem, to an outsider, as they play in the street on their slow way "home," to get on with their fellows at least as well as the average Board or Grammar School boy who has been promoted to a school which considers itself to be entitled to the appellation of "public." After the lunatics and children come the sick. More than one witness before the Commission on the Aged Poor declared that little or no disgrace was incurred by being an inmate of a workhouse infirmary,¹ and a guardian described (without a blush) the childish expedients to which his Board considered themselves obliged to resort to make it appear that a person admitted to the infirmary was admitted to the workhouse.² Next come the old people and able-bodied widows with children; and, last of all, able-bodied men and single women.

The inference from this classification must be perfectly obvious to the most casual and least clear-sighted observer. It is that the destitution which necessitates dependence on poor-relief is more or less disgraceful according as the pauper is presumably more or less able to support himself by labour if he chooses to do so. That this is the case scarcely any one will be found to deny

¹ Quests. 2,337, 14,511, 14,752-3.

² Quests. 2,337, 2,404-10. *cf.* 14,617.

What it does not explain, however, is why dependence on poor-relief is looked upon as more disgraceful or "degrading" than dependence on haphazard alms contributed by individuals in proportions determined by their comparative liberality, instead of by their comparative ability as conceived by the Poor Law. If an inhabitant of Jupiter or Saturn, to use a famous though often misapplied phrase,¹ were to visit us, he would surely rather expect the opposite of this. He would think it obvious that a person dependent on a fixed provision, carefully defined and limited by the collective wisdom of the community, must feel far less degraded than one who has to curry favour with certain amiable, but often exceedingly foolish, individuals, who may refuse or withdraw their gifts whenever they please. The favourite explanation given by the official expositors of orthodox Poor Law principles is that a man feels more degraded by relief from the rates than by relief from alms, because a part of the rates comes, or may possibly come, from unwilling payers. Mr. Knollys, Chief General Inspector and Assistant Secretary under the Local Government Board, gave evidence before the Aged Poor Commission as follows:—

" 1128. *Chairman.*—I suppose you are strongly

¹ Gladstone is usually said to have "banished Political Economy to Jupiter and Saturn," but this is only an audacious inference from his remark that Bonamy Price proposed to treat the Irish as if they were inhabitants of those planets.

of opinion that, for some reason or another, people feel themselves much less degraded by accepting money from a charity than they do by accepting help from the public funds?

" *Witness.*—Yes, I think so. It seems to me that there is a great difference in a person being relieved from a fund raised from voluntary sources and a fund that is raised by compulsory contribution.

" 1129. *Chairman.*—Yet they may be said to have some claim upon the poor-law, whereas they can have none upon the charitable funds?

" *Witness.*—Yes ; but I think that a man should feel that there is some degradation in living upon funds that have been raised, to a certain extent, at any rate, by compulsion from his neighbours, who are very little better off than himself.

Mr. Phelps, an active Guardian, and chairman of an excellent charity organisation committee, was interrogated on this subject by Mr. Chamberlain:—

" 4034. *Mr. Chamberlain.*—You said that you thought that outdoor relief was much more demoralising than charity in the case of old people.

" *Witness.*—Yes.

" 4035. *Mr. Chamberlain.*—Why is it less demoralising to accept as a favour from private persons a certain amount per week than to accept the same thing as a right from the State?

" *Witness.*—One can only speak there from

one's own feelings. I think I should feel that my self-respect was more wounded if I received a grant which I compelled my neighbours, often as poor as myself, to contribute, whether they would or not, than if I received a free gift from a friend."

The feelings of Mr. Knollys and Mr. Phelps seem a good deal more highly toned than those of 9,999 out of every 10,000 persons likely to want relief. It is really absurd to suppose that the ordinary pauper troubles himself about the infinitesimal fraction of a farthing in his 3s. 6d. a week which may possibly be collected (indirectly in the rent) from some compound householder who is very little better off, as Mr. Knollys says, or no better off, as Mr. Phelps says, than himself. As for well-to-do curmudgeons who would like to deduct his 3s. 6d. from their poor-rate, if he knows of any such persons in his union he is likely to regard their sufferings with equanimity if not complacency. As a matter of fact, he seldom does know of any. In spite of Mr. Pell's curious belief that "no relief through the Poor Law can be regarded in any sense as charitable,"¹ the poor-rate is universally regarded as part of the machinery of charity, and there are very few ratepayers who wish to reduce their payments at the expense of the paupers. The ratepayer's complaint generally is, that some class is not paying enough,

¹ Aged Poor Commission, quest. 4,416.

so that he is paying too much, not that the whole amount which reaches the poor is too great. "It isn't the poor-rate: it's that general district rate that I look at," he also often cries. He will more gladly suffer impure water, insufficient drains, and dirty streets than cut down the number of outdoor paupers.

The real reason why it is considered more disgraceful to receive relief from the Poor Law Guardians than from private almsgivers is to be looked for in the facts that, as a rule, the applicant for poor-relief is obliged to make a more public confession of destitution, and that the destitution which he has to confess is of a more extreme character. The humiliation of receiving alms is felt very much in proportion to the publicity with which they are given, and the most public of all methods of soliciting alms—wayside begging—is scarcely regarded as less disgraceful than application to the Guardians. A destitute person, therefore, begins by private application to his friends, and so if, in the end, he is driven to the Poor Law, he practically confesses that he has not only no funds but also no friends who are both able and willing to assist him; and this, of course, suggests misconduct or bad character.

But why, it may still be asked, is it considered, at any rate by the poor as a body, more disgraceful to receive indoor than outdoor relief? This question is too comprehensive. Where it is obvious

that the relief is given indoors simply because the applicant for relief is sick or disabled through no fault of his own, and can be better treated in the workhouse than at home, indoor relief is not considered more disgraceful than outdoor. When these purely hospital cases are properly left out of the question, the answer to it is, that indoor relief is considered more disgraceful than outdoor simply because, whether the Guardians are "lax" or moderately "strict," the indoor paupers as a class are much more incapable and disreputable than the outdoor. There is consequently much greater reluctance to become an indoor than an outdoor pauper, and when this reluctance is overcome it argues greater misconduct or more abject destitution.

It appears, then, from this consideration of the comparative disgrace attached to various kinds of dependence, that the stigma of pauperism arises purely from the fact that pauperism necessarily implies destitution, and that destitution, in the absence of information to the contrary, is attributed to culpable incapacity or misconduct.

From this follow two important consequences, which have some bearing on practical matters now under discussion. The first is, that the stigma of pauperism may be removed from any person receiving poor-relief (by whatever name it be called and by whatever authority it be administered), given only to the destitute, if by any means

public opinion is satisfied that, as a matter of fact, that person's destitution was not owing to misconduct or culpable incapacity. There is, therefore, a perfectly sound theoretical basis for the proposal to remove the stigma of pauperism, or disgrace attached to pauperism, from "deserving" aged paupers and able-bodied paupers out of work through no fault of their own. If it were possible for an omniscient tribunal to divide aged paupers simply into deserving and undeserving, and paupers out of work into those out of work owing to their own fault and others, and if an omniscient and immaculate tribunal were found, and if the public had complete confidence in its decisions, the paupers might perfectly well be divided into two classes, only one of which would incur disgrace in consequence of the receipt of relief. The difficulty is, that there is no such tribunal, and, if there were, the public would have no confidence in it. No dozen farmers or shopkeepers round a table on market-day are competent to sit in judgment on the course of conduct pursued by some palsied old man forty or fifty years ago, when they themselves were toddling children. In practice they will always decline the task marked out for them by the Majority Report of the Aged Poor Commission, and things will remain much as before. Still less is any conceivable local or central authority likely to give satisfaction by its answer to the question whether a man is out of

work owing to no fault of his own or otherwise. But these objections, if (as certainly appears to be the case) they are fatal, only show that the proposal for non-stigmatising poor-relief to the deserving cannot be carried out owing to insuperable practical difficulties, not that there is anything fallacious or self-contradictory in the proposal itself.

The second important consequence which follows from the fact that the stigma of pauperism is due to the public censure of destitution, is that grants from taxes or rates may be given to the destitute without affixing any stigma, if they are also given widely and avowedly to those who are not destitute. No poor person finds that he incurs any stigma by using a public park or a free library, though he is then distinctly receiving aid from the rates. No poor person ever seems to have found himself stigmatised because the State and the local rate-payers, or the State and private almsgivers, were paying almost the whole cost of the education of his children. When, in order to get the small remaining fraction of the cost paid by the rate-payers, the parent had to plead destitution, there were loud and just complaints that he was pauperised, although, in deference to opinions like those of Mr. Pitkin and Canon Hinds Howell, the grants were described as "non-pauper" school fees. Now, in those parts of the country where free schools are open to all we hear nothing of

consequent pauperisation. And so, likewise, the proposal, which Mr. Booth by his earnest and able advocacy has made his own, that the State should provide an equal pension for all old people irrespective of destitution, if carried out, would affix no stigma of pauperism to the receivers of the pension, simply because receipt of the pension would not imply destitution. A very bold attempt has been made to suggest that the well-to-do would not claim their pensions, and that, therefore, those who took them would still be considered more or less destitute, and would therefore incur a stigma. It seems to be forgotten that the class of people who can afford to despise £13 per annum is so small, that it is much more likely that those who did not take the pension would be stigmatised as millionaires than that the millions who accepted it would be stigmatised as paupers. After all, a much more considerable minority of the population does not avail itself of the State schools without the smallest pauperising effect on the remainder. The Aged Poor Majority Report views with alarm the possibility of future extension of the principle. It is quite true that the principle is capable of considerable extension. Without "pauperising" any one, the State might, if the State doctors and hospitals were really popular, undertake the whole charge of the sick, either curing or burying the people free of expense to themselves or their relations. It might, too,

without pauperising any one, undertake, as France may have to do before another century passes, most of the expense of rearing children, as well as of teaching them book-learning. It might even, if it could afford it, without pauperising any one, give a fixed equal pension to every able-bodied adult. All these proposals have merits and demerits which require careful consideration. They cannot be profitably dismissed with the assertion that they "would make paupers of us all," since in one sense that assertion is a truism and in another a falsehood.

IV

OUGHT MUNICIPAL ENTERPRISES TO BE ALLOWED TO YIELD A PROFIT?'

WHATEVER views he may hold as to the remote future, I do not suppose any one will be inclined to deny that just at present in this country the economic work—the purely and obviously economic work—of municipalities and similar local governments is increasing in importance, not only absolutely, but also in proportion to the whole of human economic activity. So if an English economist holds that economics ought to be useful to the population of this particular planet, not merely as an intellectual exercise affording food for thought and speculation, as Adam Smith says of religion,¹ but also as affording some guidance in practical affairs, he is bound to endeavour to give some general answers to the important questions to which the extension of municipal economic activity gives rise. One of the most important of these questions is: Should municipal enterprises pay, or

¹ Read before Section F of the British Association, 1898, and printed in the *Economic Journal*, March, 1899.

² Lectures, p. 256.

should they be worked at cost price? Should they bring in where possible something in aid of the general rates of the locality, or should all such aid be foregone by the general body of ratepayers?

Recently a Minister of the Crown, who had considerable municipal experience many years ago, likened a municipality to a joint-stock company. If the parallel were exact, there would be an end to the question which I have propounded, for no one supposes that joint-stock company enterprise could be carried on if dividends were disallowed. But the parallel is not at all exact. It is a useful comparison, however, and we cannot do better than approach the question with a brief review of the points of resemblance and difference between a municipality or other local government, and a public joint-stock company.

Probably the first thing to strike the casual observer will be the similarity of the government of the two institutions. Just as the government of the joint-stock company is entrusted to certain elected representatives called the Directors, so the government of the locality is entrusted to certain elected representatives called the Town or District Council. Neither the electors of the directors nor the electors of the council often interfere directly in the management, and both in the company and the locality their powers of direct interference are almost entirely limited to placing a veto on the raising of new capital. There is, of course, nothing

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surprising in the similarity, for the municipal corporation and the joint-stock company are only two kinds of corporation, and in America, indeed, every company is called a "corporation" at this very moment. So far as their government is concerned, the chief difference between the municipal corporation and the business corporation lies in the fact that in the municipal corporation the electors exercise their rights of election, at any rate to the extent of taking their choice between the nominees of two political caucuses, whereas in the other corporation the electors seldom do more than acquiesce in the election of directors nominated by the directors themselves. The shareholders of an ordinary public company are a widely scattered body, knowing nothing at first hand either about each other or about the business of the company; whereas the electors in a locality are each other's neighbours and have the results of the working of the municipality immediately before their eyes every day of their lives. Consequently the electors in a locality are able and willing to exercise far more influence than the shareholders in a company.

Secondly, it will be observed that the municipal corporation and the business corporation resemble each other in the fact that the bond of union between the members of the corporation is not a directly personal one, but one founded on the connection between persons and certain property. Just as you become a proprietor or shareholder in

a public company by purchasing certain stock or shares, so you become a citizen, burgess, or parochial elector in a place by owning or occupying in a certain way for a certain period a particular kind of fixed property within the area of the city, borough, or district. In neither case is there any power to reject a new member or expel an old one. Neither the proprietors of the Great Western Railway nor the citizens of Bristol can refuse you admittance to their register because you have cheated at cards or married your deceased wife's sister, or even because you are bald and have a glass eye.

But there is an important difference in the nature of the property which confers membership of the two different kinds of corporations. In the company each share or each £1 of stock is like every other, and merely represents a certain fraction of the whole property of the company: in the city or district each share consists of certain definite things, and these things are not in the actual possession of the local organisation. They are in the possession of the citizens or electors individually, and the organisation has merely certain claims in respect to them. To make the Great Western Railway something like the City of Bristol, you would have to divide up the stations and rolling stock into 40,000 or 50,000 portions of different value, and give each shareholder his own particular bit to make as much out of as he could,

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subject to payments to the Company for maintaining the line. These payments would be levied from the various shareholders in proportion to the value of their particular bits, which would be revalued from time to time.

Thirdly, we notice a great similarity in the work of the two kinds of corporations. The municipal corporation resembles the company in being a business organisation created and carried on for the benefit of its members. It is true that here and there in the multifarious duties imposed on local authorities you may find that they are compelled to do something which, however desirable from an altruistic or even from a national point of view, cannot be said to be for the immediate material advantage of the particular local organisation performing them. But, after all, similar obligations have been imposed on many public companies, private firms, and individuals carrying on different kinds of businesses. Are local authorities required to do so very much more in this direction than the owners of railways and factories? Whatever answer be given to this question, no one not blinded by enthusiasm can have any doubt that in the main the local government organisation is one for business purposes. In its sober moments every Town Council recognises the fact. In these days of easy communication and locomotion from place to place effective philanthropy requires to be at least national in its scope,

and so, as time goes on, local authorities are gradually abandoning to the State duties like that of seeing that the poor do not suffer more from their poverty than is necessary to maintain the stimulus to industry and good conduct, and that of seeing that every child shall have the small modicum of literary education which satisfies the public conscience.

But though the work done in both cases is business done for the benefit of the members, there is a vast difference in its character and the way in which the benefit accrues to the members. The company performs services in which the shareholders have no direct interest, and about which they frequently know nothing, for other persons, receives money payment for them, and distributes the net profit among the shareholders in money dividends. The local organisation or municipality, on the other hand, does not in its ordinary and principal work perform services for outsiders. It performs services which are directly for the more or less common benefit of its members. It does not attempt to charge each member exactly for what he receives, but assumes that the common and general benefits conferred will be, taken altogether, approximately in proportion to the value of fixed property occupied in the locality, so that the cost of them may be fairly and economically raised by rates in the pound on the annual value of the property.

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In regard to the ordinary and principal work of the municipal corporation, then, no question whether a profit should be made can possibly arise. The business is what is called a "mutual" one, and to charge more to the members than the cost of the services rendered would be absurd, as the extra amount would only be held in trust for the members in exactly the same proportions as those in which it was collected from them, and would have to be returned to them by deduction from the next rate levied. But with regard to the special department of local government work known as "municipal enterprise" the case is altogether different. What is a municipal enterprise? If we only consider the derivation of the words, it would appear that every undertaking of a municipality should be a municipal enterprise; but the term has acquired a technical meaning. The distinction between municipal enterprises and municipal undertakings which are not enterprises corresponds with the Local Government Board's division of municipal work into "reproductive" or "self-supporting," and "non-reproductive"; but this division involves a very unsatisfactory use of the words "reproductive" and "self-supporting." It is obviously confusing to call the expenditure on a road reproductive as long as there is a toll and non-reproductive when the toll is abolished. It would be better to say that a municipal undertaking is a municipal enterprise when it is expected

and intended that its cost should be defrayed by free sales of the commodity produced or service rendered, and not by taxes which must be paid whether much, little, or none of the commodity or service is taken.

The removal of dirty water from houses within the local authority's area is not a municipal enterprise, because every one has to pay in the general rate for the service whether he requires dirty water removed or not. The provision of clean water to the houses, on the other hand, is usually a municipal enterprise, because a person's payments are calculated on the basis of some rough estimate of the amount he is likely to use, and if he does not have the water at all he does not pay at all. The difference between providing a particular service as part of the ordinary work of the municipality and providing it by means of municipal enterprise is thus one of principle, but in practice its importance is a question of degree, inasmuch as it becomes greater and greater the more widely the payments exacted differ from the ordinary rates. Compare, for example, two things which are often coupled together—water and gas. There are several substitutes for gas, but none for water, so that whether any one will have gas or not is a matter of choice, but whether he will have public water or not is a matter as to which he can exercise no free-will when he has no good well.¹ Moreover,

¹ In the *Economic Journal* this was misprinted "good-will."

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when people have got a supply of gas and water, their consumption of water will come out much more nearly in proportion to the rateable value of their houses than their consumption of gas. A recognition of this fact may be discerned in the usual practice of basing water payments to a large extent on rateable value, while gas is invariably supplied by meter. The conclusion obviously is that the fact of domestic water supply being a municipal enterprise and not ordinary work of the municipality is of comparatively little importance. It could be undertaken as part of the ordinary work of the municipality with advantage, and in some places it actually is so.

The distinction between municipal enterprise and ordinary municipal work being thus founded on the fact that payments for the services rendered by municipal enterprise differ from those made for other municipal services and are not in proportion to the shares of the members of the local organisation as indicated by rateable value, nor even made by all ratepayers, it is clear that in municipal enterprise the municipality's business is no longer a merely mutual one. It is no longer absurd to charge more for the services than what would precisely defray their cost, since the extra amount will not be redistributed exactly as it was collected. The municipality is now really in the position of the joint-stock company: it is true that so long as its operations are confined to its

own district it will do business only with its own members, but this does not seem to be of much importance: the ordinary joint-stock company frequently deals with its own shareholders, and seldom finds it convenient or desirable to give them any preference as customers.

The company analogy is entirely in favour of allowing the municipality to make a profit in aid of rates out of the enterprise. If companies in similar enterprises were not allowed to make anything beyond 2½ per cent., or whatever other rate of interest can be got without any risk of loss, it is tolerably clear that no companies would be formed to undertake such enterprises. Similarly, if municipalities are precluded from making any gain for the general body of rate-payers by municipal enterprise, while they are not precluded or protected from making a loss which that general body will have to make up, it is tolerably clear that the ratepayer *quâ* ratepayer will always (as he very often is at present) be opposed to the undertaking of any municipal enterprise. He cannot *quâ* ratepayer gain by it, and he may (indeed must, unless great reserves are formed to make good years balance bad) lose by it. New municipal enterprises may still be undertaken, but when they are it will always be by the triumph of an interest—the interest of the gas consumers or the electric light consumers, or of the people who happen to ride in tramcars, or to

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own property which is increased in value by cheap locomotion. How such a state of things can be considered desirable by any friends of municipal enterprise passes my comprehension. That the principle of no-profit should have been laid down by its enemies is not surprising.

Next, supposing the interest of the consumer to be powerful enough to start and extend the enterprise, and supposing the prices fixed at first bring in a profit, it is easy to see that the rule that the profit must be promptly got rid of is likely to lead to extravagant mismanagement. According to the principle, it ought to be given away in reduction of the prices charged. But will it? Some of it, perhaps; but a considerable share is likely to go to unnecessarily and unfairly increased working expenses. The besetting sin of Town Councils and similar bodies is to make too easy bargains, and the temptation to do so is much greater where it does not affect the rates before the next election.

Lastly, it is undesirable for the community to use its credit to cheapen just the particular things which happen to come conveniently within the domain of municipal enterprise. These things—with the exception of water, which is likely to leave the domain of municipal enterprise and enter that of the ordinary work of the municipality—these things are neither things of first necessity nor things consumed only by virtuous persons. What particular claim have the consumers of gas or

electric light, or, it may be, the users of telephones, to have their pockets relieved at the risk always, and every now and then at the actual cost, of the whole body of ratepayers? The consumers of oil may be both a more necessitous and a more deserving body of persons. The demand that the risk of loss should be taken in the production of certain commodities, while all gain should be foregone, obviously amounts to a bounty on the production of those particular commodities, and bounties, we have very properly been taught to believe, are uneconomic in their operation.

To overthrow these arguments in favour of profit-making, strong reasons ought to be brought forward. But where are they? The opponents of profit-making are usually content to be dogmatic: they say that profit should not be made, but give no reasons. Some of them are antiquated socialists, who hold that all profit is wicked and that the local authority ought not to touch the unclean thing. They forget that the kind of profit they ought to object to is the interest paid to the public creditor who supplies the capital, and not any profit beyond this acquired by the local authority; and they do not know that it is now very well understood that even interest on capital would have to appear in the book-keeping of a purely communistic State. Others may have regarded municipal enterprise as akin to distributive co-operation, where the profits are divided among

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the consumers. But this, too, is a false analogy, for it is the ratepayers in general, and not the consumers of the commodity or service provided by the municipal enterprise, who are banding themselves together to work the enterprise. In more than one case (that of Liverpool docks, of course, being by far the most important) harbours or docks which were once municipal enterprises have been turned into that kind of co-operative institution which is called a harbour or dock trust. But here the municipality is relieved of all liability to loss, as well as all prospect of gain. It is one thing to ask the municipality to give up an enterprise altogether, and another to ask it to take all the risk of loss and none of the chance of gain. Finally, a considerable number of the opponents of profit-making have assumed that municipal enterprises should be confined to works of general utility, and have then inferred that it was to the general advantage that the services rendered should be as cheap as possible. But there does not appear to be any ground whatever for the cool assumption that municipal enterprises should be confined to works of general utility. As we have seen, the very thing that makes an undertaking rank as a municipal enterprise is that the service rendered is not of sufficiently general utility to be paid for out of the general rates. The reason for any particular service being rendered by the municipality surely is that it can be best rendered by the

municipality, not that it is of general utility. The question of its being or not being of general utility arises only when we have to consider whether it shall be a municipal enterprise or part of the ordinary work of the municipality paid for by the general rates.

I think, then, that we ought to deny unhesitatingly and uncompromisingly the doctrine that municipal enterprise ought not, where possible, to yield a profit in aid of rates.

This leaves us, of course, still to face the question, What limits, if any, are there to the profits which may be made? Where there is no monopoly there is clearly no reason why the profit should be restricted by anything except competition or the fear of competition. In these days we are always exaggerating the monopolistic character of particular enterprises. We must not forget that the different monopolies compete with each other, and that even if the gas or the electric light supply are in one hand they have to compete with the Standard Oil Trust, and very likely before long they will have to compete with new illuminants. The tramway monopoly is a good deal tempered by the competition, not only of the antiquated 'bus, but also by that of the bicycle and the motor-car and the railway: even the telephone has to drive out the messenger. Moreover, the competition need not be within the place, but may be between place and place. No-

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where have the anti-profit doctrinaires, aided by strong private interest, been stronger than in relation to docks and harbours, but in view of the enormous subsidies to docks which have been given by the general ratepayers in Preston, Manchester, and Bristol, the only important places where the docks are in municipal ownership, what can be more absurd than the taking away of the Mersey docks from the Liverpool Corporation for fear the town should batten on the trade of Lancashire and England generally? It will usually be found that a cheap price to the consumer is also the price which brings in the biggest aggregate net profit to the municipality. If we examine the accounts of English corporations, we shall find that there is no connection between high prices and large profits.

On the whole, I conclude that all restrictions placed by government departments and Parliament on the profits of municipal enterprise should be removed. It is possible that here and there a local authority may charge more than is economically desirable, but the damage must be much greater to the locality than to the nation at large; so the locality should be allowed to find out its own mistake and take the consequences.

* This happened in 1857. About thirty years later the Board of Trade actually compelled Bournemouth to alter the pier tolls on passengers by the excursion steamers because it was making a profit out of "navigation."

V

THE PRACTICAL UTILITY OF ECONOMIC SCIENCE.¹

IF it happened every year that the President of this section undertook to justify his own existence, I am afraid the section would become weary. But my four distinguished predecessors have all been drawn from the Civil Service, and though each of us may have doubts about particular branches of the Civil Service, we are mostly willing to allow that as a whole it is at least a necessary evil, so that we do not get apologies from the presidents who, so to speak, represent the practice of political economy. I hope, therefore, that you will bear with me if I offer some reasons for thinking that the teaching and study of the theory of economics is not, as many people seem to suppose, a wholly unnecessary evil, but, on the contrary, a thing of very great practical utility.

I do not mean to argue that a knowledge of

¹ Presidential Address to the British Association (Section F), Belfast, 1902, printed in the *Economic Journal* for December, 1902.

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economic theory, will enable a man to conduct his private business with success. Doubtless many of the particular subjects of study, which come under the head of economics are useful in the conduct of business, but I doubt if economic theory itself is. It does not, indeed, in any way disable a man from successful conduct of business ; I have never met a decent economist who was in a position of pecuniary embarrassment, and many good economists have died wealthy. But economic theory does not tell a man the exact moment to leave off the production of one thing and begin that of another ; it does not tell him the precise moment when prices have reached the bottom or the top. It is, perhaps, rather likely to make him expect the inevitable to arrive far sooner than it actually does, and to make him underrate, not the foresight but the want of foresight of the rest of the world.

The practical usefulness of economic theory is not in private business but in politics, and I for one regret the disappearance of the old name "political economy," in which that truth was recognised.

One of the commonest complaints of the time is that there is no textbook of economics which commands any really wide approval, and you may therefore, I think, fairly ask me to explain what I mean by the teaching and study of economic theory before I undertake to prove its practical

usefulness in the discussion of legislative and administrative measures. I will, therefore, endeavour to sketch as shortly as possible the course of instruction which the modern teacher of economic theory, if unhampered by too close adherence to traditional standards, puts before those who come to him for instruction.

The first, or almost the first, thing he will do is to try to open the eyes of his pupils to the wonderful way in which the people of the whole civilised world now co-operate in the production of wealth. He may perhaps read them Adam Smith's famous description of the making of the labourer's coat, a description which required three generations and three great writers to elaborate in the form in which we know it. Or he will ask them to consider the daily feeding of London. There are, he will point out, six millions of people in and about London, so closely packed together that they cannot grow anything for their own consumption, and yet every morning their food arrives with unflinching regularity, so that all but an infinitesimal fraction of them would be extremely surprised if they did not find their breakfast ready to hand. To prepare it they use coal which has been dug from great depths hundreds of miles away in the Midlands or Durham; in consuming it they eat and drink products which have come from Wiltshire, Jamaica, Dakota, or China, with no more thought than an infant consuming its mother's milk. It is clear

that there is in existence some machinery, some organisation for production, which, in spite of occasional failures here and there, does its work on the whole with extraordinary success. It is easy to be pessimistic, especially when the weather is damp, and we are apt to concentrate our attention, and to endeavour to make others concentrate their attention, on this or that defect, and to forget that the system is not made up of defects, but on the whole works very well. Imagine the report of a really outside observer. In all civilised planets, I have no doubt, there must be an institution more or less resembling the British Association. An economist in Mars, let us say, has been favoured with a glimpse of this island through a new mammoth telescope of sufficient power to let him see us walking about, and he is reporting to Section F what he saw. Will he say that he saw a confused scramble for the scanty natural products of the earth? That most people were obviously in a state of starvation? That few had clothes? And that scarcely any were housed? No, truly; he will be much more likely to report that he saw a wonderfully orderly population, going to and from its work with amazing regularity, without a sign of compulsion or unwillingness; that it appeared to be fed and clothed and housed in a way extraordinarily creditable on the whole to some mysterious organisation, the nature of which he could only guess at.

Having endeavoured to make his pupils recognise that we are organised, and that the organisation works, the teacher will go on to show how it works : why things that are wanted are produced in the places where they can be easiest produced and taken to the places where it is most convenient to consume them ; why people go to live in large numbers in spots where it is desirable they should work, and leave great areas sparsely inhabited ; why more people are brought up to follow an occupation when the desire for its products increases, and fewer when it decreases ; why if the harvest is short the consumption is economised so as to spread it over the year ; and so on. The answer to all these questions is, of course, " self-interest," or " the hope of gain." Durham coal, Wiltshire milk, Danish butter, Jamaica sugar, Dakota wheat, and China tea go to London because it pays to send them there. People congregate in London or Belfast because it pays them to work there. More do not come because it would not pay them. Young people leave agriculture and go to towns to make agricultural implements or bicycles because it pays. The consumption of grain is economised and spread over the year because it pays to hold the stock. If people with one accord left off doing what paid we should all be dead in two months.

The reasons why it pays to do the right thing—to do nearly what an omniscient and omnipotent

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benevolent Inca would order to be done—are to be looked for in the laws of value. This used to be regarded as a somewhat arid subject, but the discussions of recent years, especially the contribution made by Jevons and the Austrian school, have fertilised it. Long ago economists pointed out how the much-abused corn-dealer who held out for a higher price saved the people from starvation ; and we now, thanks to the theory of final utility, not only know that it is a fact, but also why it is a fact, that value rises with the extent and urgency of demand, so that, when a thing is much wanted, much is offered to those who produce it, or are ready to part with it, and consequently its production is stimulated or its consumption economised as need be.

This will naturally lead to the question of distribution—the question, that is, why much of the produce falls to the share of one individual and little to that of another ; why, in a word, some are rich and others poor. The teacher will here explain that the share of each person depends on the amount and value of his contribution to production, whether that contribution be labour or the use of property. He will show how this system of distribution is essential to the existing system of production, where no man is compelled to work or to allow his property to be used by others, and where every man has legal freedom to choose his own occupation and the uses to which he will put

his property. He will beware of claiming for it that it is just in the sense in which justice is understood in the nurseries where jam is given when the children are good. There is, he will explain, no claim on behalf of the system that it rewards moral excellence, but only that it rewards economic service. There is no claim that economic service is meritorious. Whether a man can and does perform valuable economic service does not by any means depend entirely on his own volition. His valuable property may have come to him by bequest or inheritance ; his incapacity to do any but the least valuable work may be the result of conditions over which he has had no control. The system exists, not because it is just, or to reward merit, but because it is inextricably mixed up with the system of production. It has one great evil—its inequality. Moralists and statesmen have long seen the evils of great inequality of wealth, and now, thanks to modern discoveries in economic theory, the economist is able to explain that it is wasteful, that it makes a given amount of produce less useful, because each successive increment of expenditure yields, as a rule, less enjoyment to the spender. The teacher will go on to show how this organisation of production and distribution is made possible by the order enforced by government, and how, in various ways, government supplements it or modifies it ; but I shall not enlarge upon this part of the teaching of economics,

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as its usefulness is obvious. My theme is the usefulness of the other part, the explanation of the organisation of production and distribution in so far as it depends on separate property, free labour, and the consequent action of self-interest.

In the first place, I maintain that the widespread dissemination of such teaching would help to do away with a vast amount of most disastrous obstruction of necessary and desirable changes. Take, for example, the obstruction offered to changes in international trade. Of course every conceivable argument has been used by different writers in wholly different circumstances for obstructing the co-operation of mankind in production, as soon as it oversteps a national boundary. But what is the real support of this kind of obstruction? Obviously the fact that certain producers, or owners of certain means of production, are damaged by an increase in the importation of a particular article. Their loss, their suffering, if their loss is severe enough to deserve that name, appeals to popular compassion, and their request for "protection" is easily granted, the new trade is nipped in the bud, and things are forced to remain in their accustomed channels. The same principle is not applied as between county and county or between province and province, simply because there is then visible to every one an opposing interest, the interest of the new producers, within the hallowed pale of the national boundary.

Adam Smith tells us that when the great roads into London were improved, some of the landlords in the home counties protested on the ground that the competition of the more distant counties would reduce their rent. The home counties did not get the protection they wanted, because it was obviously to the interest of the more distant counties that they should not have it. These two interests being balanced, the interest of the consumer, London, turned the scale. So it usually happens that beneficial changes in internal trade are allowed to take their course without obstruction, because the votes of two sets of producers counteract each other, and the consumers' interest settles the question. But in international trade one of the two sets of producers is outside the country: it consists of hated foreigners; the fact that it will benefit is an argument against rather than for the threatened change in trade, and the consumers therefore feel it patriotic to sacrifice their own interest and vote for protection. But if they were properly instructed in economic theory they would see at once that such magnanimity is entirely misplaced. They would see that it would cut away all international trade, since, if there were no fallacy involved in it, the stoppage of each import taken separately would benefit home producers and damage foreign producers; even if some of the imported commodities could not be produced at all at home, substitutes, more or less sufficient,

could be produced and give all the more employment. Having acquired some notion of the advantages of co-operation and the territorial division of labour, the consumers would regard this as a *reductio ad absurdum*, and after thinking a little further they would soon see that, after all, there is another set of producers, actual or potential, within the country who will gain—namely, the producers, present or future, who will supply the articles which are to go abroad in exchange for the new import. They would see that what they are asked to do is not to maintain the amount of national production, but merely to prevent a change in its character which would be accompanied by an increase in its amount.

Take another example of Chinese obstructiveness to desirable change. As great cities grow, it becomes convenient that their centres should be devoted to offices, warehouses, and shops, and that people who work in these places, and still more their families, should live in the outskirts. I do not know that any one has denied this. Certainly the great majority are willing to admit it. At one time, it is believed, a quarter of a million of people lived in the square mile comprised within the City of London ; no one supposes that would be convenient now. There is no reason to suppose that further change in the same direction will not be desirable in the future. Yet, incredible as it will appear to future generations, public opinion,

the House of Commons, the London County Council, and some town councils think, or at any rate act as if they thought, that the process has now gone far enough, and ought to be stopped—as if the state of things reached about the year 1891 was to be permanent, to last for ever and ever. Private owners are, indeed, still allowed to pull down dwelling-houses and erect shops and offices, but they are abused for doing so, and their liberty is at least threatened. But if a new railway or a new street is made—in all probability with the intention of increasing the accessibility of the centre from the suburbs—if even a new London Board School is built, and houses inhabited by persons who have less than a certain income are pulled down in any of these processes, it is required by law or parliamentary resolution that other houses for these people must be built in the neighbourhood. So it comes about that there are, in quarters of London most unsuitable for the purpose, enormous and repulsive barrack dwellings, the sites of which are devoted *in secula seculorum* to the housing of the working classes ; while the immense cost of devoting them to this instead of to their proper purpose is debited to the cost of improving the facilities for locomotion or to education, and is defrayed principally by the rates on London property (which chiefly consists of houses) and to some extent by the higher charges on the railways consequent on the restriction of facilities for exten-

sion. Fifty pounds a head is the average loss involved to the rates of London on every man, woman, and child for whom the dwellings are provided. Such is the wisdom of practical men uninformed by instruction in economic theory.

This palpable absurdity could never have been perpetrated if the general working of the economic organisation had been understood. In that case it would have been seen at once that the extrusion of over 200,000 inhabitants from the City of London in the past, which is admitted to have been desirable, was effected by the quiet operation of the laws of value. It would have been seen that, as it became desirable to turn the City to other purposes, the ground in the City became too valuable to use as bedrooms and as living-rooms for mothers and children, and this increase of value drove out the 200,000 inhabitants. It would have been seen that the change had not come to an end, and no responsible body would have dreamed of putting themselves in opposition to it by buying sites and writing them down to 2 per cent. of their actual value in order that they might be tied up for ever and ever to be the homes of a certain number of persons with less than a certain income. If some unusually dense individual who had failed after many attempts to pass his examination in economic theory had proposed the policy which has been adopted, he would have been asked two questions : first, " What peculiar sanctity is there about

the position occupied in the closing years of the nineteenth century? Why should this be stereotyped for all time? Why should not the position at the end of the seventeenth century have been maintained? Why should we not endeavour to restore the working classes to their old home in the City, and remove the Bank of England to Tooting?" Secondly, "Whom do you imagine you will benefit by the policy you propose?"

It is difficult to conceive of any answer to the first question. To the second the reply of the dunce would, of course, be that he thought the policy proposed would benefit the people housed on these expensive sites. This answer would at once be condemned as unsatisfactory. To build houses on land worth £100,000, and let them to the first-comers of respectable antecedents at rents which would pay if the land were worth £2,000, would be a very stupid sort of almsgiving even if these respectable first-comers actually got the difference between the interest on the £100,000 and the £2,000. But no one supposes that they do get this difference, or any considerable part of it. The difference is almost entirely pure loss to the community. The chief immediate effects of the policy are, first, to retain in the centre the men, women, and children who inhabit the dwellings; secondly, to retain other workers who perform various offices for these inhabitants; and thirdly, to ensure a supply of labour for factories which would other-

wise (to the advantage of every one concerned) be driven into the country by the pressure of the high wages necessary to bring workmen to the centre or to pay their house rent if they lived there.

So much for the utility of economic theory in preventing obstruction of desirable changes. My second claim on its behalf is that it serves to hinder the adoption of specious but illusory projects. This, I think, may be illustrated by examples closely connected with those which we have already considered under the head of obstruction.

The people who are most anxious to obstruct changes in the channels of trade which are coming about of themselves because they are profitable, are often extremely anxious to promote changes which will not come about of themselves because they are not profitable. For this end one of their most favourite devices at present is a State or municipal subsidy, to locomotion or transport between particular points. So we have shipping subsidies, free grants to light railways, the construction of unprofitable telegraph-lines by the Post Office, and the advocacy, at any rate, of the construction of unprofitable tramways by municipalities. The practical man, uninstructed in economic theory, feels uneasy about such projects because he does not see where he is to stop, and he feels obscurely that a universal subsidisation would mean ruin. But he does not see why he

should not go a little way, and he goes sufficiently far to involve a loss quite worth considering. A knowledge of economic theory would come to his assistance by showing him that, as a rule, the most profitable enterprises are those which it is most desirable to undertake first, and that the subsidisation of the less profitable does not create new enterprises, but merely changes the order from the more desirable to the less desirable. I suppose that if in 1830 Parliament had offered a sufficient subsidy a railway might have been at once made and worked from Fort William to Fort Augustus, to the great satisfaction of the inhabitants of Fort Augustus and the intermediate places. But it is obvious that it was more desirable, in the interests of the whole community, that the railway from Fort William to Fort Augustus should wait for seventy years, and that the railway from Manchester to Liverpool, and many others, should be made first.

Then, too, we find people who are not quite so stupid as to think the working classes should always remain in the places where they were at the end of the nineteenth century, alleging that the way to cure overcrowding is for local authorities to enter the building trade in a general way, and build houses inside or outside their districts, wherever it seems most convenient. To the mind uninstructed in economic theory it seems obvious that the larger amount of housing there is the less overcrowding there will be, and that the more

housing local authorities provide the more housing there will be. Economic theory, with its explanation of the general working of the organisation of production, suggests two objections. First, an addition to the housing in any locality will not be effectual in diminishing overcrowding, in so far as it attracts new inhabitants to the spot ; a policy which assumes that the comparative plentifulness of houses is not a factor in the determination of the enormous and perpetual migration of people from place to place which is indicated in the tables of birthplaces and births and deaths in the census, is doomed to failure. Secondly, economic theory suggests the reflection that the mere fact of a local authority building some houses will not cause the whole number to be greater, if for every house built by the local authority one less is built by private enterprise, and that this is very likely to happen. Houses have been built by private enterprise in the past, and in these houses nearly the whole population is at present housed. I have seen an enthusiast for municipal housing stand in the empty streets of a town late at night, when every soul in the town was evidently housed, and say in a tone of conviction, "Private enterprise has failed." In that town four small houses had been built by municipal enterprise and more than ten thousand by private enterprise, and private enterprise was adding hundreds every year, while the housing committee of the corporation was

meeting once a year to re-elect its chairman. Is it likely that private enterprise will build as much when it is competed with or supplemented by—the term does not matter—municipal enterprise? Why should it? If the municipality turned baker, would the private bakers continue to bake as much bread? Is not the attempt to stop overcrowding by inducing local authorities to build houses exactly the same thing, and just as absurd as it would be to attempt to cure under-feeding by opening municipal butchers' and bakers' shops?

In the long run, I admit, experience teaches. Protection has fallen once in this country, and I have little doubt that it will fall again if it becomes considerable.¹ The policy of obstructing the removal of dwellings from the centre of a great city already excites opposition in the London County Council, though unanimity still reigns in those last homes of extinct superstitions, the Houses of Parliament. Chancellors of the Exchequer and finance committees may be trusted to offer a stout resistance, on what they call financial grounds, to any really great development of the system of subsidies. There is hope even that the municipal building policy may be checked by the laborious inquiries which show by statistics what every one knows, that the poor are ill-fed and ill-clothed as well as ill-housed, and therefore lead people to

¹ When this address was delivered the grain duty imposed during the South African War was in force, and its early removal was scarcely expected.

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consider how the poor may be made more able to pay for houses, among other things, instead of simply how houses may be built in the absence of an effective demand for them. But I claim that, in matters such as these, a more widespread appreciation of economic theory, and the quickened intelligence which that would produce, would save us much painful experience, many costly experiments, and an enormous mass of tedious investigation.

Lastly, I claim that the teaching and study of economic theory has great practical utility in promoting peace and goodwill between classes and nations.

Between classes within the same nation the peacemaking influence of economic theory lies chiefly in the fact that it tends to get rid of that stupid cry for "rights" and "justice" which causes and exacerbates industrial and commercial quarrels. When demand for some commodity falls, or supply from some new quarter arises, and profits and wages shrink, the workers cry out that they are being unjustly treated, because they have the unfounded belief that reward is or ought to be proportional to moral merit, and they are not conscious of any diminution of their moral merit. They demand a living wage, or a minimum wage and employment for all who happen to have been hitherto employed in the trade, rend the air with complaints, and get subscriptions from a compassionate but ill-informed public. We cannot,

of course, expect people who suffer by them to regard even the most beneficial operations of the economic organisation with enthusiasm or even satisfaction. It would be absurd to do so. But all the same, it is true that a wider apprehension of the fact that it is only by raising and lowering the advantages offered by different employments that production is at present regulated so as to meet demand would not only diminish the dissatisfaction, but also, which is more important, diminish the actual suffering by causing transitions to be less obstinately resisted. The present fashion of deploring rapid changes of trade and dwelling-place is a most unfortunate one ; the ordinary forms of labour do not, as a matter of fact, require such specialised ability, that there should be much difficulty in changing from one to another ; and surely it is much better for a man to work at several different things at different places in the course of his life than to stick for ever in the same place, surrounded by the same objects, going through the same monotonous round of duties. Anything which will weaken the present obstructive sentiment and lead people to regard the necessity of a change of employment or residence as a temporary inconvenience rather than a cruel injustice is to be warmly welcomed.

It is not, however, only the poor and the industrious who would be taught by a greater knowledge of economic theory not to kick against very

necessary pricks. The rich, both industrious and idle, would be taught to be far more tolerant than they are of attempts to diminish inequality of wealth by reducing the wealth of the rich as well as increasing that of the poor. The economist may be a little annoyed with the workman who insists that he ought to have thirty shillings a week for producing something worth fifteen shillings, or five shillings, or nothing at all, but he can only have hearty contempt for the millionaire who holds up his hands in holy horror and murmurs "confiscation," "robbery," "eighth commandment," when it is proposed to relieve him of a fraction of a farthing in the pound in order to bring up destitute orphans to an occupation in which they may earn twenty-five shillings a week. The sanguine teacher of economic theory has hopes of making even such a man see that he has his wealth, not because Moses brought it down from Sinai, or because of his own super-eminent virtue, but simply because it happens to be convenient, at any rate for the present, for society to allow him to hold it, whether he obtained it by inheritance or otherwise—in other words, that private property exists for the sake of production, not for the sake of the particular kind of distribution which it causes. Some, I know, say that the rich are so few that it does not much matter whether they acquiesce in the measure meted to them or not; but that is not the teaching of history; and I think you will

agree with me that for the progress of the whole community it is, in practice, quite as important to secure the acquiescence of the rich as of the poor.

In regard to international relations, the first business of the teacher of economic theory is to tear to pieces and trample upon the misleading military metaphors which have been applied by socialists to the peaceful exchange of commodities. We hear much, for example, in these days of "England's commercial supremacy," and of other nations "challenging" it, and how it is our duty to "repel the attack," and so on. The economist asks "What is commercial supremacy," and there is no answer. No one knows what it means, least of all those who talk most about it. Is it selling goods dear? Is it selling them cheap? Is it selling a large quantity of goods in proportion to the area of the country? or in proportion to its population? or absolutely, without any reference to its area or population? It seems to be a wonderful muddle of all these various and often contradictory ideas rolled into one. Yet what a pile of international jealousy and ill-feeling rests on that and equally meaningless phrases! The teacher of economic theory analyses or attempts to analyse these phrases, and they disappear, and with them go the jealousies suggested by them.

When misleading metaphors and fallacies are dismissed, we are left with the facts that foreign trade—the trade of an area under one govern-

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ment with areas under other governments—is merely an incident of the division of labour, and that its magnitude and increase are no measures of the wealth and prosperity of the country, but merely of the extent to which the country finds it convenient to exchange commodities of its own growth or manufacture for commodities produced elsewhere. If the city of York were made independent, and registered its imports and exports, they would come out far larger per head of population than those of the United Kingdom or any other great country. Should we be justified in concluding York to be far richer than any great country? If means were discovered of doubling the present produce of arable land with no increase of labour, much less corn would be imported into Great Britain and less of other goods would be exported to pay for it; the foreign trade of the country would consequently be diminished, but would the people be any less prosperous? What jealousies, heart-burnings, and unfounded terrors leading to hatred would be extinguished if only these elementary facts were generally understood!

To any one who has once grasped the main drift of economic theory, it will be plain that the economic ideal is not for the nation any more than for the family that it should buy and sell the largest possible quantity of goods. The true statesman desires for his countrymen, just as the sensible parent desires for his children, that they

should do the best paid work of the world. This ideal is not to be obtained by wars of tariffs, still less by that much greater abomination, real war, with all its degrading accompaniments, but by health, strength, and skill, honesty, energy, and intelligence.

VI

COLONIAL PREFERENCE ¹

THE first question in the notorious "fiscal inquiry" ought to be, "What is the use of foreign trade?" In the course of discussion when this question has not been asked, it is extremely common to find one or even both of the disputants assuming that the use of foreign trade is to provide employment for persons who by some inscrutable dispensation of Providence find themselves engaged in producing commodities which are exported. But every one admits, when the proposition is once clearly stated, that employment, or in other words labour, is not a good in itself, and is only desired and undertaken as an end to the attainment of those necessities and conveniences of life which form the real income enjoyed by mankind. There is no difficulty in providing or finding employment: the difficulty is to find employment which shall be as remunerative as we are accustomed to expect it to be. The employment of persons in producing exports would

¹ Reprinted from the *Independent Review* for October, 1903.

be practised by a communistic as well as by an individualistic nation, and in both cases the objects would be the same, namely, the acquirement of goods in exchange for the exports. In ordinary cases the goods obtained in exchange are the imports, though, of course, they need not come immediately, inasmuch as exports are often made by way of loan, and are paid for by an annual percentage of interest. The object of foreign trade is, then, to obtain imports, but this scarcely answers the question, "What is the use of foreign trade?" since the questioner will probably go on to inquire, "What is the use of obtaining imports? Why not produce the required goods at home?" The answer to this question is the same as the answer to the question why any individual does not produce everything for himself. Some things he could not get at all by his direct exertions, and some things he could not get so easily by his direct exertions as he can by the indirect process of making something which he himself does not want but which other people do want. The question is slightly complicated by the fact that the goods which it is desirable to import belong to three classes. First, there are goods which it is absolutely impossible to produce at home. Secondly, there are goods which can be produced at home, but of which the whole required supply can be obtained more easily in exchange for goods exported. Thirdly, there is

the class of goods of which a part only of the whole supply can be obtained more easily in exchange for goods exported than by direct home production. In the United Kingdom diamonds are an example of the first class, tea and wine of the second, wheat and iron ore of the third. It is difficult to devise a succinct form of words which will cover all three classes satisfactorily, but perhaps we may be content to say that we desire imports because we can make our real income—the necessities and conveniences of life which we enjoy, together with the additions to our capital—greater by obtaining some things from abroad by way of exchange than if we confined ourselves to home produce.

Foreign trade should be just great enough to maximise income in this way, and there is no object in making it greater. Hence indiscriminate exultation and indiscriminate lamentation over every increase of foreign trade are equally to be condemned. It may even happen that a decrease of foreign trade is the result of a beneficial invention which diminishes the difficulty of home production and thereby makes the direct method of obtaining the goods the most advantageous. Moreover, it must be remembered that considerable fluctuations in the magnitude of imports and exports are very often due to changes in the direction of the investment or repayment of capital. When a country borrows freely its imports rise:

when it repays loans or invests capital abroad its exports rise. Hence a diminution of exports, for example, may be either on the one hand the result of diminished ability to pay off old debts or to make new investments abroad or, on the other hand, the result of the discovery of new profitable openings for capital at home. Probably both diminished ability to make investments abroad in consequence of the vast expenditure of the State in the last few years and the discovery of new openings for capital at home have a good deal more to do with keeping down British exports than most of the reasons which are commonly alleged.

So far free traders and also protectionists, if gifted with ordinary intelligence, will go together; but at this point they separate. The free trader believes that it is best to let the self-interest of individuals decide what goods and how much of them shall be imported, while the protectionist believes that national (but not local) governments should prohibit or discourage by the imposition of fines or taxes the importation of particular commodities which he thinks ought to be produced entirely or more largely at home although they can be obtained more easily by purchase from abroad.

For, believing that the action of self-interest should be left untrammelled in this particular case, free traders have recently been derided as fetish-

worshippers and adherents of antiquated shibboleths. They are told that *laissez-faire* is an effete doctrine which may have done a useful work in the earlier part of the nineteenth century, but which has long ago been abandoned as inapplicable to modern conditions. Free traders who have socialist leanings are taunted with inconsistency in supporting *laissez-faire* in relation to foreign trade while they are in favour of State action in innumerable other directions.

It is, of course, often open to the free traders to reply with a *tu quoque*. The person who sneers at their inconsistency in supporting *laissez-faire* in foreign trade is often himself a vigorous, not to say bigoted, adherent of *laissez-faire* in every other direction. So little is consistency expected here, that I have actually heard one of the most intelligent and well-informed protectionists of my acquaintance hazard in perfect good faith the suggestion that the *Times'* contributor, "An Economist," was identical with the contributor of the articles on Municipal Socialism which appeared some time before in that journal. The suggestion was, of course, erroneous, but it is none the less instructive.

However, the *tu quoque* does not take us very far, and it is more to the point to observe that there need as a matter of fact be no inconsistency in the free trader's position, even if he happens to believe in government action in a good many

other matters. The truth is that no intelligent person, socialist or other, really doubts that as things are, non-interference with the action of self-interest in the regulation of exchange and division of labour is the general rule which is to be observed in the absence of good reasons to the contrary. The socialist may doubtless believe (whether rightly or wrongly it is no part of our present business to inquire) that an entire re-organisation of property and government could yield better results than the present arrangements, but that is no reason whatever for his approving indiscriminately every measure which interferes with a free play of self-interest. Every socialist knows that there have been innumerable evil interferences in the past, and that he may expect many more in the future. The fact that a man may believe that sound reasons can be given in favour of factory legislation or municipal enterprise does not in any way debar him from believing that good reasons have not been given in favour of interference with foreign trade; and this is the true free trade position. The free trader may suspect that no good reasons can be given in favour of interference with foreign trade, but all that he need attempt to prove is that such reasons have not actually been given.

So far as the past is concerned, history is not very encouraging to the seeker after sound reasons in favour of government interference with

foreign trade. There was a time when such interference was advocated on the ground that without it a country could not keep or obtain an adequate stock of the precious metals. At first prohibition of the export of gold and silver was resorted to, but it was afterwards seen in countries which had no mines that this expedient was insufficient, and resort was had to the plan of checking imports and encouraging exports, in the hope that this would lead to the receipt of a balance in gold and silver. Both plans are now admitted to have been absurd, and every one knows that no country with a sound currency will be in want of metal for as much coin as it requires. The regulation of foreign commerce with a view to the securing of sufficient currency having been abandoned, the various nations entered on a system of protecting various industries on the most different and often contradictory grounds. One country would protect manufactures because they were more profitable than agriculture to the producers ; other countries, or the same country a generation later, would protect agriculture on the ground that it was more productive than other industries and yielded a rent or surplus. In general it is perfectly clear that protection was given to whatever interests were threatened by importation, and had sufficient influence to secure the ear of the corrupt and inefficient Governments of the time. The attempt of certain members of the last generation of the

historical school to represent this mass of absurd and conflicting enactments as the cause of European and American progress is one of the wildest and most desperate undertakings which it ever entered into the mind of man to conceive.

The new protectionism, however, we are told, is of a much superior brand—so superior, in fact, that it should really be rather regarded as an extension of freedom of trade. We are to put a moderate, but hitherto unspecified, duty upon food imported from foreign countries, but not upon food imported from our colonies and possessions: in exchange for this preference in their favour the colonies and possessions will, it is said, give a preference in their customs tariffs to imports from the United Kingdom (and presumably from each other). The curious result will follow that the agriculture of the Empire will be protected against foreign competition, and that the manufactures of each protectionist colony will be protected against foreign and, in a somewhat less degree, British competition. The question is whether this state of things would be an improvement on the present, first, in the United Kingdom, second, in the colonies, and third, in both taken together.

There is no denying that it is sometimes advantageous for one area, even if it has been pursuing a free trade policy, to surrender its fiscal independence and become absolutely united for customs

purposes with a protectionist neighbour. No one doubts, for example, that almost any West Indian island would gain by being admitted inside the customs barrier of the United States. Absolutely unhampered trade with the immense neighbouring market thus provided would more than compensate for the additional hindrances to trade with distant Europe. On the other hand, it certainly would not be well for a free trade United Kingdom to enter into a protectionist union with, say, New Zealand alone. The magnitude and nearness of the market opened up and the magnitude and nearness of the market cut off must obviously be considered in every case.

Hence, in considering whether it would be well for the United Kingdom to submit to additional hindrances to trade with foreign countries in order to secure the removal of hindrances to trade with the colonies it is necessary to carefully weigh the probable gain against the probable loss. When this is done, it seems tolerably clear that not even absolute freedom of importation from the United Kingdom into the present protectionist colonies would compensate the United Kingdom for the loss involved in a moderate measure of protection to agriculture as between herself and foreign countries. There is little reason for supposing that the entire removal of the colonial duties on imports from the United Kingdom would lead to the colonial market offering much higher prices

than at present for these imports. In many cases the duties are levied in commodities which are not produced at all in the colonies in question, or on commodities which are only produced there in such small quantities that their protective effect is practically unimportant. Consequently their abolition would not have, at any rate in any important degree, the good effect which follows the abolition of a very strongly protective duty, the effect of setting free a large amount of the labour power of the community to be employed in a more productive direction. Instead of this it would only have the effect of the removal of an ordinary revenue duty, the effect of freeing a certain portion of the consumers' money-incomes, which, however, in this case would necessarily be promptly seized by the colonial governments by means of some other kind of taxation, so that the consumers would have little or nothing more to spend than before. Of course, if the imposition of duties on foreign agricultural produce imported into the United Kingdom were effective in causing a great increase in the agriculture of the colonies, there would doubtless be a great increase in the quantity of imports from the United Kingdom into the colonies. But this increase of quantity would not involve any improvement in the conditions of the trade of the United Kingdom, as it would simply have been transferred from foreign countries. If we

cease to take food from Argentina we shall cease to export goods to Argentina to pay for it.

It would appear, therefore, that there is very little probability of any considerable advantage to the United Kingdom arising from the entire disappearance of colonial duties on British goods. It is not, however, even suggested that anything like so much as this is likely to be obtained. The most that is hoped for is a reduction of existing duties by 25 or 33 per cent., and there is good reason to suppose that not even that could be obtained, but that the preference would be given simply by raising the existing tariffs against goods from foreign countries, and leaving the tariffs against goods from the United Kingdom just where they are. The advantage to the United Kingdom would thus be infinitesimal.

This is so obvious that no serious attempt has been made to prove that the United Kingdom would gain any considerable advantage from the proposed colonial preference. Mr. Chamberlain can only have been playing with the question when he suggested that £10 a head exported to 10,000,000 people was a great deal more important than "a few shillings a head" to 300,000,000, since after all 6s. 8d. a head to 300,000,000 persons is equal to £10 a head to 10,000,000 persons, and, one would imagine, more capable of increase. The calculation would thus not have been very convincing even if it had been correct, instead of

involving, as it did, the somewhat important error of including exports to India and omitting the population of India.

Instead of insisting on the advantage of the projected colonial preference, the advocates of the scheme prefer to attempt to prove that the duties on foreign imports of food into the United Kingdom could do little or no harm, and might even be directly beneficial.

We must, of course, admit that duties on food imports from foreign countries only would not be as harmful to the United Kingdom as duties on food imports from the colonies as well as from foreign countries. The loss of the productiveness of industry, caused by growing an additional quantity of food within the Empire as a whole would not be nearly so great as the loss caused by growing the same quantity in the United Kingdom alone. But that there would be a loss, varying with the magnitude of the additional quantity of food raised, is undeniable. The very fact that a duty is necessary in order to force the increased production shows that a higher price must be offered for the food, and this higher price simply registers the increased difficulty of production. It is said that this increased difficulty would be only temporary, that when once a start was made the colonies alone would supply the required quantity of agricultural produce as easily and consequently as cheaply as they and foreign countries together

supply it at present. This, however, it should be noticed, is not quite the question. The true question is whether the colonies alone could supply the required quantity in the future as cheaply as they and foreign countries together would supply it in the absence of such a duty. The answer to this question is a decided negative. The colonies themselves do not believe in the possibility suggested, or some of them would long ago have attempted to bring it about by bounties on agricultural exports.

To reconcile us to the discomfort involved in quarrelling with our bread and butter because it comes from foreign countries, the *Times* "Economist" and others have alleged that whether we like it or not we shall soon have to be content with supplies from the colonies, because the territory of the United States is filling up and will soon cease to export food in consequence of the increasing requirements of its own population. It seems to be forgotten that the United States is by no means the only foreign country which either supplies or is capable of supplying the British market ; but even if it were so, and even if the anticipations of its soon ceasing to export food were correct instead of absurd, an intelligent anticipation of future events would scarcely be displayed by refusing its wheat immediately. Such an anticipation of future events, far from being intelligent, would resemble that of the man who committed suicide at fifty because his doctor told him he would not live

beyond sixty. When the United States does become fully occupied and requires all its own agricultural produce, this will not happen all at once, or at four months' notice like Mr. Chamberlain's campaign, but will come to pass gradually giving plenty of time for the introduction of new fields of supply.

So far, then, as the United Kingdom alone is concerned, the scheme offers an infinitesimal advantage far more than counterbalanced by a direct substantial disadvantage. There would, of course, be, in addition to this direct disadvantage, a further indirect disadvantage in the still greater obstacles which would be raised by foreign countries to trade with the United Kingdom in consequence of her abandonment of her free trade policy, which at present secures her unusually favourable terms from them.

What, we inquire next, does the scheme offer to the colonies? This would depend a good deal upon the way in which the colonial preference to imports from the United Kingdom were given. If it were given by way of a real reduction of duties, the colonies would certainly benefit by this relaxation of protection where there is any competing colonial industry actually protected. In such cases colonial industry would be released in favour of more productive employment. But where no colonial industry is actually protected, the diminution of duties, as has already been pointed out,

would merely deprive the colonial Government of a source of revenue which would have to be replaced by another and very probably less convenient one. As it is not in the least probable that any really considerable reduction of duties will be made where the protection afforded is actually important, it would appear that the advantage to be gained by the colonies in this respect is extremely trifling. They would undoubtedly for the most part gain considerably by the preference given to their agricultural produce by the United Kingdom. But they could not possibly gain as much as the United Kingdom would lose, since the extra cost of the whole supply, which would be clear loss to the United Kingdom, would not be clear gain to them, but would for the most part consist of additional labour in production and transport.

There seems to be, therefore, not the least doubt that the scheme suggested could not fail to be disadvantageous to the Empire as a whole, when considered purely from an economical point of view. The interference with the productive arrangements involved in the protection to agriculture would be far more damaging than the advantage gained by the removal of hindrances created by colonial tariffs.

But, it will be asked, would the admittedly unsatisfactory economic result conduce to the unity and military safety of the Empire? If so, in the

opinion of many people a considerable economic loss might be endured without complaint. There is no reason to suppose that the scheme would conduce to the unity or safety of the Empire. It is childish to suppose that a feeling of solidarity can be produced by the sale of corn. Does the Western American farmer love the British consumer of his wheat? Does the British consumer include the Western American farmer in his thoughts when he says grace or prays for his daily bread? The history of the world bears witness that the closest trade relations are no guarantee of mutual affection. What towns are in closer trade relations than Liverpool and Manchester? Are they particularly remarkable for their friendship? It is far more probable that the bargaining and haggling over tariffs between the mother country and the colonies would produce irritation and disunity. As for military safety, it is doubtless true that a self-sufficient Empire is safer provided its parts are contiguous and it can keep out the invader. But that is not the case of the British Empire. Its parts are scattered widely over the globe, and there appears to be every reason to believe that in case of war commerce between the United Kingdom and the colonies could be far more easily interrupted than commerce with neutral nations. Some advocates of the scheme have not scrupled to drag in the horrid supposition of a war with the United States as if it helped their

case. The idea that corn from Canada could be depended upon in the event of that appalling calamity is simply ridiculous to any one who possesses a very moderate acquaintance with the geography of North America.

What, then, is the advice that should be given to the nation? The best and most urgently required advice seems to me, Do not believe in bogeys. A century and a quarter has elapsed since Adam Smith pointed out that for generations alarmists had never ceased from crying out that England was on the decline and would shortly be ruined. The stream of gloomy vaticinations has continued without interruption ever since, and the people of England have continued to grow in number, wealth, and comfort. Fluctuations in prosperity we must, of course, expect, and we must not be alarmed if a very considerable temporary depression should follow the prosperity of the last few years, which seems to have been almost too great to be regarded as part of the permanent improvement in material welfare which is observed over long periods of time.

Do not let us believe that the nation is going fast to ruin because a few staple trades decline in importance when compared with industry in general. These staple trades furnish material for satisfying certain elementary wants which do not grow with increasing wealth like the more refined wants. The capacity of the human stomach to

consume bread and the capacity of the human back to carry shirts is strictly limited, and we cannot expect unlimited growth in the trades which supply bread and shirts. The tendency of civilisation is to reduce the proportion of persons employed in producing coarse and rudimentary materials and commodities, and to increase the proportion employed in supplying the more delicate wants. Fortunately, it is in these days possible for the proportion and even the absolute numbers of persons employed in a great industry to diminish without the terrible hardships which sometimes accompanied such a change in the past. The *Times* "Economist," when he talks of a future Armageddon, in which Lancashire cotton manufacturers will die fighting rather than transfer Lancashire industry to machine-making, overlooks the fact that the transference has been long quietly taking place, and never more rapidly than at present, when American enterprise has sought a new home on the banks of the Manchester Ship Canal, outside the tariff wall of the United States in free trade England. When he grumbles vaguely over the absolute decline of British agriculture, and asserts that the old free traders never foresaw it, he forgets that, according to his own account, which is doubtless correct, the agricultural population is better off than before this wonderful "decline" took place.

The gratification which every patriot ought to

feel at the fact that the comparatively well-paid "miscellaneous" occupations¹ are growing rapidly, and the comparatively ill-paid staple trades are increasing slowly, or even diminishing, will not be seriously damped by the *Times* "Economist's" apparent belief that a City policeman is a poor thing compared with an Essex labourer or a South Staffordshire ironworker—a belief which he supports only by an obscure reference to an economic doctrine which was quite successfully exploded by McCulloch early in the second quarter of last century. Nor should we be unduly depressed when the same writer's admiration for the staple industries induces him to assert that energy and intelligence will die out if the production of clothing for live Europeans takes the place of the manufacture of heavily-sized winding sheets for dead Chinamen. These ideas are merely the morbid imaginings of one whose ideal of industry and statesmanship is in the eighteenth century, and who thinks great things might be accomplished by a Committee of the Privy Council on Trade. If we retain our freedom to buy and sell where we choose without being fined for our preference, there is no fear of ill-paid trades taking the place of well-paid trades, and so long as the substitution is in the opposite direction, we must not regret too much the

¹ Nor necessarily manual labour occupations. The proportion of manual labour to all labour declines with the progress of civilisation.

disappearance of some picturesque hewers of wood and drawers of water. Not only fathers but States also should desire that their children should do the finest and best paid work of the world.

VII

THE DIVISION OF INCOME*

THE two greatest ends of economic inquiry seem to me to be the furnishing of general answers to the two questions, first, why whole communities are rich or poor, and secondly, why inside each community some individuals and families are above and others below the average in wealth. Assuming that the communities are isolated, or, at any rate, that they neither receive nor pay tribute, the first question is answered by a theory of production and the second by a theory of distribution. The riches or poverty of the whole community depend, as Adam Smith declared at the very outset of his Inquiry, upon the annual produce per head of population. The comparative wealth of individuals and families within any given community depends upon the proportions in which the total produce or income (the expressions are synonymous in a self-contained community) is distributed or divided among them.

I do not think the theory of production has by

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any means reached perfection. There is a want of unity and simplicity in current expositions of it which is largely responsible for its entire failure to penetrate the public mind, and consequently for the widespread prevalence of those ridiculous delusions which disfigure the writings of journalists and the speeches of politicians all the world over. But the theory of distribution, as now generally taught, has still more fundamental defects ; and it is to these that I propose to draw attention, in the hope that others may be more successful in amending them than I have hitherto been.

To the ordinary person who has not been infected by the study of economic textbooks, the term "the distribution of wealth" has a very definite, intelligible, and useful meaning. "Wealth" means income, and "distribution" means division. An "equal distribution" means an equal division: a "change in distribution" means a change in the proportions in which the total is divided. The total income of the United Kingdom is valued at £1,750,000,000: it is distributed between the 43,000,000 inhabitants in certain proportions. It is also distributed between the two different categories, "property," or land and capital, on the one hand, and "labour," on the other, a certain proportion coming in to its receivers because they own property, and another proportion to its receivers because they perform labour. Neither as to the distribution between

individuals nor as to that between categories are the available statistics at all complete or accurate, but they are sufficient for purposes of illustration. We know that incomes vary from something over one five-thousandth of the whole down to nothing at all. We know that the whole of the property is valued at £15,000,000,000, and that the average rate of interest is somewhere not very far removed from $3\frac{1}{2}$ per cent., which will make the share of the total income derived from property about £525,000,000, or 30 per cent. of the whole, leaving 70 per cent. for labour.

There is, of course, no reason to suppose that the distribution is the same at all times or in the different countries at the same time. It has doubtless been in the past either more or less unequal than at present, and its inequality has doubtless been of a somewhat different character. It is doubtless not the same in the United States and in Switzerland. Has theoretic economics nothing to say on the subject, no generalisations or "laws" to lay down? Can it not tell us in a general way what are the causes of greater or less inequality, what are the causes of the existence of a larger or smaller middle (near the average) class, what are the causes of the existence of a small very rich class or of a very large extremely poor class? Can it say nothing as to the reasons why property gets 30 per cent. of the income now and, say, only got 25 per cent. in the reign of Elizabeth?

Economists sometimes vaguely wonder why economic theory is so unpopular that books upon it have very small sale, and in the greatest centres of population lectures on it by the best professors will attract at the most an audience of forty or fifty, and usually much fewer than that. Is there anything in this to exercise surprise, if we reflect for a moment on the inadequacy of the answer furnished by the theory of distribution, as at present taught, to the questions in which the ordinary person is interested?

A young man passing through a fashionable street or square in one of our great modern capitals at the proper time of day may see a woman, feeble in body and mind from never having done a stroke of honest work in her life, being drawn along in a handsome carriage by a pair of magnificent horses, with two noble-looking men on the box. The carriage stops at a door, one of the men gets down, the door opens and displays two flunkeys in gorgeous array, they receive a small piece of pasteboard, and an important social function is over. The observer proceeds on his way, and soon passes down a mean street inhabited by a hundred families whose united possessions would not equal in value the carriage and horses, and whose average income might perhaps be equal to a third or a fourth of the cost of clothing the lady for a single ball. Struck by the contrast, he begins to wonder why it is so, and whether it

must always be so, and whether it may not be necessary to take steps towards altering it. He has probably heard that some people say such contrasts are due to the existence of private property in land or in the instruments of production. He has heard vaguely, too, that economics deals with this kind of topic, and he therefore resolves to attend some lectures given by a professor of economics.

The professor tells him that the produce of the community is distributed into three or four great shares—rent, interest, wages, and perhaps profits. Rent, he will teach, is determined by the quality and situation of the land, and this he will be sure to illustrate by a diagram on his blackboard. Putting together a number of rectangles of equal breadth, but gradually diminishing height, he will tell his class that each rectangle represents the return to an equal unit or "dose" (the class laughs politely) of capital and labour, the taller rectangles being the return on the earlier, and the smaller the return on the later units of capital. Taking his chalk in his hand, he then draws a horizontal line from the top of the shortest rectangle to the outside of the tallest, and observes triumphantly, "The amount above that line constitutes rent." Of course there is no amount there, nothing but a certain space on the blackboard. "At least," he explains, recollecting himself, "it represents rent." If a student ventures to ask,

"The rent of what?" he will explain: "Not the rent of all the different acres of land, but the return to all the units of labour and capital. On some acres it will be found possible to apply a great many units yielding a return higher than that of the marginal unit, on others few, and the rents will differ accordingly. The rent of any particular acre will be the surplus return from all the doses which can be applied to that particular acre. How many doses it will be possible to apply to all the land, and, therefore, what the rent of the whole will be, will depend upon a number of different circumstances." Asked what a "dose of labour and capital" means, he will probably explain that it means a definite amount of expenditure in wages of labour and interest of capital. He may possibly conclude his "theory of rent" with a few rather hesitating words as to the effect of "progress" on the total rent. The impression left on the intelligent student's mind is that he has been treated to an interesting intellectual exercise, but that he does not know any more than he did before about distribution. He knew before he went that people who possess land will not usually let it for less than it is worth, and that people who rent land will not usually pay more; and he knew, too, that some land is worth a great deal and some little or nothing. He has not now been told at all clearly what makes some land worth more than other land, and, what is more important, that

was not what he came to find out. What he came to find out was whether rent is becoming a larger and ever larger proportion of the whole income of the community, and why some people have so much rent and others none at all. He very probably even wanted to know whether he ought to vote for candidates who promised to abolish rent altogether. He would be much less inclined to do so if the professor had given him reason to believe that rent is a decreasing proportion of the whole income, and is likely to be more equally distributed in the future. He wanted bread, and the professor has given him a stone. Button-holing the professor after the lecture, he places his difficulties before him. The professor has some trouble before he can understand, and then he says: "Ah! I see. But those are historical and statistical questions with which I have nothing to do."

Proceeding in his next lecture to the problem of interest, the professor talks of the differences in the rates of interest obtainable in different kinds of businesses, and then explains the causes of the general highness or lowness of the rate. If an admirer of every new thing, he will give his class the impression that the rate is determined by the comparative estimation in which people hold present and future goods. If more careful, he will show them how at any given time an almost infinite number of means of utilising capital

are known, but that these vary in productiveness ; that the capital is never large enough to occupy them all, so that the most productive known, or generally known, are the only ones occupied, and the rate of interest is determined by the return of the marginal one—that is to say, the lowest-yielding one which must be occupied in order to find employment for the whole mass of the capital. Then he will show how increase of population tends to raise the returns, and how increase of capital tends to necessitate the pushing of the marginal investment lower down. He will endeavour to explain how some inventions raise the rate by disclosing new and highly productive means of utilising considerable amounts of capital, thus raising the margin, while other inventions reduce the rate by disclosing easy direct ways of doing something hitherto accomplished in difficult roundabout ways, thus setting free a portion of the capital and leading to a lowering of the margin. All this is interesting and more instructive than the "theory of rent," but again our inquirer is dissatisfied. He does not much care about the trifling differences which may exist between the average interest obtainable in different businesses or investments ; he does not even care very much about the rate of interest in general. He may be acute enough to perceive that, though a high rate of interest looks unfavourable to the worker at first sight, it has, at any rate, the advant-

age of making it easy for the worker who can save anything to accumulate a considerable capital himself. What our inquirer is in search of is rather some light on the question why some people get so much interest and others none at all, and whether the proportion of the whole income of the community falling to interest is likely to increase in the future. If he is satisfied that the proportion falling to interest is likely to increase, or that the inequality of the present distribution of interest is likely to increase largely in the future, he may be determined to join a socialist organisation. Again he catches the departing professor, and lays his troubles before him. The professor has greater difficulty than before in comprehending. He is so used to regarding interest as something calculated as a ratio on the principal that he cannot at first see or understand any one wanting to know its ratio to the produce. Moreover, the old books among which he was brought up always confused the two. However, at last he is made to comprehend. "That again," he will say, "is a statistical question. I cannot say I have thought of the subject at all." The other question, as to the inequality of the distribution of interest, would not trouble him in the least. "It depends," he would say, "on the distribution of the capital, and we are not concerned with that."

So far our inquirer into distribution has been told something about the rent of different qualities

of land, or, at all events, the returns to different "doses of labour and capital" on different qualities of land, and something about the rate of interest, or ratio between interest and capital. He is disappointed ; but there is still wages to come, and he may get some light on distribution from the professor's golden words on that subject. "Surely," he will think, "the professor will not be able to consider wages in relation to distribution without telling us something of the causes which determine how the whole produce is divided between the workers and the owners of property in land and capital."

But he is wrong. The professor, if up to date, teaches that wages are settled by demand and supply, and equal the product of the marginal labourer, the man who may be taken on or put off without making any appreciable difference to his employer. It is impossible to select one out of a number of equal labourers as the marginal one. They are all paid the same, and what they are paid is, or is equal in value to, their true contribution to production. The position of the margin may be either raised or lowered (according to circumstances connected with the law of diminishing returns) when the number of men offering to labour increases. Consequently, the supply of labour affects its remuneration. The supply is regulated by the standard of life. And so on, a somewhat difficult theory, interesting enough in

itself, but not enlightening, so far as distribution is concerned. The earnings of the marginal worker and of all workers, measured as they are by their absolute amount, may vary widely without affecting the distribution of the total income between the workers and the owners of property. Our inquirer goes home in a rage, and will attend the professor's lectures no more. Can we wonder?

If, however, he had had a little more patience, he would at last have heard something about distribution. The professor would have dealt with differences of wages in different occupations, and here he would really have considered the distribution of wages as between persons employed in different employments. He would have asked his class to begin with assuming as a working hypothesis that they would expect free competition to make wages in all occupations equal, or, in other words, that they would expect wages to be equally divided, at any rate between wage-earners of equal industry and ability. He would then explain why this is not actually the case. He would say, for example, that the occupations for which expensive training is necessary get more than the average, because, so far, their number has been kept down by the lack of sufficient well-to-do and self-denying parents or benefactors (including the State). He would say that the lowest kinds of labour are paid less than the average, because they are the kinds in which the all-round incompetent can best

be employed, and because the number of all-round incompetents is large enough to fill them to overflowing, so that the value of that kind of work is so reduced that, if an able and competent person were employed (even at piece-work) in such an occupation, he would not get wages as high as the average for all occupations. He would say that the persons employed in some occupations get less than the average because of the tendency of mankind to miscalculate chances all in the same direction, so that the mistake of one man is not compensated by the opposite mistake of another.

The fact that the whole subject of "Distribution" is not treated in the textbooks in the same logical and useful manner as the distribution of wages between persons following different occupations seems to be due merely to certain almost accidental circumstances and a somewhat blind following of a traditional arrangement of subjects. There are no such blind followers of tradition as those theorists who neglect the study of the previous history of the theories which they are endeavouring to develop; and the most hardened apologist must admit that the economists of the first half or three-quarters of the nineteenth century were apt to regard the work of their predecessors in a somewhat unhistorical spirit.

The term "distribution" in economics seems to have originated with the Physiocrats. What they meant by it is not very easy to explain, inas-

much as the explanation involves an understanding of the *Tableau Économique*. But there seems to be little doubt that neither the Physiocrats proper nor Turgot took it to mean the same as *répartition*, or division. They were thinking rather of the machinery for conveying the produce from the producers to the consumers than of the proportions in which it was to be divided among them. When Adam Smith wrote the title of the First Book of the "Wealth of Nations," in which he speaks of the "order" according to which the produce of labour "is naturally distributed among the different ranks of the people," he was probably using the verb "distributed" in the corresponding sense. When he comes to the subject in the body of the work, he uses "parcelled out" as a synonym for "distributed." He says that just as the price of any particular commodity resolves itself into wages, profit, and rent, so all the commodities together are parcelled out or distributed between the various members of the society as wages, profit, and rent. Then he goes on to consider wages, profit, and rent far more as component parts of price than as portions of revenue. So much is this the case that there seems little doubt that the parcelling out or distribution was an afterthought, and that the chapters on wages, interest, profit, and rent would not have been materially different from what they are if Adam Smith had never come across the idea.

The term might, of course, have continued to be used in the sense of parcelling out. It might have continued to refer to the processes and mechanism of the division rather than to the terms of the division. However, it did not. The beginning of the change is visible in the first edition of J. B. Say's "Traité" (1803). Say distinctly undertakes to inquire, not only into the different ways in which values spread themselves throughout (*se répandent dans*) the society, but also into the proportions according to which they are distributed (*les proportions suivant lesquelles elles se distribuent*). He does not, however, carry out his undertaking, but treats of the various kinds of incomes and of the rise and fall of wages per man, profits per cent., and rent per acre, very much in the same way as Adam Smith. It seems probable that he was talking loosely when he mentioned proportions, and that it did not occur to him that the three things just mentioned were not reckoned by proportions. In the "Epitome," or vocabulary of economic terms, which he affixed to the second edition, he merely describes how distribution operates through the buying by the entrepreneur of productive services, and says nothing about the terms of division. Ricardo went much farther than Say. In the Preface to his "Principles" he says that the produce is divided between the usual three classes, that at different times "the proportions of the whole produce of the earth

which will be allotted to each of these classes under the names of rent, profit, and wages will be essentially different," and that "to determine the laws which regulate this distribution is the principal problem in political economy." Though, it must be admitted, without much success, he continually endeavours to keep this problem before him. From this time forward the old sense of distribution as the process of parcelling out may be regarded as superseded. "Distribution" was ordinarily defined as the determination of the proportions in which the produce is divided, and the part of economic treatises headed "Distribution" was commonly devoted to a discussion of any points which happened to occur to the writer in connection with rent, interest, wages, and any other share of produce which he might think it desirable to create. The question of proportions so definitely raised by Ricardo and so plainly expressed in the definitions of "distribution" was lost sight of, partly because it was supposed by many that rent might somehow be excluded altogether, and that the rate of interest or profit showed how the remainder was divided between labour and capital, and partly because of the continued influence of the Smithian tradition.

Whether this be the exact explanation of the present state of things or not, I do not think any one will have the hardihood to assert that the exclusion from expositions of economic theory of

any consideration of the causes which determine the division of the whole income between labour and property and the division of property's share between individual proprietors has been deliberate. I know of no economist who has asserted that a consideration of these matters is not a proper part of the theory of distribution, though no doubt there are many who, like my typical professor, would say so when blamed for omitting it. Put upon his defence, the exclusionist would, I suppose, allege: (1) that the doctrines at present taught as to wages, interest, and rent tell us what settles the proportions in which the whole income is divided between labour, land, and capital; (2) that no general theory on the questions suggested can be constructed; (3) that the questions are unimportant and not worth answering. I will deal with these allegations in order.

The first of them is easily dealt with. No intelligent person who has considered the subject for a moment can imagine that any investigation of the causes which determine wages per head, interest per cent., and rent per acre can provide directly an answer to the question, What regulates the proportions in which the produce is divided between wages, interest, and rent? A rise of wages per head is often coincident with a decrease in labour's proportion of the whole income. In our previous example, if the number of workers be put at 30,000,000, the average earnings would

be £40 16s. 8d. If the total income were increased to £2,000,000,000, and the average earnings to £50, the number of workers remaining the same, then the total earnings would be £1,500,000, which is 75 per cent. of the whole—a larger proportion than the original 70 per cent. But, if the increase of earnings were only to an average of £45, or £1,350,000 in all, then labour's proportion would have sunk from 70 per cent. to $67\frac{1}{2}$ per cent.

So, too, a fall in the rate of interest does not necessarily indicate a fall in the proportion of the whole income obtained by capital, no matter where we draw the line or whether we draw any line at all between land and capital. The rate of interest is only the rate, ratio, or proportion between the principal and the interest. What proportion the interest bears to the total income cannot be discovered till we know two other things, the amount of the capital and the amount of the total income. To return to our example, if we suppose the £15,000,000,000 worth of property to consist of £10,000,000,000 of capital and £5,000,000,000 of land, then in the state of things at first supposed, with interest at $3\frac{1}{2}$ per cent., capital will be getting £350,000,000, or 20 per cent. of the total income. Now, if the capital increases to £13,500,000,000, while the total income increases to £2,000,000,000, a fall of interest from $3\frac{1}{2}$ to $3\frac{1}{3}$ will be coincident with a rise in capital's income from £350,000,000

to £450,000,000—that is, from 20 per cent. of the whole to $22\frac{1}{2}$ per cent.

And, finally, it surely needs no elaborate demonstration to prove that a rise in the absolute amount of rent paid for a given quantity of land does not necessarily indicate any rise in the proportion of the whole income of the community falling to the landlords.

The second defence is alternative to the first. It admits that the two problems we are discussing are not really dealt with in the ordinary expositions of the theory of distribution, but alleges that there is little or nothing to be said about them which can properly be regarded as worthy of the name of theory. "What," I shall perhaps be asked, "have you to say about them?" Little enough, I admit, but if the subject had been discussed as it ought to have been for the last century, there would probably have been by this time quite a large body of doctrine relating to it. I will endeavour to suggest briefly the main outlines of the theory which seems to me to be required.

The division of the whole income between labour and property will be determined by the comparative *total* values of two great collections of contributions to the income: on the one hand all the services of all the workers, on the other all the assistance, or whatever the reader may prefer to call it, afforded by the property. If all the services of the workers are worth 1,225 millions

and all the assistance afforded by the property is worth 525 millions, it is obvious that the workers are getting 1,225 millions out of 1,750, and therefore 70 per cent. of the whole.

In considering what settles the comparative values of the two contributions, let us first suppose that the quantities of labour and capital remain fixed, or in the same relation to one another. Here we have the problem in its simplest form, since any alteration in the value of units will necessarily be accompanied by a corresponding alteration in the aggregate value of all the units. If one set of persons have a given number of oranges and another a given number of apples, any alteration in the value of one apple in oranges, or, which is the same thing, of one orange in apples, will result in a similar movement in the aggregate values. Suppose that there are 2,625 apples and 1,225 oranges, and that the value of an apple is one-fifth of an orange. Then the aggregate value of the apples is 525 oranges, and the oranges are to the apples as 1,225 to 525. If, now, the value of an apple falls to one-seventh of an orange, the aggregate value of all the oranges will be to the aggregate value of all the apples as 1,225 to 375. In the case of apples and oranges it is easily apprehended that changes of fashion or changes in the knowledge of how best to use apples and oranges may change their relative value. If it becomes the fashion to drink orangeade and to

despise cider, the value of oranges measured in apples will be enhanced, and if somebody discovers a way of easily making a delightful jam out of apples, the value of apples measured in oranges will be enhanced.

So with the contributions of labour and property. Fashion is, perhaps, unimportant in practice, but we can imagine changes of fashion which would seriously affect the comparative values of the contributions. If it became the fashion to despise house-shelter, a vast mass of existing capital would be depreciated, and if we allow it to be gradually replaced by an equal amount of other capital, there is reason to believe that the remuneration of the services of this new capital would be less than that of the services of the houses, since the fact that this investment was not adopted before shows it to have been less profitable than those which had been adopted.

Whatever may be said of changes of fashion, there can be no doubt as to the importance of new inventions in affecting the comparative values of the two contributions. A discovery which shows how things now done by the aid of elaborate machinery could be done easily by unassisted labour will raise the value of the given quantity of labour as compared with that of the given land and capital. If land or anything else that is of a permanent character is concerned, the problem is fairly simple, and has, in a way, been recognised

in the traditional discussion about the effect of "improvements" on agricultural rents. When renewable things are concerned, it is often very difficult to decide whether a particular invention is likely to be favourable or unfavourable to an increase in the proportion falling to property. What shall we say, for example, of the invention of the bicycle? If there were a million horses and a million riders and no more, and all that had happened was merely a substitution of a million bicycles for a million horses, then, given that a bicycle may be taken as containing half the capital there is in a horse, a capital equal to 500,000 horses would be driven into less profitable employment, and the annual value of property's contribution would clearly fall in comparison with that of labour. But if after the invention it was found profitable to establish a capital of three million bicycles, then a portion of capital equal to half a million horses hitherto in less profitable employments would be withdrawn from them into what would by hypothesis be a more paying investment. Thus both the given quantity of labour and the given quantity of property would get a larger absolute amount, and there seems no reason to doubt that the increase falling to property may sometimes be large enough and sometimes not large enough to give it an increased proportion of the whole income.

Of course, the supposition of fixed amounts of

labour and property is a very unreal one. The amounts of both are constantly changing, and not always changing in the same direction at the same rate. Let us return for a moment to our world of oranges and apples. Instead of dealing with fixed amounts, let us allow the number of oranges and apples to vary, but still inquire into the comparative total value of all the oranges taken together, on the one hand, and all the apples taken together, on the other. We want to compare the value of the apple-harvest with that of the orange-harvest. We are at once confronted with what von Wieser calls the "paradox of value."¹ An increase in the number of apples tends to reduce the value of each apple, so that it may happen that an increase in the number of apples will reduce the aggregate value of the apple-harvest as compared with that of the orange-harvest. Suppose, again, that the apples number 2,625 millions and the oranges 1,225 millions, and that 1 orange is worth 5 apples, so that the aggregate value of the apples will be 525 oranges, or 30 per cent. of the aggregate value of the apples and oranges taken together. Suppose, further, that in the next year the number of apples is increased to 3,600 millions, while the oranges remain at 1,225, then the value of an apple measured in oranges will be less than before. If it only falls to one-sixth of an orange,

¹ "Natural Value," Bk. I., ch. x., pp. 27-32 (Malloch's translation).

the aggregate value of the apples will be to that of the oranges as 600 to 1,225, and be nearly 33 per cent. of the aggregate value of apples and oranges taken together. But if the value of an apple falls to one-eighth of an orange, then the aggregate value of the apples will be to that of the oranges only as 450 to 1,225, and will consequently have fallen from 30 per cent. of the aggregate value of apples and oranges taken together to a little under 27 per cent.

As with the aggregate value of the apples and oranges in this example, so with the aggregate value of the contributions of labour and property. If the quantity of either could be increased in proportion to that of the other without any diminution in the value of each unit, then every such increase would increase the proportion which the aggregate value of that contribution would bear to the aggregate value of the contribution of the other factor, and consequently would increase the proportion of the whole income received by that factor. But increase of quantity tends to diminish the value of each unit, and may diminish it so much that the larger quantity is of less proportionate value. For example, let us suppose that at first the number of workers is 30 millions, and the value of their work is 1,225 millions, while the value of the use of the property is 525 millions. Then suppose the workers increased to 35 millions. We may be sure the arrival of the new workers will not

simply increase the value of the contribution of labour by one-sixth to 1,429 millions, leaving property's share at the old figure of 525. The new 5 million workers will cause some depreciation of a man's work as compared with the use of an acre of land or a house or any particular machine. This depreciation may or may not be great enough to counterbalance the immediately favourable effect of an increase of quantity. For example, the combined effect of the two influences may be to raise labour's contribution to the value of 1,400 millions and property's to 550, thus giving labour nearly 72 per cent. of the whole income, or the effect may be to raise labour's contribution only to 1,325 millions and property's to as much as 625, thus reducing labour's proportion to less than 68 per cent.

The very inadequacy of these remarks, and possibly their incorrectness, will, I think, convince the reader that theory on the subject of the division of income between property and labour would be a very interesting and useful addition to the ordinary presentation of economic principles. It would be so especially if well illustrated by actual historical examples. I am not aware that economic historians have as yet devoted any attention to the question. I should be inclined to suppose that the proportion falling to property has increased and is still increasing. The increase in the quantity of capital has been much greater than the increase

of population, and, in consequence of the tendency of invention to open new wide fields for capital, the depreciation of units has not been very large. Nor do I see any reason for doubting that the increase of property's proportion will go on in the future. All that seems certain is that, if it does go on, it cannot go on indefinitely at the same rate. After a certain point it must increase slower and slower, so as never to reach one hundred per cent. But where is that point? A long way off, very probably.

Coming now to the second question, the distribution of property's share among the various individual owners of property, we might perhaps be expected to begin by dividing the owners into landowners and capitalists. It appears, however, that this distinction is of little or no use for our present purpose. The distinction between rent, the income of landowners, and interest, the income of owners of capital, is a difficult one to deal with when quantitative statements are to be made, since land and capital are divided from each other by no plain and obvious natural boundary-line, and there is little agreement as to where to place an arbitrary or imaginary boundary. The difficulties involved in an attempt to estimate "prairie" and "site" values are enormous, and far greater than is imagined by the surveyors who quite truly say they are constantly employed in estimating the value of sites apart from the

buildings upon them.¹ But, on the whole, it is probably safe to say that, if a narrow sense be given to "land" when it is taken to mean land in or near its unimproved state, then rent is receiving a smaller proportion of the whole income of property than of old. If, however, we take "land" in a wide sense, as including all the great engineering works which are sometimes said to "become incorporated with the land," such as railways, canals, drains, and pipe-lines, to say nothing of buildings, the conclusion will probably be the other way. If these things are included, then rent will be a growing proportion of the income of property. The reason is not far to seek. It is simply that the increase in the quantity of movable and immovable accumulated products of labour is greater than enough to counterbalance the increase in the value of land, of which the quantity is fixed. But all this has little to do with the distribution of income between individuals. No matter where the line be drawn between land and capital, any landowner can turn himself into a capitalist by selling his land, and any capitalist can turn himself into a landowner by buying land, so that it is impossible there can be any question of distribution between landowners and capitalists

¹ Each site may easily be valued apart from the buildings upon it, but it can seldom, if ever, be valued apart from the buildings on the surrounding sites, and the streets, roads, railroads which serve it.

of equal wealth. To understand the distribution of property's share of income among proprietors, we must treat property as one, and begin by observing what ought to be obvious to every one, that the distribution of the income is directly dependent on the distribution of property. So that we have here simply to explain and classify the causes which govern the distribution of the property. Perhaps the simplest way of making a start will be to assume that we should expect, in the absence of reasons to the contrary, to find property equally distributed. Then we can make the inquiry why, as a matter of fact, some individuals have much, others little, and many scarcely any at all.

The reason which seems to come first in logical order is that all people are not equally provident. As old-fashioned opponents of equalitarian schemes used to say, if we all started with equal amounts, inequality would soon appear, since some of us have more thrifty dispositions, greater desire to provide for the future, than others. Some of us would consequently save considerable amounts from income, while others would save little, and some nothing. Writers exist who speak as if there were no other reason than this for the actual inequality. Mr. Carnegie and the Duke of Westminster, they think, are the thriftiest men alive.

The second reason is that we are not all equally

judicious in the selection of investments. Ever if we all started on equal terms and saved the same amount, inequalities would soon arise, since the wise men would make better investments than the fools. Some people think these two reasons are sufficient to account for the existing inequality. Mr. Carnegie and the Duke of Westminster, they think, are not only very thrifty but also very wise.

The third reason is that men of equal wisdom are not equally lucky in their choice of investments. Only fools invest in lottery tickets, but a few of them do make a thousand or more per cent. and win fortunes. Take a million men of equal wisdom, and you will find their investments better than those of another million men of slightly less wisdom. But that is only because among such large numbers the average luck will be equal. As between single individuals, every one knows that luck plays a great part.

The fourth reason is that earnings are unequal, and it is easier to save out of a large than out of a small income. If, of two men with exactly the same disposition as regards thrift, the one has £5,000 a year and the other £50, the first will save much more than the second, and consequently eventually become possessed of much more property.

The fifth reason is that persons receive different amounts of property by way of gift, bequest, and

inheritance. It is curious to notice how often this reason is overlooked, in spite of its extremely obvious nature. Its effect is cumulative, since, when once a man has acquired large property in this way, it is easier for him to save and acquire still more.

On each of these reasons much might be written. For example, on the last, a great investigation might take place into the different effects of different laws as to inheritance and bequest, into the effect of the customs observed in regard to dowries, the effect of large and small families in different classes, and many other similar subjects which are just as fitted for discussion in works on economic theory as the matters at present usually discussed—for example, in relation to the causes of differences of wages in different occupations.

Dislodged from his first and second lines of defence, the apologist for the common failure of writers on distribution to deal with the division of all income between labour and property and with the distribution of property's share among proprietors may fall back on the third line, and say that these questions are of no importance.

No doubt the importance of the division between property and labour is often exaggerated in the discussions of the market-place and the street. It is often assumed in these discussions that the mere taking away of property's share and giving the whole income to labour would put an end to

poverty. To those who believe this it should be pointed out that the allotting of the whole of property's present share to labour as a *pro rata* addition to present earnings would do little to relieve the extreme of poverty. It would certainly abolish the very rich, since the very largest incomes are all chiefly drawn from property ; but the addition made to the income of the poorest people would not be sufficient to redeem them from poverty. If property is receiving 30 per cent. of the whole income, the *pro rata* addition to earnings would be about 43 per cent.—a handsome increase, no doubt, to the majority of workers, but one which would be wholly inadequate in the case of the poorest independent earners, and *nil* in the case of the invalid and incapable. Incomes would still range from millions of pounds down to nothing at all. "The whole produce to the labourer" is no panacea. Poverty is a question of persons rather than of categories.

But the fact that a large and active social or political party spread throughout the civilised world do, as a matter of fact, rightly or wrongly regard "the whole produce to the labourer" as an unimpeachable maxim, must certainly give the question, "What regulates the proportion of the produce or income received by labour under existing institutions?" a considerable practical importance. If I understand Professor Clark aright, he would meet the demand made on behalf of

the labourer by the proposition that the labourer gets the whole produce of his labour at present. The (say) 30 per cent. of the whole income which the labourers do not get is no part of their produce, but is the produce or part of income attributable to land and capital.¹ This may be a good answer to the exploitation theory of wages, but that theory is mere froth on the surface of the waves. However the socialists may phrase their demand, and whatever obscure arguments they may use in its favour, what they really want is that the labourer should have all the income. They ask for the "whole produce of labour," because Adam Smith and his successors till quite recent times taught that the whole income was produced by labour, so that the income and the produce of labour were synonymous. Now, if Professor Clark and his followers convince them that this is an inaccurate use of language, and that only what labour actually does get, the 70 per cent., for example, is correctly to be spoken of as "the produce of labour," they will promptly say: "Never mind what the other 30 per cent. ought to be called. You can call it what you like, provided you hand it over." To regard the widespread popular sentiment that people should not be able to obtain incomes without working for them as the result instead of the cause of the recondite doctrines promulgated by Marx and others as to the exploitation of labour would

¹ "Distribution of Wealth," ch. i.

indicate a remarkable simplicity of mind. The formal pleas of social and political parties can be amended easily enough when they are found to need it. If it is shown that the term "whole produce of labour" is not properly used of the whole income, the term "whole income" can easily be substituted for it. Socialism will not be exorcised by the marginal productivity theory of wages. But the strength of socialist effort may be greatly affected by an investigation into the causes which regulate the division between labour and property. If, for example, it can be shown that labour's proportion is likely to grow in the future under existing institutions, many people will be satisfied to let things take their course, and will not care to try to accelerate the change, much less to try to carry it to its final and logical conclusion by any violent revolution. If, on the other hand, it appears that labour's proportion is likely to diminish, it is impossible to doubt that the feeling in favour of letting things alone will be much weakened. Moreover, in addition to definitely socialistic proposals, there are many plans for action on the part of the State which cannot be properly understood and appreciated without a knowledge of the causes which regulate the division of income between labour and property. Particular taxes, for example, are often recommended on the ground that they fall on labour or capital, as the case may be. Surely a

thorough knowledge of the theory of the division is necessary before a judgment as to the correctness of the claims made on behalf of particular taxes or systems of taxation can be arrived at.

Finally, it may be reasonably suggested that the introduction of a theory as to the division between property and labour is necessary for the construction of a theory of wages which will be fairly intelligible to the popular comprehension. He must be a sanguine man who expects to see the marginal productivity theory find a place in the leading articles of newspapers and the speeches of candidates for legislative assemblies. Something rather simpler is required, and something which will fix attention earlier on the most important factor in practice. This, it seems to me, we get, if we point out that the total amount of earnings at any time depends upon the total produce and the way in which it is divided between labour and property, and that the earnings per worker depend in consequence upon the produce per worker and the way in which the total is divided between labour and property. For the causes of high and low produce per worker we refer to the theory of production, which is wholly or chiefly devoted to an investigation into that question; for the causes of variation in the division we look to the theory of distribution. It is quite possible that the theory of the causes of variation in the division cannot be made any

easier than the theory of the marginal productivity of wages. But it can scarcely be more difficult, and at any rate the method I advocate has the great advantage of putting the produce first. This is in practice by far the most important factor. The actual differences of earnings between different countries and different times are evidently far more due to differences of produce per head than to differences in the proportion of the whole taken by property. How ludicrous it would be to propose to bring the earnings of the average inhabitant of India up to those of the average American by a change in the proportion of income allotted to property! The fact is evident to every economist, but is far, as yet, from being an article of common knowledge, as it should be. If we could once get the populace to understand the importance of produce per worker in the determination of wages, we might, I think, feel that we had done the most valuable part of our work, and sleep at night with a fairly good conscience, even if we had not succeeded in making the causes of variation in the division perfectly plain to every one.

It is difficult to imagine any one seriously denying the importance of an inquiry into the nature and comparative influence of the different causes of the inequality of the distribution of property and property incomes. To imagine that the only, or only considerable, causes are differences of

thrift and of judgment in the selection of investments is dangerous as well as absurd. If we are to offer successful criticism of wild schemes, we must keep our eyes open to facts, even of the most obvious character. Every one knows that in all, except the newest "countries," the inequality in the amounts of property which individuals have received by way of bequest and inheritance is by far the most potent cause of inequality in the actual distribution of property. Reflection further suggests that the comparative potency of this cause is likely to grow, rather than to diminish, in the future. As time goes on, the savings of each generation of men must come to bear a smaller and smaller proportion to the property which has come down to them from previous generations. If this were not so, we should be confronted with the prospect of what Malthus called a "geometrical increase" of capital, and should be obliged to consider the necessity of "checks," lest the whole earth should become choked with the accumulations.¹

¹ In Professor Seager's "Introduction to Economics," a work which is happily distinguished by the attention it gives to actual phenomena, I find the following (p. 546) :—

"So long as a fair degree of equality of economic opportunity is preserved, the influences which make for the disintegration of large accumulations of wealth are likely to predominate, and the very rich men of each generation are likely to be those who have acquired the greater part of their fortunes during their own lifetimes. This has been the case in the United States up to the present time, and there is nothing in the practice of paying

Now, popular sentiment has rightly—or, as I think, wrongly—a good deal of respect for the idea that, apart altogether from considerations of expediency, some more or less obscure ethical reasons demand that thrift and judicious selection of investments should be rewarded; but it cannot in these days be said to have any belief in the ethical propriety of extending the reward to the remotest descendants of the thrifty persons, even if these descendants are judicious enough not to get rid of the property bequeathed them. It has not yet succeeded in clearly distinguishing between what it regards as hereditary and what it regards as not hereditary, but it is undoubtedly not now favourable to heredity, considered as an ethical principle of distribution. I cannot imagine that it will become more favourable in the future; and, therefore, it seems to me that attempts to support the existing inequality on ethical grounds must fail.

The argument sometimes put forward by certain religious people, that inequalities are necessary in interest and rent for the use of property fairly acquired that threatens to make it less the case in the future."

I venture to suggest that the reason why great fortunes are less often inherited fortunes in America than in Europe is to be found in the fact that America is young and Europe old. Are not hereditary fortunes already obviously growing in comparative importance in America? If existing institutions continued unchanged for five hundred years more, I cannot doubt that the hereditary principle would be as powerful in America then as it is in Europe now.

order that some may exercise the Christian virtue of benevolence, and others that of patience and resignation under suffering, appeals rather to those who are to exercise the benevolence than to those who are to be patient. It is the creed of a trifling minority, and is not likely to exert any considerable influence.

The true defence of the inequalities of the distribution of property is the relative and partial defence afforded by purely economical considerations. It is no part of the economist's business to play the part of the old-fashioned nursery governess who dispensed jam and pudding to her charges in proportions determined by her opinion of each child's comparative merit. The purely economical principle of distribution is that which even she adopted with regard to what she supposed to be the more substantial viands—the principle of equality modified by differences of need. This is the ideal of distribution, and is aimed at everywhere when production has not to be taken into account. The economist regards the existing inequality of distribution as in itself extremely wasteful, but sees that it must in the main be retained for the present, because it provides both the motive force and the regulator for the existing system of production; and, even if it were practicable, it would not be worth while to make and introduce the ideal of distribution if it led to a considerable fall in produce per head. The exist-

ing inequality, regarded broadly, is, in fact, a necessary evil. But there are many good reasons to suppose that it is greater than is necessary, and for hope, at any rate, that it may in the course of time be largely reduced, if not altogether abolished, without any appreciable injury (and perhaps even with advantage) to production. In order to be able to judge correctly whether particular plans for reducing the inequality are desirable or not, we must have a theory as to the causes of the inequality. At present, in considering any particular measures which have a bearing on the subject—say, for example, the French and British graduated death-duties or laws of inheritance and bequest—we have to make up our theory specially for the purpose in hand. It would be much better if the groundwork, at any rate, of a theory of distribution were to be found in the ordinary economic textbooks.

If the inquiries into the distribution between labour and property and into the distribution of proprietors' income among individual proprietors were to take their proper place in economic theory, "Distribution" as a department of economic theory would, of course, be remodelled. It would consist of those two inquiries and of the usual inquiry into differences of earnings. The inquiries into general wages, the rate of interest, and rent would be excluded. A great part of these inquiries properly belongs to production and the rest to the

theory of value, but for the present it would probably be found convenient to place the inquiry into wages, at any rate, and possibly the other two inquiries also, after the discussion of Distribution. Their actual position does not make much difference, provided only that it be made perfectly clear that variations in general wages, in the rate of interest, and in absolute amount of rent, do not necessarily coincide or correspond with changes in the distribution of income between those three categories.

VIII

MUST A POOR LAW PAUPERISE ?¹

NOT even the Editor of the *Clare Market Review* ought to ask even worms like lecturers to write articles in August, and I am not going to write one. I am merely going to fill up the blank space which I am told would otherwise be the consequence of my neglect to answer the letter of the editor which conveyed that very improper request.¹ So I shall not verify my references, and I shall make just as many misstatements about matters of fact as I happen to find convenient.

The other day I was reading Mr. Loch's paper in the *Statistical Journal*.² Now I have the highest respect for Mr. Loch's school as practical administrators of poor-relief, and I always vote for them when I have the chance. But their writings usually move me to fury, and this paper of Mr. Loch's was no exception. Mr. Loch, or anybody else, has, of course, a perfect right to use the word "pauperism" in its technical sense of the condition of receiving relief under the Poor

¹ Reprinted from the *Clare Market Review* for October, 1906.

² June, 1906.

Law, but in that case he has no right to assume that less pauperism is necessarily something to be rejoiced over.

Let us examine for a moment the ordinary uses of the word "pauper" and its derivatives. "Pauper" originally, of course, meant simply poor, and we still use the word in that sense when we say of a man below the standard of wealth usual in our particular rank of life, "he is a perfect pauper." In that proposition there is no suggestion that the person in question is in receipt of Poor Law relief, and no reflection upon his industry or other capacity for self-support. All that is meant is that he is poor, judged by the standard adopted. Within the last hundred and fifty years, I think, the word has been applied to the recipients of legal poor-relief, perhaps in consequence of a litigant who has no funds pleading *in formâ pauperis*. Here the word is purely technical, and suggests no blame to the person to whom it is applied. True, before one of the Old Age Pensions Commissions or Committees, some years ago, an ignorant witness declared that he disliked it,¹ and wished there was no such word, and in the recent Poplar Workhouse inquiry one of the witnesses was asked not to call the inmates paupers, so that there are apparently some people who regard the term as one of opprobrium, but this is obviously childish, and only arises from the fact that many

¹ Above, p. 140.

persons in receipt of poor-relief are not very reputable. Obviously a most estimable person who has never been guilty of the smallest crime or misconduct may be a pauper; the fact that misconduct often leads to the receipt of poor-relief cannot and does not of itself give any opprobrious signification to the term. But "pauperise" is seldom used of the action of making a person into a recipient of legal poor-relief. It almost always has a "bad" meaning: to pauperise a person is to offer him something in such a way as to make him no longer care about earning an income by labour or husbanding his resources in property. "Pauperism," if we look merely at etymology, should be the state of being pauperised, and should have an exclusively bad sense. It is, however, commonly used of the state of receiving legal poor-relief, as if derived directly from "pauper" in the technical sense.

Now, the pauperism which is to be deplored is obviously pauperism in the "bad" sense, the state of being pauperised. This is very far from being in practice synonymous with pauperism in the technical sense. Indeed, most of the history of the Poor Law is the history of the attempt to stop the pauperisation of the people, and I think it may be truly said that the Poor Law is the strongest defence against pauperisation which we possess and thus tends to reduce pauperism in the bad sense, though all pauperism in the technical sense

is created by it. Pauperism in the technical sense is the antidote, homœopathic if you will, but still the antidote, against pauperism in the bad sense. To rejoice over a decrease of legal poor-relief without considering the magnitude of pauperism in the bad sense is wrong, and it is annoying to find Mr. Loch speaking as if the transference of population from the country, where poor-relief is large, to the towns, where it is less so, necessarily meant an increase in all the virtues. Are there no pauperising agencies in the towns? What of the "religious influences" of London described by Charles Booth? What of the perpetual distress funds? I do not know whether any one will have the assurance to say that the pauperising influences of the country are equally bad. They certainly are not. The bounties of the squire's lady and the parsoness are not always wise, but they are neither so irregular nor so much the reward of misconduct as the gifts of the West End to the East. Misconduct in the country and the village cannot be concealed with the same ease as in the town, and leads far more surely to destitution and the workhouse. The misconducted who wish to retain their freedom must fly to the town or take to the road. Every one who has an eye in his head can see this is so. In the country every one is engaged in honest labour except a few idlers who have "means," whereas when you enter the "industrial centres," as towns are

absurdly called, you always see plenty of more or less misconducted persons obviously maintained by the various processes of cadging.

So far as the lunatics, the aged, the sick, and children are concerned, the pauperising effects of poor-relief are not likely to be very considerable in practice. No one goes mad because he will be maintained in an asylum free of expense to his friends, and very few people would be either more industrious or more thrifty if relatives had always to pay the expenses of lunatics. From conversations I have had with the young and middle-aged, I doubt very much whether the possibility of resort to the old people's quarter of the workhouse makes any considerable number of persons conduct their affairs less prudently than they otherwise would. Adam Smith (an author whose works I once knew fairly well, but have largely forgotten since the publication of a certain edition) says, I think, that nobody is likely to break his leg in order to get into a hospital: this perhaps puts the matter unfairly, as provision against illness and accident is sometimes the foundation of further provision, but on the whole it may be said that workhouse infirmaries do not detract at all seriously from the ordinary motives to industry and thrift, or, at any rate, that the direct benefit they provide by restorations to health outweigh the evil. Finally, as to the children, it is clear that all children must start in a state of dependence, and

whether that dependence is on one institution or another—the family, or the nation, or some body of kindly persons, or an ancient endowment—cannot make much difference to the boy's or girl's desire to do well when put in his or her first place. The difficulties of bringing up children satisfactorily in institutions are difficulties of detail rather than of principle, and in modern times are being surmounted. If a fair comparison could be made, it would probably be found that the children of the State do quite as well as others of the same origin. Nor can we admit that the fact that children will be taken care of by others if the parents are dead or incapable has any serious effect in diminishing the industry and thrift of parents, actual or potential. Certainly many people work hard and save painfully for the sake of their children, but this is to advance them in the world, not merely to prevent their becoming the recipients of State or other charity.

So far as these classes are concerned, then, the best possible can be done for the individuals who actually come under the care of the State, and we need not be in perpetual terror that good treatment will lead to great increase of numbers. It is not necessary to keep the inmates of county lunatic asylums in chains to discourage pauper lunacy, nor to flog the Poor Law children daily in order to prevent the increase of pauper orphans. The great maxim of 1834, that the condition of

the pauper must be made "less eligible" than that of the poorest independent labourer, is inapplicable: deterrent conditions are not needed.

But for adults who are neither sick nor aged deterrent conditions are necessary, and the principle of less eligibility is applicable. Relief without deterrent conditions is destructive of industry and thrift in those who receive it, and tends to the rapid multiplication of applicants. The Elizabethan Poor Law was intended to set the poor on work, and its failure to do so was the occasion of many a scheme for employing the unemployed in the next two centuries. At length the Poor Law, with the aid of the various expedients described and denounced in the Report of 1834, succeeded in employing, or partially and jointly employing, quite a considerable number of people without seriously deterrent conditions. The results were so unsatisfactory that the reformers of 1834 cast aside the whole idea. Their belief was that people ought to find work for themselves, and that if they can't or won't, or at any rate don't, the best plan is for the community to do nothing more than maintain them in an economical fashion, much as it maintains criminals, giving them work rather to occupy their time than to diminish expense.

For Jupiter or Saturn, as Gladstone said in a rash moment, this decision might have been right. The people who suffer distress from want of employment are more incompetent, unwilling, uneasy-

tempered or misconducted than those who, as a rule, keep their places and can tide over accidental or periodical interruptions of work. Under no conceivable circumstances could they be got to produce as much as workmen considerably below the average of industrial merit. Taking this into account, along with the fact that they form a most trifling percentage of the adult population, it is clear that no scheme for employing them, however perfect, could directly add enough to the annual produce of labour to counterbalance even a small diminution of industrial merit among those who are at present habitually employed. Consequently it is better to think chiefly of the influence of the treatment of the unemployed upon the employed, and not to trouble much about its effect on the unemployed themselves. The plan of 1834 was undoubtedly the best if it had been put in force in Jupiter and Saturn—that is, without disturbing forces to interfere with it.

But this was not so, and the plan has never had a fair trial. The public in its corporate capacity has adopted it through the Legislature, but the individuals of whom the public is composed, acting separately, will not allow it to work. If it were allowed to work, the choice before every man not possessed of property would be to satisfy an employer or go to the workhouse. As a matter of fact the choice is between work and cadging; only a small percentage of the

persons whose industrial merits are insufficient to satisfy any employer are driven into the workhouse. The great mass manages to subsist outside, either entirely on the proceeds of cadging, or partly by cadging and partly by the occasional earnings necessary to give a colour to many forms of cadging. All sorts of encouragement are given to these people. They are praised for their reluctance to incur the stigma of pauperism when they are parading the streets asking for alms.

What is wanted in order to do away with these pauperising influences obviously is the entire removal of public sympathy with the unemployed.

This removal will never be effected by ill-natured letters to the *Times*, nor even by attempts to fill up blank spaces in the *Clare Market Review*. It can only be effected by taking away all reasons or excuses for sympathy. What, then, are these reasons or excuses? The chief of them seem to be:—

1. The system of 1834 provides no reasonable facility for repentance. If the sinner goes into the workhouse he is industrially dead. If he starves outside he will be physically incapable by the time his repentance takes place. A man suffering the *peine forte et dure* could have the weights taken off at any moment by simply consenting to plead, but a mere expression of readiness to work will not restore to the active industrial army one who is broken down by privation.

2. The man may be a good-for-nothing, and his wife may be tactless and incapable of keeping him in order, but that is no reason for either killing his children or causing them to be stunted for want of proper nourishment.

3. The man is able and quite willing to work, but can't get any.

The removal of the first of these excuses for sympathy is a matter of detail rather than principle. The regime of the workhouse, and especially the great urban workhouse, is scarcely the best conceivable for the purpose of facilitating the restoration of the able-bodied to the condition of mind and body in which they are likely to commend themselves to an employer. The workhouse is hell rather than purgatory. But there seems to be no fundamental objection to the establishment of industrial purgatories where the repentant may be restored to health and vigour. It may be said that such places have already been established by voluntary agencies, such as the Salvation Army, and that the results are not very encouraging. That, no doubt, is true, but it entirely misses the point of the present argument. What I am saying is that it is desirable that these purgatories should be available to every outcast, not because they will, as a matter of fact, save 5 or even 10 per cent. of those who resort to them, but because they will take away the sympathy of the charitable public from the distressed who do not resort to them or

are not regenerated by them. It is no use saying to the tramp or broken-down unemployed, "I can't assist you because I hear that 95 per cent. of the people received at — are hopeless cases." He would immediately reply that he would be one of the other five. But the case is quite different if we can say, "Why don't you go to the office in — street and get sent to the Labour Home till you're tidied up and made presentable?" If the public were persuaded that purgatories of this kind were really open to all, a mass of ill-considered pauperising assistance would be cut off, far outweighing the directly pauperising influence of the institutions themselves, which would be very inconsiderable if they were reasonably conducted.

The second excuse presents much greater difficulty. I suppose it is true that a considerable number of workers are kept straight by the reflection that if they lose their places they will see their families suffer and possibly bear the reproaches of the mother for the sufferings of the children. Provide in some way that no man's family shall suffer because he is out of work, and you certainly take away this deterrent from idleness and misconduct, and it seems impossible to devise anything which can be put in its place. But if we reflect a moment we see that this deterrent has got to go. The peoples of whom we read in the Old Testament no doubt thought it an excellent deterrent to crime

that a man should know that in certain circumstances his family, as well as himself, would be punished. Modern civilisation has changed all that, and modern ideas of justice will not long tolerate the retention of this kind of vicarious punishment for the venial offence of losing one's job and finding difficulty in getting another. Moreover, the value of the principle as a deterrent to adults is probably quite outweighed by its evil effects upon the next generation. If the suffering of the children is really considerable, their physique is unfavourably affected; if it is inconsiderable, or not great enough to be obvious to an ignorant observer, the value of the deterrent must be small. It seems, therefore, both inevitable and desirable that the second excuse for sympathy with the distressed unemployed should be taken away by a strict enforcement of what is, I believe, already the law, namely, that a parent must maintain his child, and, if he cannot, must apply to the Poor Law.

Lastly, we come to the third excuse, "The man is able and willing to work, but can't get any." Before we can destroy the efficacy of this excuse for public sympathy, we must make the philanthropic public believe that no man willing to work need either starve or go through any really serious suffering. Here the curious fact to notice is that the public already knows that no man need starve if he is willing to submit to the discipline and work of the workhouse. Why is not this

sufficient to alienate public sympathy? Not, I think, because the workhouse discipline is cruel or the task of work hard, but partly because somehow or other the entry into the workhouse is regarded as a final renunciation of the attempt at self-support, and partly because of the purely sentimental objection to the receipt of poor-relief which has been fostered by Mr. Loch's school—the curious idea that it is more disgraceful to accept relief from the community in general than from individuals. However this may be, it is clear that the existence of a workhouse is no sufficient answer to the excuse we are dealing with. Some more popular institution must be substituted.

The more thoughtless adherents of a selfish class movement cry out for unlimited employment by the State at standard rates of wages. This is obviously wholly incompatible with the maintenance of the present organisation of industry. Paying standard rates, but unable to dismiss those who did not earn the standard, the State would be the most eligible employer, and would attach the whole mass of labour to itself. "So much the better," says the Socialist, but any way of starting State Socialism less likely to succeed than this can scarcely be conceived. Not only would the State become universal employer too rapidly for it to get ready any organisation for the purpose, but, as it would begin with the worst labour available, the standard of industry would be

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seriously lowered at the very outset. The better workers, coming in to a system where a low standard was already established, would conform to it.

Clearly the terms offered by the State must be less "eligible" than those offered by the ordinary employer. Yet they must be good enough to take away the sympathy of the public from those who decline to accept them. How can we reconcile these requirements? Time and experiment are probably both needed to answer this question, but I will hazard the suggestion that its solution is to be looked for in a combination of "labour colony" and "unemployed camp." I do not believe that labour colonies, as commonly conceived, will alienate public sympathy from the cadger: they are too penal in character, and the cadger who protests he would rather go to prison than the workhouse will say the same of the semi-penal labour colony, and get his copper just as he does at present. But the unemployed who seized land in Manchester and West Ham, and started growing lettuces on it, seem to me to have pointed out a safety-valve, and I was sorry when the owners of the land sat on it by evicting them. If they had remained, there would have been valuable ocular demonstration of the fact that it is not want of "access to the land" (ridiculous phrase!) which prevents the unemployed from being well-off. The public would

have tired of contributing, and the resultant collapse would have been instructive. In the Manchester case, I believe, the owner of the land offered to allow the experiment to be tried under reasonable conditions, but the leader of the movement was too astute to accept the invitation.

The principle of such institutions would be that a bare subsistence would be guaranteed by the State and furnished in kind. This is absolutely necessary, as there is no doubt that every unemployed colony or camp would starve if left entirely to its own resources. But beyond this, each institution would be self-supporting, and the inmates would get their own products. This plan would, of course, pay them twice over: once in bare subsistence furnished by the State, and once in the products of their own labour; but I do not think that the two would furnish a very attractive income, nor that such attractions as the income afforded would not be far outweighed by the necessary restrictions on the liberty of the inmates. One of the most essential requirements is that nothing in the nature of wages should be set up: if people want wages, that is to say payments for labour irrespective of the precise actual product of the labour, they must commend themselves to employers who retain the right of dismissal. For the State to undertake to pay wages is only to court misunderstanding and confusion: those who come to it must be content

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with the value of the actual product, and so far as possible with the actual product itself.

Only a few lines of the blank space remain to be filled: so to sum up I say that to diminish pauperising influences and the total number of those who are maintained in idleness or misconduct by others, what is required is a more popular Poor Law, even if it involves some considerable extension of pauperism in the narrow technical sense of Mr. Loch. And why not? The Poor Law is, after all, nothing but the largest possible charity organisation.

IX

THE ECONOMIC IDEAL AND ITS APPLICATION TO COUNTRIES OR NATIONS¹

A GREAT want in the teaching of economics at the present time seems to be a clearer conception of the economic ideal. I suppose some one may object that economics is a science, and that sciences have no ideals. "What," some one may ask, "is the mathematic ideal? If there is no mathematic ideal, why should there be an economic ideal?" But there is nothing in this objection. The adjective "economic" is not analogous to the adjective "mathematic," if, indeed, that term exists. That we all think there is an economic ideal is sufficiently proved by the fact that we are always disputing whether this or that particular course of action is good or bad "from an economic point of view." If there is a good or bad from an economic point of view, there must be a best—an ideal towards which we should strive, if striving is any use, and for the attainment of which we should hope, whether striving is any use or not.

¹ Read before Section F of the British Association, Dublin, 1908.

I propose, therefore, this morning to ask in the first place what that ideal is and how far, if at all, it can be applied to countries or nations. I say I propose to ask: I do not promise to answer my own question; and I rather hope that you will doubt your own ability to answer it before I finish.

I suppose that not so very long ago many dabblers in economics would have been quite satisfied to answer that the economic ideal for the world at large and each country is "the greatest possible wealth." But that would not take us very far if we accepted the definitions of wealth which those same people put forward. They used to say that wealth was things which had exchange value, or something like that, which gave no real information. We must proceed a little more carefully. The ultimate object of the science of economics seems to be the more material side of human welfare. I am not prepared to lay down any rules for determining exactly where "material" ends and non-material begins, and I do not believe any one else can do so. The fact that the material and the non-material slide into each other by imperceptible gradations is fatal to some too lofty claims which have been put forward on behalf of economics, but it is by no means fatal to the practical usefulness of economic study. To refuse to investigate the causes on which the material side of human welfare

depends because it is not always possible to distinguish between material and non-material would be like refusing to eat because contemplation is satisfying, or refusing to put on clothes in frosty weather because the Librarian of the British Museum thinks sixty-five degrees is temperate and Professor Edgeworth says it is hot.

I do not, therefore, expect much dissent from my proposition that the subject of economics is human material welfare, and from that I should infer directly that the economic ideal for the world at large is the greatest possible human material welfare. Our difficulties begin when we ask for information about the manner in which we are to conceive amounts of human material welfare. Can we conceive amounts of it apart from the number of persons enjoying them? For example, if the population of the world were multiplied by two, so that every one now existing was provided with a double exactly as well-off as himself, should we consider human material welfare as doubled, or exactly the same as before? All tradition, at any rate since 1776, is in favour of the second view—the view that we must, so to speak, divide by the population. No doubt this is the only reasonable view. If the mere multiplication of the human species is a good, it is a good of a non-material character. When we want to be clear and exact, then, we should say that the economic ideal for the world at large is the greatest

possible material welfare per head of human beings.

The acceptance of this view involves the rejection of several others. It involves, of course, the rejection of the absurd view seldom put forward explicitly, but sometimes implied in doctrines of early writers, and often attributed to them by critics—the view that the economic ideal is the maximum “wealth” in the sense of capital. Obviously material welfare does not depend only on land and accumulated produce of past labour. But it also involves the rejection of the more intelligent doctrine, that the economic ideal is the maximum possible “income” per person. All sorts of conditions result in a given income, however measured, “going farther,” that is, producing more material welfare to one individual than to another, and it is a commonplace now—an accepted commonplace which forms the justification of progressive taxation—that material welfare does not increase *pari passu* with increasing income.

So far this is elementary and easy enough. We have thought of individuals and of the world at large—“the community” of the theoretic economist in its widest sense. But most of the current statements about good and evil in economic matters relate not to the world at large but to certain entities, rather difficult to define or even to conceive, called “countries” or “nations.” What are we to say if any one asks whether we can

apply our general ideal of the greatest possible material welfare without modification to countries or nations ; and if not, what modifications must we make in it?

At first sight it appears easy enough to apply the ideal. If the ideal for the world at large is that it should be inhabited by persons with the greatest possible material welfare, why should not the ideal for each part of it be the same? Why should not the ideal for France be that France should be inhabited by people with the greatest possible material welfare, and so on for Germany and the rest?

There are several difficulties. In the first place we have to face the fact that this ideal will often conflict with the political ideal which is commonly held in relation, at any rate, to sovereign States. What people generally desire for the sovereign State to which they belong is power—power to defeat the other States in battle if a quarrel should occur, and sometimes, it is to be feared, power to make it possible to quarrel with safety. It is true that munitions of war become more and more expensive, but in these days it is impossible to carry on war successfully with alien mercenaries, so that a large population as well as great wealth becomes an object of desire to every sovereign State. The nervous politician who is afraid of being attacked, and the aggressive politician who wants to attack some other State alike desire a

population rich enough to pay for guns and ships, but also numerous enough to supply the big battalions necessary for victory. Now, there is no ground whatever for assuming that the two ideals will coincide. Most particular areas of the earth's surface are capable of maintaining far more people than could be as well off as possible on them. At every single stage of progress every area has what may be called an economic population: if it is inhabited by either a greater or a smaller number than this, the condition of the inhabitants will not be so good as it might be: the area will be over-populated or under-populated. A high degree of over-population which led to semi-starvation and discontent would, no doubt, be undesirable even from the military standpoint, but it is obvious that a quite considerable over-population would often be more desirable for military purposes than the exactly economic population.

We might perhaps dismiss this difficulty by the reflection that economists are not bound to deal with it. The whole business of fighting may very reasonably be placed outside of economics. People sometimes imagine they are fighting for economic goods, but only because racial prejudices and absurd misapprehensions have misled them. But even from the purely economic point of view there is considerable difficulty about applying the general ideal to particular areas.

If we supposed the areas endowed with sense and feeling, we might direct our attention to them and suppose them to be gratified by having a well-to-do population. But as things are we must think of persons: our ideal is intended for human beings, not for acres of land. The question immediately arises, "For whom is it desirable that the inhabitants of a particular area should enjoy the maximum material welfare?" It is easy to reply, "The inhabitants, of course," but who are the inhabitants? One set of people to-day and another set, very probably not even identical in number, to-morrow. A hundred or two hundred years ago it may perhaps have been legitimate to regard each country as a little world by itself. Migration was difficult, foreign trade, though regarded as of overwhelming importance, was really trifling, the practice of living in one country while drawing revenue from property in another scarcely existed, and there was little of that centralisation of commercial services which results in persons who live in one country organising and directing industry and trade in other countries. Under these circumstances it may have been justifiable for convenience of treatment to regard each country as "the community," and talk as if what could be recommended for the economic good of the world at large could always be recommended also for the good of "the country." It could be assumed that if the in-

habitants of a particular area were particularly well-off this must⁹ be because the conditions of *production* within that area were particularly favourable. Now, it is easy to see that this is not true of small localities within any particular country. If you want to know why the people living in a particular district of London or Dublin are rich, you don't expect to be told because the natural advantages of that district are great, or because the people living there belong to a very fine race or work longer hours or harder than those living in the other districts. You expect to be told that it is because people of particularly well paid professions happen to live there for convenience in getting to their work, or that such people, and people who have a great deal of property, live there because it is a pleasant place and not too inconvenient for getting to their work or looking after their property. The same thing is rapidly becoming true in larger and larger measure of those areas which we call countries. It has, of course, long been noticed as between Ireland and England. The average in Ireland was pulled down by the fact that persons in receipt of Irish rents thought England a more agreeable place of residence. It is noticed now as between countries like the United Kingdom and France on the one side and what are called "new" countries on the other. The "old" countries lend capital, as it is said, to the new, which really means

that certain persons with possessions in new countries prefer to reside in the old centres of civilisation, either for the sake of their amenities or because it is easier to oversee the management of the whole of their property from thence.

No one can doubt that this arrangement of population will become more and more prevalent—that the wealthy will become more and more concentrated in particular countries, whether their wealth comes from possessions or services. The matter cannot therefore be dismissed as unimportant. If not so already, it is soon destined to become the determining factor in comparisons of material welfare between different countries inhabited by white peoples. France is a rich country largely because people living in France own nearly everything in France and a great deal outside it. England is a rich country partly for the same reason, and because London is a convenient centre from which to direct commercial operations in the rest of the world. The Transvaal is a poor country because its mines belong to people who don't live there. Differences arising from superior capability of the persons who happen to be born in the particular countries inhabited by white races seem to be in the way of diminution. The particular varieties of the race get more and more confounded and assimilated till there is not much difference, if any. Incomes derived from the same kind of labour, therefore, become more

and more equalised, and it follows that national differences in material welfare are coming to depend almost entirely upon differences in property and in the kind of occupation followed by the inhabitants. Those countries will be rich which retain and attract people of property and people capable of performing particularly valuable services.

If, then, we adopt the ideal of maximum material welfare for countries, every one should advocate, each for his own country, the adoption of measures which will retain and attract such people, even if these measures involve sacrifices by the rest of the inhabitants. "Attract the rich and drive out the poor" becomes the keynote of economic policy.

I do not think this is reasonable "from an economic point of view." Why should poor persons inhabiting a country make themselves still poorer in order that they may have as neighbours certain people who would have lived across the political boundary if they had not done so? Why, short of that, should they even deplore the poverty of their country because they have not such neighbours? I feel this is a good place to ask the question, because since I came to Ireland a month ago I have come across persons in all ranks of life below the wealthy who have spoken of the poverty of Ireland as compared with England in a regretful way, not apparently in the least because they were troubled by poverty themselves

or by the poverty of those below them, but simply because there is a larger rich class in England. I do not suppose the regret is really very great. Possibly it is merely assumed out of Irish politeness to strangers. But, genuine or not, it seems to be supposed to be the correct attitude, and I protest against it. I cannot see that a particular Englishman who happens to be as poor as a particular Irishman has any reason to consider himself better off because he lives in the same island with a larger rich class than the Irishman.

I do not see any chance of the inhabitants of Ireland, taken all together, ever being as rich or as well off as those of England: but there does not appear to be the smallest reason why Ireland should not approach the true economic ideal as nearly as England or, indeed, nearer. I think I should say that the economic ideal is attained for a country when the labour which it is found convenient to carry on in the country is as productive as possible. This would enable us to compare like with like—to compare, for instance, Irish butter-making with that of Devonshire and Denmark. But I said I would not promise to answer my question. I have asked it at considerable length, and must leave you to your own answer.

X

THE INCOMPATIBILITY OF SOCIALISM AND NATIONALISM¹

IT is always useful to know with what sort of bias a writer starts. Otherwise you waste your energy in trying to make out which way he is going. And if it happens, as it sometimes does, that he has no bias at all, you go on wondering to the end on which side he is, and then you find you have altogether missed his real point. If any one asks me if I am a socialist, and demands an answer, yes or no, in the rude way ill-informed people have, I say no. But if any one asks me if I am an anti-socialist or an individualist, I say no with equal readiness. I am not an anti-socialist, because I think progress involves a great extension of conscious organisation, and I do not object to that extension and try to hinder it as much as possible. Even when I feel such doubts as to some particular proposal for extension that I feel bound to oppose it, I often have a sort of desire that opposition may fail because the experiment

¹ Read at Ruskin College, Nov. 27, 1909.

will be so interesting and afford matter for economic lectures. On the other hand, I refuse to call myself a socialist, because it seems to me that (1) most socialists still found themselves on an antiquated economic doctrine which is invalid in itself, and is not useful as a working approximation to truth ; (2) in spite of the historical researches of prominent socialists, most socialists still show a very unhistorical spirit in regard to things as they are ; and (3) I am not prepared to take the line of advocating or opposing things simply on the ground that they seem to be in accordance with a general principle ; I think it is best to consider each proposed change entirely on its merits and let principles look out for themselves. Peasant proprietorship is a good example of that ; I prefer to judge such a scheme entirely with a view to its results in promoting material welfare in the future so far as we can see it, and without troubling myself about the greater number of proprietors standing in the way of progress in some remote future, when the whole situation may be different. In the present discussion, however, it is not in the least necessary for us to concern ourselves with these particular features of socialism as it is commonly taught ; we may be content to take socialism merely as the principle held by those who think progress is in the direction of greater conscious control by society of the labour and the machinery (natural and other) of which each generation of

men become possessed, and who expect and wish that the control shall be exercised in such a way as at least to give every one an equal chance of economic welfare.

Now as to my other term. Nationalism may be merely an aspiration for internal autonomy, an aspiration on the part of the inhabitants of a particular territory to get rid of the control exercised over them by the inhabitants of some other territory. I do not mean that sort of nationalism. I mean rather the principle followed by those who practically identify their own nation with Society, and hold that the duty of the good citizen is to promote the welfare of the nation even if the means or the end involve greater ills to the people of other nations. The extreme form of nationalism, which denies all rights to persons outside the nation, is dead. You can see it in full force in the Old Testament history of the occupation of Canaan. The most violent nationalists of the present day are ready to recognise some rights to nations, and the people of nations, other than their own, but even the more moderate of them, if their nation is the stronger party in a dispute, always seem to find extraordinary difficulty in believing that any third party can be found who will decide justly between them. Moreover, these admitted rights only go a very little way, even in the opinion of the mildest nationalist. You can see that if you reflect with what universal approval any

proposal to "tax the foreigner" is hailed, except in regard to its practicability. It is opposed, no doubt, but only on the ground that it cannot be done; opponents almost always begin by saying it is a highly desirable object, if only it could be effected. No one ever thinks of asking what possible justice there can be in such a plan. If the four Powers which surround Switzerland were to agree to boycott Switzerland by prohibiting all imports and exports across her frontier, I do not think there is any recognised principle of international law to which the inhabitants of Switzerland could appeal. The newspapers would be full of commiseration of the hard fate of Switzerland, followed by admissions that the four Powers were quite within their rights. If it could be proved that they could benefit themselves in the least degree, it would not matter to the convinced nationalist that they were doing a great deal more harm to Switzerland than good to themselves.

I propose to contend that this identification of the nation to which a man happens to belong with the Society to which he owes a duty is a great obstacle to socialism, which must be removed before socialism can make any considerable progress. I shall then add some discussion of the probability of the removal of the obstacle.

To begin with, it seems to me that nationalism suggests an entirely unsatisfactory unit of social organisation. There is often doubt, indeed, as to

what unit it does suggest. You find it very generally assumed both by advocates and opponents of socialism that the social unit is to be the nation, but no precise information as to what the nation is, for example, in the case of the British Empire. I suppose, however, that if the question were put to them, all parties would agree that the British Empire, as a whole, would not be the unit, but would be divided into several great "nations," say the United Kingdom (or perhaps Great Britain and Ireland as two nations), Canada, Australia, with or without New Zealand, South Africa, and India. Different reasons would be given for this. The opponents of socialism would say it would obviously be necessary, since the British Empire would break up before the change to socialism was effected; the friends of socialism would say it would be more convenient and workable, but in their hearts they would also say because they did not want to give the 300 millions of inhabitants of India a share in the ownership and management of the means of production which have been accumulated in the white portions of the Empire. At bottom they would be very much influenced by a habit we have got into of reckoning as units those areas which have a common fiscal system, especially if that system involves common customs duties with the incidental result of common statistics of imports and exports. Few realise how powerful these influences are. Two areas may

be mixed up in the most puzzling way by a tortuous boundary like Manchester and Salford, but if you once give them a separate financial system, the liveliest local patriotism arises in the one which has the lowest rates ; when, in addition to an internal fiscal system like that, you set up customs duties, the people begin to think they have a solidarity and common interest which they never thought of before, and which has no foundation in fact. We may take it, then, I think, that nationalism suggests for the social units a number of territorial circumscriptions differing not very widely from the political areas of the present day. Here and there a scattered empire like the British would be divided, and here and there some rearrangement might be made to satisfy some old tribal sentiment, such as that which would probably lead the Irish to wish for separation from the English and Scotch, even if they lost heavily by it, or to satisfy prejudices arising from colour. Here and there, too, language might suggest an alteration. But on the whole the map would not be very much changed.

Now, I say that these territorial divisions, even with considerable improvements, would form an impossible basis for socialism of any except the most imperfect and crude type. Whatever may be said in favour of mankind, or Society as a whole, owning the natural and artificial means of production, there is nothing to be said for giving such

means of production as happen to be situated in each of a number of small areas to the people who happen at present, and may happen in the future, to be the inhabitants of each of those areas.

At present the ownership does not correspond anything like exactly with the inhabitancy of the areas. The older countries, or rather the inhabitants of the older countries, such as England, France, and Germany, own a great deal of property in the new, such as Australia and Argentina, and formerly in the United States. I do not remember having seen any statement as to what is to be done with this property if social reorganisation takes place on a national basis. Is a socialised area to confiscate the property of foreigners, without compensation, or is it to reject a principle on which a great many socialists still found themselves, and pay rent and interest to the other areas? Whichever plan is adopted, great difficulties must arise, and some very uneconomical results must ensue. If the plan of confiscation is adopted, it means that each area must ever afterwards be self-sufficient so far as the supply of capital, in the sense of machinery of production made by man, is concerned. This would have some very awkward consequences. The utilisation of new areas by the human race could not be carried on by individuals going out, naked and without tools, into the wilds. They would not go,

and if they did, they would not accomplish much. Consequently, all extension of this kind that was done would have to be done by way of authorised colonisation from the old-established territorial units, who would send out batches of their own people equipped with the necessary tools and material. You would then be liable to all the quarrels about colonies and areas for national expansion which you have at present, and which are, at any rate, usually supposed the greatest obstacle to peace. Besides—and this is more important—the newer areas which are already established as nations, such as Argentina and Australia, would be starved of capital as compared with the “old countries.” There would be an uneconomical distribution of resources as between, say, England and Australia and France and Argentina.

On the other hand, if you suppose the plan of borrowing to be adopted, you have to face, not only the abandonment of the tenet of the illegitimacy of interest, which, from my point of view, would not matter, but also the fact that there would, at first, be considerable differences in the material welfare of the people of the different units in consequence, not of differences in efficiency of labour taken by itself, but in consequence of the difference in the amount of capital and the difference in the value of the land possessed. Perhaps you will say it would not be enough to matter. I

think it would. But my difficulty is not so much that the difference is great, but that, whatever it is, it will either not last, being destroyed in a very uneconomical way, or else it will give rise to most undesirable restrictions on freedom of locomotion.

(i.) In the absence of restrictions on freedom of movement it will not last, because movement of people will take place into the richer areas till they get crowded enough and the others get empty enough to equalise matters ; that is, if the capital may not move, the people will move to the capital. And this process will be very uneconomical, since it will reduce the productiveness of industry as a whole, by leading to an improper distribution of population over the globe. You can see that if you take a strong case. Imagine London a nation with all the property in it belonging to any one who might like to come to London ; obviously London would be far too attractive. Why don't we go to London now? Because the ground landlords keep us out by charging the value of the ground against us if we go. If we didn't have to pay that, we should go, and London would be more overcrowded than it is. (ii.) If, on the other hand, you suppose each area not to hesitate about adopting a policy restrictive of immigration, each of the richer areas will become closed to immigrants, and as people will not emigrate from them to the poorer, the population of the globe will tend to be shut up in a number of watertight

compartments, and a most undesirable inbreeding will become the rule.

Another great difficulty arises from the fact that a good many of the territories would be monopolists of particular natural products—*e.g.*, North America of tobacco, South Africa of diamonds—and might exercise their privileges as monopolists to the disadvantage of the rest.

No reasonable person can doubt that a world-wide organisation is necessary for the proper working of a socialistic system. If territorial units are to exist at all, they must be kept in very strict subordination to the world power.

But the socialist may say, "May we not work for the territorial unit, for national socialism in the first place, and leave the creation of the world-wide organisation to come afterwards? Why must we meantime abandon the national ideal to which we are accustomed? What present obstacle is nationalism to the progress of socialism?"

Well, in the first place, nationalism is far too expensive.

It is becoming clear that all that any one is likely to do by inventing and disclosing new sources of taxation, whether they bleed the rich or not, is simply to enlarge the expense of what writers on public finance call hypocritically "defence." No better scheme of taxation has yet been invented than graduated death duties. The effect of the graduated duties introduced by

Harcourt in 1894 is that the United Kingdom draws between three and four millions more than it would be drawing at the old uniform rate. Meantime the military and naval expenditure has gone up by well over thirty millions. What is the use of bleeding the rich by taxation, or of taking possession of the land, or even the instruments of production as a whole, if all the result is merely to give the Governments ten times more to spend on "defence"? Not long ago a supposed organ of peace and retrenchment congratulated itself on the carrying of a portion of the army from London to Hastings in automobiles on the ground that it showed how what was at first a luxury of the rich became eventually "serviceable to the general needs of the community." I should much rather see automobiles and flying machines remain for ever the plaything of the rich than become a new and expensive part of the machinery by which different factions of the human race, bound by no other real tie except contiguity of residence, attempt to destroy each other. What, too, of the money borrowed for carrying on wars? Socialists never seem to realise how enormously the creation of great national debts for unproductive, or rather for destructive, purposes worsens the position of the "disinherited." Nearly all of those millions, if they had not been borrowed and shot away, would have been "productively invested"; that is to say, they would have appeared in the form

of new houses and other instruments of enjoyment, or factories, docks, railways, and other instruments of production. They would, it is true, not have belonged to the disinherited, but they would have belonged to somebody, and would have improved the position of the disinherited by making capital cheaper. Why do you have to pay one-half per cent. more interest now than in 1897? For many reasons, no doubt, but the borrowing for the South African and Russo-Japanese wars is one of the greatest. The tolerance which most socialists display towards this form of property always surprises me. If it is bad that I should inherit £100 worth of land and take all the fruits of it, surely it is worse that I should inherit £1,000 of Consols and get £25 a year, less income tax, sent me by post every year without ever doing a hand's turn for it. Then you must remember that this is a particularly strong form of property, because it rests on the promise of the State, which in nationalistic theory is identified with society; in some countries it is even promised that the interest on the public debt shall be free of taxation. A socialist has some difficulty in dealing with it.

Unless socialists can somehow get rid of this military incubus, socialism will become unattractive to every one. A world composed of territorial socialist societies in which the whole surplus income over bare necessities was spent in war and

preparations for war would obviously be a more miserable place than the world as we know it. It is no use saying that this is all going to be altered when you get a Labour Parliament and a Labour Ministry. It will not be altered as long as the present nationalist feeling prevails in this and other countries. It is all very well for Labour Members (or rather those of them who do not represent dockyard constituencies) to vote against the last million or two which is proposed at present, when they know quite well they will be beaten. Put these same men into office, and make them responsible for "the safety of the country," as the phrase is, and they will change their tone just as quickly as the members of the present Government have done. And if they did not, they would be turned out.

Perhaps you say they would make an agreement for the limitation of armaments. I am not sure that something of that kind may not be done even now, and I think, on the whole, I would go for it. But it is impossible to feel very sanguine about such arrangements when you reflect that they could only tie the parties in particular directions, such as building *Dreadnoughts*, and however faithfully each party observed the agreement, the jingo papers of the other side would always be accusing them of breaking, or at least of evading, the terms. These partial limited agreements are not likely to do much good. Duel-

ling flourished long on the limited agreement that men should fight with equal armament.

Secondly, the nationalist sets up a wholly irrational ideal which is incompatible with the humanity of the socialist. The socialist's idea is to arrange things in a manner which will be good for human beings. The nationalist's idea is the glorification of a mere territory. Once, indeed, the nationalist sought the good of his tribe, and that, at any rate, was a rational object, of which some clear conception could be formed. It had, too, the sort of respectability which is supposed to attach to family affection. But nowadays nationalism is nothing more than territorial. Each person who, by whatever accident of birth, happens to "belong" to some particular territory, is brought up in the belief that he ought to be ready to fight, and if necessary die, for "it." What is "it"? He never really knows. There is a fine passage on that in Wallas's "Human Nature in Politics," where he says that the Frenchman dying for his country thinks of the statue of *la France* in the market-place of his native town, the German of an antiquated printing type which other countries have given up, and the Englishman of the row of pollarded elms behind his house at home. It is difficult to keep free of that kind of feeling. I have felt it myself. Not of the chestnut in my back-garden, but of the view of the Vale of White Horse from the brow of Cumnor

Hill. But the rational man must surely claim that "it," his "country," for which he thinks it right to fight and die if necessary, is something human, some persons present or to come. Clearly his country is for the present the people who happen to "belong to" that territory, and for the future it is the people who will happen to belong to it in the future; probably most of these future people will be the descendants of the present inhabitants, but that is not necessary, and is not always expected, as in the case of new countries which attract immigrants in large numbers. But the curious thing is that in fact the good of these people is never clearly conceived as an object of endeavour. It is, indeed, rather difficult to conceive it, if you admit that their number may alter. People do not know whether they want a high average or a large aggregate of welfare on their territory, and generally decide in favour of a large aggregate. Thus all the nations are each striving for the greatest possible population on their respective areas. Some one may, perhaps, say this will tend to the general good, but that is not true. Take the case of Ireland. The population has diminished one-half in sixty years. Those who left Ireland and their descendants are better off by far in the United States than they could have been in Ireland, and those who have remained are better off, too. The descendants of the whole

number of persons who were in Ireland in 1840 are both more numerous and more wealthy in consequence of the depletion of Ireland. Yet where will you find an Irish nationalist who will not deplore the depopulation of Ireland? The aim of Irish national policy would be to retain the population even by measures which would damage every one concerned. And why? Merely because the United States are not politically a part of Ireland. If only the United States had not Home Rule, then it would be all right. The colonisation of North America would be merely "a wholesome filling up of our western territory which relieves congestion in the old settled portion of our domain." Is this rational? Is a policy directed by such absurd sentiments likely to turn out to the general good which the true socialist desires to promote? You see it at work in all the colonial and protective arrangements which have done so much to obstruct the progress of mankind and have had so much to do with the discrediting of State regulation of everything.

The hope is that the Socialist or Labour movement, I care not which you call it or which it is, will become so international in character that the forces which oppose the movement will be obliged, however much they dislike it, to become international also. The day that both parties in a quarrel begin to feel that they are more in sympathy with a corresponding party outside the country than with

their opponents within the country the nationalism of that country is doomed. At the time of the great navy scare in England there was an instructive letter in the *Times* from a writer signing himself "Nationalist." He asked socialists to support a large navy on the ground that if they did not, the "unregenerate militarists" in Germany would invade the country and leave socialists nothing much to nationalise. I expect that person does not really even now dislike the German militarists as much as he dislikes the German social-democrats or the French anti-militarists who go to prison rather than serve in the army: in twenty years' time he may be a member of the Anglo-German anti-socialist association, with several retired fire-eating British and German admirals and generals for vice-presidents. When we get to that stage, we shall not be very far off the creation of the United States of Europe, and when that comes there will not be much difficulty with nationalism. The colour difficulty will remain, and give the next ten generations plenty to think about outside their merely economic interests, but it will leave them a sufficiency of means for the promotion of those interests, which they have not at present.

XI

EQUITY AND ECONOMY IN THE REMUNERATION OF LABOUR¹

I AM not one of those who believe in the early possibility of getting rid of "industrial conflicts" in the sense of stoppages of work owing to refusals to accept what is offered or refusals to give what is demanded, and I think that the evil effects of such stoppages when carried on with tolerable good-humour on both sides are usually much exaggerated in common estimation. But whether this is so or not, I am confident that every one will agree that a large proportion of the evil effects of the stoppages would be avoided if they were conducted with less bitterness: they would often be shorter and would all cost less while they lasted and leave a less expensive aftermath in discontented feeling on both sides which hinders the resumption of efficient working in all kinds of ways. The causes of bitterness are many, and probably most of them are "trivial," such as

¹ Written just after the great railway strike of August, 1911: not hitherto published.

want of politeness and the use of an unduly turgid literary style in speech and correspondence. But there is one important cause which we find at the bottom of almost every dispute, however inflamed by the "trivial" causes, and this is the profound belief, which seems implanted by Nature in the mind of almost every one, that his income "ought" to be, that is to say, would be, if justice prevailed, somewhat bigger—about 25 per cent. is the average—than it actually is. It is quite a mistake to suppose that the belief is confined to persons in receipt of wages and salaries: it is held just as strongly by those whose income is obtained by way of business profits or by way of interest or rent from investments and property—and that, too, whether the investments and property have been the result of the saving of the owner or have been given or bequeathed to him.

The universality of the belief ought to awaken doubts about its soundness. It is clear that there is not enough at present to allow of the distribution of 25 per cent. or even 1 per cent. more than people actually get. Somebody or other gets every particle that is produced. Every one, then, cannot be right in thinking that justice demands that his income should be immediately raised about 25 per cent. This will be generally admitted: the trouble is that each person thinks he and his own class are right, and that it is the other classes who are wrong, in the belief that their incomes

“ought” to be about 25 per cent. higher than they are. It seems worth while to inquire what our ideas of justice in the distribution of what is produced really amount to.

On the Sunday morning after the settlement of the railway strike a nonconformist minister prayed fervently that righteousness might prevail. One at least of his audience remarked on getting outside that righteousness was all very well, but it would never settle whether some particular wages should be 20s. or 25s. a week. The remark will seem to some to suggest undue levity of mind, but it contains profound truth. It is really useless to expect to decide the distribution of wealth on any generally accepted ideas of justice or equity.

No one really believes that it is actively just or equitable that one infant should be born the possessor of millions and another with nothing but what can be got from parents with 15s. a week or from the Poor Law Guardians. But nearly every one thinks that it would be grossly unjust to pass an Act of Parliament to take the property of the deceased Midas away from his posthumous offspring and give it to some Oliver Twist in the workhouse: every one would expect the little Midas to be an object of general sympathy when he succeeded to Oliver's place in the workhouse, while the promoted Oliver would be received with hisses in the public street. This, it may be said,

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is only a question between individuals—" of course public sentiment would not approve merely haphazard alterations in distribution like that." But it is surely also true that public sentiment or, the public's idea of justice does not approve of any drastic alterations in distribution, even if equally applied to whole classes. Why are the rich allowed to retain their riches in democratic countries? Not because the multitude believes the existing economic organisation to be a good one, but because it believes it to be unjust—" robbery "—to take away what people have once got, and also because it has a somewhat less strong, but still very powerful, belief that it is unjust to make any very considerable inroad on the old customs which allow the living to step into the places of the dead. These ideas are purely negative. They supply, in the absence of the sound economic teaching which should replace them, a useful brake upon the wheels of change, and that is all. They cannot provide a guide for progress.

"It may be true," some one may say, "that with regard to property, our current ideas of justice do not amount to more than a certain amount of reverence for custom, but surely you must admit that we have much more positive beliefs about the just remuneration of labour." One tolerably clear idea we certainly have—the idea that when two persons do the same kind, the same quantity, and the same quality of work

in the same place and at the same time they "ought" to receive the same remuneration. Though all these conditions are scarcely ever exactly fulfilled, they are often approximately fulfilled, so that this rule of justice plays a large part in many wage discussions. But the greater inequalities of earnings are between different kinds of work, and then the rule is of no use whatever.

There appears to be a very general acquiescence in the general features of the scale in which different kinds of labour is graded. We find people generally demanding a small increase in remuneration for their own class and imagining they would be perfectly contented if they got it. They do not think that justice demands that they should be raised to a very much higher level in the general scale: scavengers, for example, may ask for a rise from 24s. to 30s. a week, and may even think they "ought" to have 35s., but they never think of claiming that they "ought" to be paid as much as is earned by the average medical practitioner. Still less do they see anything much wrong with the scale so far as it does not affect themselves. We should all like to touch up the scale here and there, but none of us seem to want to alter it fundamentally. If, then, we allege that there is some "just" remuneration of labour which labour "ought" to get, we are bound to find some defence of the

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existing scale of remuneration on grounds of justice.

No such defence, however, can be found, any more than in the case of the inequalities of income derived from inherited property. Several rather stupid suggestions are made by the man in the street. One is that "skill" is a thing which "ought" to be paid for, so that it is "just" that the professions and skilled trades should be higher paid than the other occupations. But why the skill which is possessed by an average member of one of the professions or skilled trades "ought" to yield more or less than the skill possessed by the average member of another of these occupations or more than that possessed by the average member of a so-called "unskilled" occupation, nobody seems to know. There is no way of comparing the skill required in different occupations. If we could compare it, we should still be met with the fact that the skill is either natural or acquired: if it is natural, we know of no reason for supposing that the happy possessor ought to be paid higher, and if it is acquired, it was probably acquired chiefly in consequence of opportunities created by persons other than the possessor himself. Another suggestion, to which Adam Smith in one of his weakest moments lends some countenance, is that "responsibility" is a thing which "ought" to be paid for. The railway-men have sometimes urged the "responsibility"

of the occupation as one ground for their demands. There are, no doubt, many excellent reasons which make it expedient to pay responsible persons more than those who cannot do much damage by fraud or carelessness, but it is surely rather absurd to claim that it is justice to the employee which demands that he should be higher paid when trusted with responsible work. Still more absurd is the suggestion, often thoughtlessly made, that the better paid kinds of work are the "more important," and that it is just that persons engaged in important work should be higher paid than others. There is no solid ground for either belief: agricultural labour is at least as important as any of the professions, and it could not possibly be just to those who were not selected for the important duties to pay them less than those who were, simply because the important duties did not find work for all.

What the existing scale of remuneration for different kinds of labour does is to give each kind its market value, and this value is obviously settled by a great many influences, among which justice plays no part at all. Attempts to tinker it here and there on the ground that particular small features in it are unjust, and that justice would be done if this or that class had 10 or 20 per cent. more than at present are really childish.

While a clear appreciation of this fact should

take away a good deal of the bitterness which at present accompanies the necessary haggling between employers and employed, it certainly does not follow from it that no class of men or women should ask for more than they are getting, nor that disinterested persons should not be glad when some of the demands made are successful.

The first point surely requires little elaboration. The whole of our present economic organisation is really dependent on people asking for as much as they can get, and the world would be thrown into a state of unimaginable confusion if they suddenly ceased to do so and began deliberately to let their property for less and to work for less than they could get. Mr. Wells himself could not make much of such a hypothesis. No one doubts that an individual is acting in the public interest as well as in his own when he sells his services to the highest bidder. Even the rather unreasonable middle-class British matron, grumbling furiously at the rise in the cost of domestic service brought about by the purest individual competition, makes no accusation against the principle, but only alleges that young women do not carry it out, because they do not understand their own best interest. "They are," she says, "much better off in domestic service." The only difficulty arises from the fact that attempts are made to draw an altogether unsound distinction between individual competition on the one

side and combination to secure good terms on employer employing more than a small number domestic servants do not act in concert, and are nearly equal in number to the employed, no single employer employing more than a small number and most only one or two, refusals to work below a certain wage in this industry excite no public attention, though all the year round there is a certain percentage of women "changing situations" and not immediately "suited" because they cannot immediately get what they ask, and prefer to hold out. There are no breaches of contract, no violence, and no bombastic speeches. But if wages and conditions were standardised by the employers forming a combination, or by the formation of large companies which undertook to provide domestic service for payment and paid the servants themselves, strikes would naturally occur from time to time, just as in other industries at present. And why not? How else could the older persons in the employment guard their interests when deprived of the former resource of playing one employer off against another? Of course the terms offered by other industries competing with domestic service for recruits would affect the terms offered for recruits by the combination or the companies, but it would be quite possible in an occupation with many varieties and grades to screw a good deal for the recruits out of the older hands, so as to make the position of

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those older hands very much worse than it would have been if the former conditions of individual competition had continued in force. It is true that in the long run it would not be to the interest of the combination or companies to act in this way, since in time the worse condition of the older hands would begin to tell upon the minds of the intending recruits, but it is unreasonable to expect more than a very moderate "length of view" from such institutions. Hence the concerted refusal of large numbers of men to work on the terms offered by employers (to which we give the name of "strike") is just as necessary a part of modern economic organisation as the individual refusals of single persons acting alone.

As to the second point, many persons seem to imagine that if there is no rule of justice in the remuneration of different kinds of labour, it is impossible for them to have sympathies in regard to any change in wages which does not affect them personally. Like Queen Victoria, they want to be told what is right, not what is expedient. But there are surely many things which we properly welcome, and many which we properly deplore, although no question of justice or righteousness is concerned. We ought obviously to rejoice, as a rule, at the occurrence of any event which increases the material welfare of any class without reducing that of other classes, and, of course, it often happens that a rise of earnings is merely

the result of some change which causes the workers to produce a larger quantity of product than before without reducing the value of the unit of quantity sufficiently to prevent them profiting by the increase. But it is perhaps not quite so clear what we ought to welcome and what we ought to deplore when a rise of earnings in some particular occupation is not the result of increased productiveness, but is distinctly at the expense of some other class or classes of the community.

The popular belief—not, I think, only among the weekly wage-earners but among all classes—is that rises of wages in particular occupations are always at the expense of the owners of property, vaguely called “the capitalist” in popular oratory. But this belief will not bear a moment’s examination. The particular “capitalists” from whom the wages of particular kinds of labour come in the first instance are usually merely middlemen between the workers and the consumers: if the price paid by the capitalists to the workers increases, the capitalists will be able at once or after no long interval to charge the increase to the consumers. Wages are not ultimately paid by the capitalist, but by the persons who want and are able to pay for the product of the particular labour in question. Of course, there are a few products which are only bought by rich people, and rich people are mostly owners of property. But this is not the ordinary case. In spite of the

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enormous wealth of the very rich, the greater part of the demand for products in general comes from the moderately well-to-do and the poor, and a very large proportion comes from the "working-classes" in the ordinary sense of that term. Consequently it is inevitable that when particular workers get more without producing more, the burden should fall largely, and sometimes chiefly, upon wage-earners doing other kinds of work. It would be absurd, then, even for one whose sympathies were altogether on the side of the workers against the owners of property, to sympathise indiscriminately and equally with every demand for increased wages. Wage questions are constantly questions about the relative remuneration of different kinds of labour, and before we can tell what we ought to welcome and what to deplore we must have some notion of the scale of relative remuneration which we approve.

• The ordinary economic textbooks are at fault in not insisting on the fact that the most economical distribution of a given amount—the distribution which will "make the most of" the amount, or "make it go farthest"—is distribution according to need. Wherever an intelligent and well-meaning person has the control of the distribution of a given amount between a number of persons, and is not hampered or biassed by thoughts about the effect of the distribution upon the similar amounts which he may have to dis-

tribute in the future—that is to say, whenever the sum to be distributed is really a given sum, and not one liable to be affected in the future by the distribution in the present—this rule is adopted. It is adopted in besieged cities, in ships short of provisions at sea, in hospital, and between members of the family unable to support themselves in every well-conducted home. It is not adopted by “nations,” not because it is not a good principle, but because the amount to be distributed is by no means “given,” but would be immediately affected by the change in distribution and that in a very disastrous manner. But the fact that we cannot put the principle in force by territorial-government action does not prevent us from very properly rejoicing when we see approximations to distribution according to need taking place without disturbance of the existing organisation for production. Now, no one supposes that there is any correspondence between the present inequalities of income and the needs of the recipients. Messrs. Rockefeller and Carnegie do not possess their millions because they particularly need a large amount, and at the other end of the scale there are hosts of people whose needs are made great by the very facts—illness and infirmity—which make them unable to earn any income at all. It is certain that as a general rule approximations towards greater equality of income mean at the same time approximations towards distri-

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bution according to need, and should therefore be welcomed, whenever the advantage thus gained is not offset by an equal or greater loss resulting from damage to production and consequent diminution in future amounts to be distributed.

It follows that the changes in the remuneration of labour which we should welcome because they are economical are those which, without injuriously affecting production, reduce inequality of wealth. Of course, it may sometimes happen that an increase of earnings which are already high may do this because the particular demand comes entirely from the rich: a rise in the remuneration of butlers and ladies' maids, for example, would pinch nobody but the wealthy, while benefiting a class with only moderate means. But such cases do not amount to much. The really potent changes of the character desired will be those which raise the remuneration of the worst paid occupations.

It will perhaps be said that every reasonable person knows that a rise in the lowest wage is a good thing, and that every well-disposed person welcomes it accordingly. But do they do so without the reservation "if the rise is not at the expense of some other class"? Some such reservation is implied in the phrase "the economy of high wages" as the name of the doctrine which teaches not that high wages are a good in themselves, but that they enable and induce the wage-

earner to produce so much more than the ultimate payers of the wages gain. If what I have said were really accepted, this reservation would not be made. I think, too, that it would then be easier than it now is to keep distinct the individualistic ends of separate trade unions and the much more altruistic aims of a "Labour Party," supported by these same unions. It is only in the baser kind of political strife that any one even pretends to find inconsistency in the action of an individual who drives the best possible bargains for himself in his private business while doing the best he can for his neighbours in his political or other public life. All that is required of such a man is that he should recognise that he may be bound sometimes to support public measures which will damage his individual interests. Trade unions taking part in politics, and especially those which represent the better paid trades, will doubtless often find themselves subject to the same rule.