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The Reorganisation of Industry Series.

VI.

AN INTRODUCTION

TO

Trade Union Law.

BY

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RUSKIN COLLEGE, OXFORD,

1919.

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LONDON:

Co-operative Printing Society, Ltd., Tudor St., New Bridge St., E.C.; and at Manchester and Newcastle.

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PREFATORY NOTE.

THIS little book is the outcome of three lectures delivered by Mr. Slesser at our Summer School in 1918. Apart from the verbal alterations and the touching-up of phraseology indispensable in the transformation of lecture notes into a book, the lectures are here reproduced in their original form. Mr. Slesser, after preparing his MS., very kindly presented it to the College, and the Council at once decided that they could not do better than to publish it as a new volume in the Reorganisation of Industry series.

THE connection between Trade Union law and the reorganisation of industry may, perhaps, at first sight seem a little remote. But the Trade Unions will play a very prominent part in helping to bring about the industrial changes of the future, and in any state of society we are likely to see for a long time to come they are certain to hold an important position. It is, therefore, essential that Trade Unionists should be acquainted with the relations of Trade Unions to the State and to the social and industrial system of which they form a part, and for this a knowledge of Trade Union law is indispensable.

A VERY important feature of Mr. Slesser's book is that it begins by stating in the clearest language some of the fundamental principles of law, for, as he says: "It is scarcely possible for Trade Unionists to hope to understand the law as it particularly affects them, unless they have some clear notion of the principles underlying the general law of the land." The study of Trade Union law is no very easy task, as Trade Union officials know, but they, as well as the members of Trade Unions generally, will find in Mr. Slesser's little book not merely an outline clearly and very attractively drawn, but a key to the wider study of the subject in the more elaborate works. Students of Trade Union law all over the country will, I feel sure, join with Ruskin College in the thanks which it offers to the author for his generous gift.

H. SANDERSON FURNISS,

Principal of Ruskin College.

Oxford, July, 1919.

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I.

Trade Unions and the Law of Contract.

1. INTRODUCTORY.

It is scarcely possible for a Trade Unionist to hope to understand the law as it particularly affects him, unless he has some clear notion of the principles underlying the general law of the land. Indeed, all particular studies of special branches of law demand such a general knowledge, but in the case of Trade Union law the need is even greater, and for this reason, that Trade Unions by their very nature and activities have been brought into conflict with the general law more than any other type of association, and, as their power has increased, special legislation has been passed for their protection, which must remain largely unintelligible to those who do not realise in what manner the general law interfered with their aspirations in the past.

Law as a whole can be distinguished from social convention or morality by the fact that it has attached to it what has been called a sanction—a consequence, that is, which may follow its obedience or disregard, enforceable by the executive of the state. Thus it is honourable to pay one's gaming debts, but if a man fails to do so the law will not compel him, for a gaming debt is only a "debt of honour," a social obligation. But if a man fail to pay a debt incurred for goods sold to him a judgment of the Court may follow which may result in the seizure of his property, or, in the case of contumacy, in the detention of his person.

Law thus regarded as an enforceable obligation may be divided into various classes, according to its origin or its nature.

The origin of law may be found in two sources; first, law may be the creature of an Act of Parliament or of a regulation made by the authority of an Act of Parliament, or, secondly, it may arise through judicial decision. The first of these we call statute, the latter non-statute law.

2. STATUTE LAW.

Statute law is to be found primarily in Acts of Parliament. Acts of Parliament are declared to be passed "by the King's Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal and Commons in Parliament assembled." Such laws are thus actually the decision, at most, of some one thousand three hundred men, of whom about half—the Commons—are elected to legislate. The Lords were formerly two separate estates—the Peers Spiritual (Archbishops and Bishops) and the Peers Temporal—but they are now to all intents and purposes one House. With the exception of the Bishops and four law lords, and perhaps a hundred Irish Peers and sixteen Scottish ones, who are elected from their respective special peerages, the rest, about four hundred, have been either created themselves or owe their right to legislate to hereditary descent.

Like the Commons, the House of Lords may originate Bills, which then pass to the other House for consent. The only limitation to this power is that by an old convention they may not originate or amend Bills dealing with finance, except with the sanction of the Commons.

By the Parliament Act of 1911, if they reject a Bill on two occasions against the wishes of the Commons it may become law without their consent.

The functions of the King, the third person of the legislative trinity, are now confined to a formal approval approving of the action of the Houses.

Acts of Parliament, passed as we have described, override all other kinds of law. That is what is meant by saying that Parliament is sovereign. But this does not mean that the Courts of Law will not "interpret" what Parliament has said. Parliament frequently passes legislation which is ambiguous in its meaning, or sometimes one Act actually contradicts another, so that, even in statute law, the Courts have the last word.

Apart from direct Acts of Parliament, it has been the practice of recent years to pass general Acts enabling Executive Officers or Boards to draft Orders under an Act which then themselves

have the effect of law, so long, that is, as they do not exceed in scope the powers which the Act has devolved upon them. Such statutory powers and Orders, such as those, for example, which have passed under the Munitions or Defence of the Realm Acts, afford examples of what is called sub-legislation.

The principal statutes immediately affecting Trade Unions to which we shall refer later are:—

**The Trade Union Act, 1871 ;
the Trade Union (Amendment) Act, 1876 ;
the Trade Union Act, 1913 ;
the Trade Union (Amalgamation) Act, 1917 ; together with
the Conspiracy and Protection of Property Act, 1878 ;
and the Trade Disputes Act, 1906.**

Of other statutes, we may notice the Employers' Liability Act, 1880 ; the Factory Act, 1901 ; the Workmen's Compensation Act, 1906 ; the National Insurance Acts ; and Munitions of War Acts.

3. NON-STATUTE LAW.

The earlier source of law, however, is not found in Parliament at all. Long before Parliament was founded the King's Judges were interpreting what they believed to be the common law of the land, and this interpretation of the common law continued, and continues to-day side by side with the interpretation of the law as laid down by Parliament.

Non-statute law may be divided into two classes, common law and equity. The former is older and more rigid, being the Judges' opinion of what the old common custom of the country is, while equity, which was administered by an official of the King—the Chancellor—and is now administered by the Judges, varied and mitigated the rigid uniformity of the common law in peculiar cases. Thus equity was more an exceptional, common law more the normal, law, but both Judges and Chancellor became guided by precedent and followed almost slavishly former decisions, so that really there was little difference between equity and common law. Finally, in 1873, by the Judicature Act, the two kinds of law were amalgamated, so that their differences need not further detain us.

Thus to-day we have both statute law and common law (including equity). Both enter into nearly every legal problem, and therefore in every case we have to consider:—

- (1) What was the old common law?
- (2) How has statute altered it?
- (3) How have the Judges interpreted the law?

4. CASE LAW AND CODE LAW.

It is only in the British Empire and in the United States that the Judges will follow in a subsequent case the earlier decision of an equal or superior Court, the decision of the House of Lords in this country, and of the Privy Council in Colonial appeals, being final and conclusive. On the Continent the laws are, as it is said, codified, and the decision of one judge, that a particular set of facts brings a case within one article of a code, will not prevent another judge placing the case under another article, with different results. The English law is more difficult to understand, as not only the statutes, which correspond to the code, have to be understood, but also all the legal interpretations. None the less, Continental law is really more uncertain, because although a code seems at first sight more definite than case law, the decision in each case depends much more upon the idiosyncrasy of the particular judge.

5. CIVIL AND CRIMINAL LAW.

We must, therefore, endeavour to ascertain what is the position of Trade Unions at common law in order to find out to what extent the statutes to which we have referred have altered their legal status. But before we proceed to do this, it is necessary to consider the general law as it may be divided according to its nature rather than according to its origin.

From this standpoint the law falls broadly into two classes, the criminal and the civil law.

We have seen that what distinguished law from morality or social convention was the presence of a material sanction, and it is the difference in the nature of this sanction which distinguishes criminal from civil law.

Thus in the case of the criminal law, the action arises through what the common law or Parliament has decided is an offence against the State. The King is the prosecutor, though the prosecution may be on the institution of a private person, and the conviction results in penalty, either a fine or imprisonment. Civil law is concerned with the enforcement of a right or prevention of a wrong as between one person and another. Judgment against an unsuccessful party usually takes the form of damages, or an injunction restraining the commission of some act, or an order for specific performance. It is only in civil law that equity takes a part.

6. CONTRACTS AND TORTS.

Although criminal law is concerned with offences against the State, a person who is injured by another's act may himself also have a remedy against the injurer in a civil action. Such an action is called a Tort, and the right to it arises altogether apart from any special agreement made between the parties. Thus every one at common law has generally a right to the security of his person, his property, and his reputation. If I assault him or take away his goods or his character, he may sue me in tort for assault, trespass, or libel respectively.

In these cases a corresponding liability will often exist to be prosecuted criminally for assault, larceny, or libel. In either case a general wrong is done, and the difference is in the method of its redress.

There is, however, another class of legal right which arises—not spontaneously, through the existence of rights and obligations which are always binding upon citizens—but through a voluntary arrangement made between persons. Such voluntary arrangements are called Contracts.

Now, in so far as torts and crimes arise apart from the direct wishes of the persons affected by them, no person can be liable unless he commit a specific tort or crime which has been so declared by common law or statute, but, since contracts are voluntary arrangements, made as the parties wish, the number of varieties of them is almost infinite. Another distinction

arising out of the difference between torts and contracts is that in the former case the damages which may be awarded are, as a rule, unlimited in amount, since they are of a semi-penal kind. On the other hand, in the case of actions for breach of contract, the damages are usually limited to the loss actually sustained by the breach.

7. THE LAW OF CONTRACT.

We must next pay a little closer attention to those voluntary agreements which are called contracts, for, while every contract is a voluntary agreement, it is not every agreement which will constitute a contract. Contracts may be unilateral or bilateral, that is, they may be of a form in which A agrees to do something for B, but B does nothing in return for A; or both A and B may mutually agree to do something for one another.

In the unilateral case there is, as lawyers say, "no consideration"—that is, while A has bound himself to B, B has not given any corresponding undertaking to A, and, generally speaking, such agreements are unenforceable at law, unless they are specially "sealed, signed, and delivered." An agreement of a workman, therefore, to labour without receiving any wages is unenforceable for want of consideration, unless the workman agrees under seal to labour, which is not a very probable event.

But in the case of bilateral contracts, as where one agrees to work and the other to pay, there is consideration, and the contract is enforceable at law, and damages may be obtained for its breach. The law pays no attention to the adequacy of the consideration. A farthing would be sufficient on the part of the employer to bind the bargain, but some consideration, however small, unless the contract is under seal, must exist.

Next, in order to make a binding contract, it is essential that there be a **real agreement** between the parties. In certain contracts an agreement must be in writing, as when the agreement is a contract of service for more than one year. This obligation has been imposed by a statute as old as the time of Charles II., known as The Statute of Frauds. A few contracts must even be

under seal, but, by common law, contracts need not be in writing. indeed, they need not even be made by word of mouth, and in many cases a contract has been presumed from conduct or custom alone. Thus, without a word spoken, a man may enter an omnibus; here is an offer on the part of the omnibus company to carry passengers for hire which is accepted by the traveller entering the omnibus.

In some cases trade custom will decide the rate of wages to be paid when once the offer of employment has been accepted, or a special agreement may be made which will override a trade custom.

The right to notice terminating a contract may also be a matter of custom or special agreement. All these cases are examples of the multifarious nature of contracts.

Thirdly, a contract may have been agreed to by the **misrepresentation or deceit** of one party. This may be a reason for the Court setting the contract aside, or it may be obtained by what is called **undue influence**, as where a guardian persuades his ward, or a solicitor his client, to enter into a disadvantageous contract or by **duress**. These may, under the circumstances, be set aside by the Court. **Infancy, lunacy, and drunkenness** may also affect the validity of a contract.

It is very important for our purpose to realise that the economic position of the employer has never been regarded by the common law as a ground for setting aside as unfair the contract of service on the score of undue influence or duress.

This refusal of the common law has given rise to various methods whereby statutes have endeavoured to protect the worker. Thus at common law an employer may pay his workman in kind; by food, clothing, etc., instead of wages, or may impose upon him a liability to be fined. These powers are taken away, from the employer to some extent by the Truck Acts, but the power of the employer to make unfair contracts is not restricted at common law when once agreement has been proved. The economic circumstances which may have produced the agreement are not, as a rule, recognised by the common law.

8. ILLEGAL AND UNLAWFUL CONTRACTS.

Even when full agreement has been reached, however, there are **certain types of contract which the Courts will refuse to enforce.**

These contracts are said to be illegal or unlawful, and the grounds on which the Courts refuse to interfere are those of public policy.

Thus, by statute, contracts arising out of gaming transactions and horse racing cannot be enforced in a Court of law. The Courts will refuse to recognise them. So also at common law, an agreement to marry some other lady after the decease of a living wife is illegal, that is, it is unenforceable.

Unlawful contracts, on the other hand, are not only not enforceable, but are positively criminal; they are agreements to do an unlawful thing, and are known in law as conspiracies.

Having said this much, we must now apply the doctrine of illegality and unlawfulness of contract to Trade Union activity, for the work of Trade Unions is closely connected with one type of activity which is illegal, if not unlawful, at common law, namely, that which is known as Restraint of Trade.

9. RESTRAINT OF TRADE.

Generally speaking, an agreement which forbids persons to dispose of their labour or their capital as they will, apart from the necessary limitation arising out of the actual terms of an existing contract, may be void and unenforceable, on the ground of its being in restraint of trade. Thus A may agree to work for B, and during that period he may bind himself not to work for another man, but for A to agree with B that after he has left B's employment he will not work for C, D, or E may be void as being in restraint of trade.

It is not every agreement in restraint of trade which is void. A, while working for B, may acquire special knowledge which B may wish to prohibit him from afterwards selling to C to B's detriment.

The question to be decided is whether the restraint exceeds what is reasonable.

The question of reasonableness, however, scarcely arises in Trade Union action, for nearly every Trade Union claims the right to interfere with employment and to prevent its members working where there is a trade dispute, or where proper rates are not paid, and such interferences constitute in nearly every case at common law an "unreasonable" restraint of trade.

It was decided as early as the reign of Henry V. that a contract imposing a general restraint of trade was void.

A Trade Union, of course, is a society having many objects: it is only the "trade" objects which are in restraint of trade, and so illegal. Whether these objects are so vital to the union as to make the whole society a society in restraint of trade, and thus make the whole union illegal, that is, an outlaw at common law, must depend upon the rules of the particular union in question.

As a matter of fact, however, of the Trade Unions whose legality has been threatened on this point—there have been over 30 cases in the High Court on this matter—in only four instances has it been held that the rules in restraint of trade were severable from the rest, so that the society as a whole was legal at common law, one of these being the old Amalgamated Society of Railway Servants, so that as a rule most Trade Unions are, at common law, illegal societies.

Where the lawful rules are so inextricably mixed up with rules that are illegal as being in restraint of trade, the society is unlawful as a whole. The principle on which an association may be pronounced unlawful depends (1) on whether the purposes for which the association is formed are unlawful; (2) on whether the means whereby its purposes are effected are unlawful; and (3) assuming either of the foregoing to be unlawful, on whether the illegality be of such a kind as to taint the whole constitution of the association and to make it an unlawful association. If rules which characterise what the object of the association is indicate that the object, or the method of pursuing it, is inconsistent with

public interest, then the character of such rules taken as a whole is such as to render unenforceable the individual rules, which would otherwise have been objectionable.

10. TRADE UNIONS LEGALISED BY STATUTE.

Assuming a society as a whole to be illegal at common law as being in restraint of trade, a condition which exists in nearly all Trade Unions, the consequence is to make the union an outlaw at common law.

The Trade Union Act, 1871, as we shall see, has, in fact, legalised Trade Unions for most purposes, but before that time, no Court would entertain any action brought by a Trade Union, even if it were brought to recover property wrongfully taken from it by a defaulting secretary.

Now, however, the Trade Union Act, 1871, by Section 3, provides that:—

“The purposes of any Trade Union shall not, by reason merely that they are in restraint of trade, be unlawful so as to render void or voidable any agreement or trust.”

So that a Trade Union can now enforce its agreements like any lawful association.

Moreover, in so far as there remains any doubt whether such agreements in restraint of trade are unlawful, in the sense of being criminal at common law, Section 2 of the same Act lays down that:—

“The purposes of any Trade Union shall not, by reason merely that they are in restraint of trade, be deemed to be unlawful, so as to render any member of such Trade Union liable to criminal prosecution for conspiracy or otherwise.”

11. THE UNENFORCEABLE AGREEMENTS.

Thus we see that, since the Act of 1871, Trade Unions may be regarded as lawful associations in so far as they have been legalised by statute. They remain, nevertheless, illegal at common law, and there is one particular kind of contract, namely, that between

the Trade Union and its members, or between one Trade Union and another, which is excluded from the legalising provisions of the 1871 Act, which is consequently still unenforceable at common law.

This exclusion is laid down in Section 4 of the 1871 Act, and is so important that it is here set out in full. It is as follows:—

“ 4. **Nothing in this Act shall enable** any Court to entertain any legal proceeding instituted with the object of directly enforcing or recovering damages for the breach of any of the following agreements, namely—

“ (1) Any agreement between members of a Trade Union as such concerning the conditions on which any members for the time being of such Trade Union shall or shall not sell their goods, transact business, employ, or be employed;

“ (2) Any agreement for repayment by any person of any subscription or penalty to a Trade Union;

“ (3) Any agreement for the application of the funds of a Trade Union—

“ (a) To provide benefits to members; or

“ (b) to furnish contributions to any employer or workman not a member of such Trade Union in consideration of such employer or workman acting in conformity with the rules or resolutions of such Trade Union; or

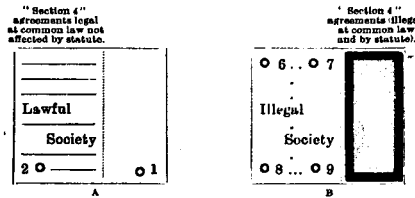
“ (c) to discharge any fine imposed upon any person by sentence of a court of justice.

“ (4) Any agreement made between one Trade Union and another;

“ (5) Any bond to secure the performance of any of the above-mentioned agreements.”

If, therefore, it can be shown that an agreement falls within the above class it is unenforceable where the Trade Union is illegal as common law. Where, however, the Trade Union as a whole is legal as common law, “ Section 4 ” agreements are as enforceable as any other contracts of a lawful society, for in such cases the 1871 Act and, consequently, the exceptions of Section 4, do not arise.

The following diagram may make the matter clear:—



A is a lawful society, having only rules (1) and (2) in restraint of trade. They are not sufficient to taint the whole society. Here all contracts save those directly covering (1) and (2) are enforceable.

B is a society unlawful at common law by reason of the number and inextricability of its illegal rules. Here the 1871 Act legalises its contracts except those which are covered by Section 4, which remain, for want of a legalising statute, illegal and unenforceable.

We must now consider in more detail the unenforceable agreements set out above. It has been noticed in the first place that they are only unenforceable when the Trade Union is illegal at common law, but, even when it is so illegal, the Courts in certain cases have managed to obtain jurisdiction, which they are now as eager to exercise as they were formerly averse, by a very strict interpretation of the section.

We notice that the section begins " Nothing in this Act shall enable any Court to entertain any legal proceeding instituted with the object of directly enforcing damages," and the Courts have held that this word " directly " enables them, notwithstanding the section, to entertain actions for injunctions restraining the union from spending moneys on declarations reinstating expelled members—in other words, it is only direct actions for specific damages which the Court will not entertain. We may put it another way and say that the Court will still entertain the old equitable remedies, but will not act in common law proceedings for damages.

Without going too much into detail, the following summary gives the present position as decided by the Courts:—

I. An action to recover benefit money is unenforceable.

II. An action—

(1) claiming a declaration that—

(a) a member is entitled to participate in the enjoyment of the property and benefits of the union;

(b) this expulsion was invalid; and

(2) claiming an injunction against expulsion, and

(3) claiming damages, is unenforceable.

III. An action—

(1) claiming rescission of a resolution of fine and expulsion, and

(2) claiming damages, is similarly unenforceable.

On the other hand:—

I. An action claiming an injunction against uplifting or applying the funds contrary to the rules, and

II. An action claiming a declaration that a resolution authorising strike pay is ultra vires and illegal would appear clearly to be enforceable.

It would seem, too, that—

III. An action claiming a declaration, reinstating an expelled member in his membership, is enforceable, though his rights as a member, in so far as affected by Section 4, are unenforceable.

IV. An action for the recovery of moneys on an account stated is enforceable.

An agreement in the rules to pay a dependent of a member, e.g., a wife, money after the member's death may be enforceable, for she is not "a member." But if she sues merely as her deceased husband's executor, and not in her own right, the agreement is unenforceable.

Moreover, while the above agreements are thus rendered unenforceable by the statute, it is doubtful if an agreement based upon them, or one of them, is excepted. Thus, if a Trade Union enter into a contract to pay a member a sum in the event of

his becoming totally incapacitated, and under that contract such member signs an agreement that he will repay the said sum in the event of returning to his work, then the subsequent agreement has been held to be a part or term of the original agreement. On the other hand, it has been held in Scotland, on appeal, that such subsequent agreement is enforceable, notwithstanding that the original was unenforceable, and that it is immaterial whether the original contract in the rules required the repayment in terms, or only the signing of an agreement to repay.

So strict is the rule concerning unenforceability by a member that even where he has nominated someone to receive his benefit, that person cannot sue for it.

It is important, therefore, that Trade Unions who do not wish to have constant litigation with their members, and who wish to take advantage of Section 4 of the 1871 Act, should see that their rules are illegal at common law.

12. AGREEMENTS BETWEEN UNIONS OF EMPLOYERS AND EMPLOYED.

It will be remembered that by Section 4 (4) of the 1871 Act agreements between one Trade Union and another are unenforceable. As we shall see hereafter, Employers' Federations frequently fall within the definition of a Trade Union, and when they do they are usually illegal at common law. Consequently an agreement arranged between a Trade Union and an Employers' Federation by collective bargaining is usually unenforceable at law under Section 4 of the 1871 Act.

But there is another difficulty in the way of enforcing such contracts, a difficulty which involves some consideration of what is known as the law of agency. Generally speaking, a man only binds himself, but it is open to anyone in law to appoint someone else to make contracts on his behalf as his agent.

The most extreme example of agency is to be seen in a partnership, in which case each partner in the business is an agent for all the others who can bind them in the partnership business. But between this case and the giving of a limited specific authority to do a single act on a specific occasion, every variety

of authority may be given. The question arises immediately in the case of an agreement signed by the Executive Committee of the Trade Union and the Employers' Federation: how far had each the authority of their members to bind them?

Agency will not be presumed; it must be proved, either by writing, word or conduct like any other contracts, but in practice it will be very difficult to prove any specific authority by employers, who had not signed an agreement with their Executive Committee, to bind them individually, and an action founded upon such a contract for breach against an individual employer may very easily fail through a want of proof of agency. Probably in practice the best course to be taken to make such an agreement binding is as follows: let the Trade Union and Executive of the Employers' Federation agree that in the works of every employer affiliated to the Federation there shall be a book, signed by that employer, setting out the terms of the collective agreement. Then let it be arranged that each workman who is employed shall sign the book. In this way a direct contract will be established between each employer and each workman, and an action can be brought by each workman for breach of contract. In this manner all the difficulties both about "section 4" and the law of agency are done away with.

13. CONCLUSION.

It is scarcely necessary, in conclusion, to say much more about the law of contract as it affects Trade Unions. In a Trade Union the rules form the contract between the members and the society, and in most cases, as we have seen, such contracts are unenforceable.

Quite apart from section 4 of the 1871 Act, the Courts generally are averse from interfering in the internal affairs of societies, and they will only act where some proprietary interest is at stake. In the case of friendly societies there is a provision for compulsory arbitration. This does not exist in most Trade Union rules; if it did it is possible that the Courts might enforce the award where

they would not themselves hear the case on the ground that an enforcement of an award was not a direct enforcement of damages under section 4.

Thus the introduction of compulsory arbitration in disputes between members, though designed to keep the Law Courts out, might have the effect of letting them in, so full of pitfalls and difficulties is the law to the unwary.

However this may be, we must recognise that probably since 1871, and certainly since the Trade Union Act of 1913, of which we shall speak hereafter, a Trade Union is, to the extent that common law has been invaded by statutes, a lawful society competent to make binding agreements, and that, after a stormy youth, Trade Unions have now become respectable in the eyes of the law.

II.

The Legal Status of Trade Unions.

I. INTRODUCTORY.

Since a Trade Union is a voluntary association which owes its existence to a series of mutual contracts between its members, contracts which find expression in the rules, it was proper that the study of Trade Unions in their legal aspect should commence from the contractual side.

It is next necessary to consider the Trade Union as a whole, as a society rather than from the standpoint of its internal and external agreements. Apart from the question of restraint of trade—a matter which, since the Act of 1871 (with the exception of section 4 of that Act), is of only historical interest—Trade Unions may be regarded as a type of legal association known as a voluntary society. Such societies, in law, occupy a position midway between one individual person and that artificial "person," the creature of law, the corporation.

An individual person, as a rule, may sue and be sued in a Court of Law or hold property; so also may the Corporation. What, we have to ask, is the position of the Trade Union, collectively regarded, in this respect?

The status of the Trade Union is easier to understand when once the position in law of the Corporation is understood. The incorporated society, whether incorporated by charter, by royal prerogative, or by or under an Act of Parliament, can own property, or sue, or be sued, quite irrespective of the individual members composing it, which members indeed in many cases (a limited liability company is an example) change from day to day. Its acts are testified through its seal, and it is to all intents and purposes a complete "person" of its own.

Now a Trade Union, like a corporation, has a fluctuating membership, but, unlike the incorporated body, it has at common law no personality. How then can it hold property, conduct actions, or function generally as a legal entity?

The most urgent need of such a society with a fluctuating membership is to acquire a legal stability. This it cannot do directly by incorporation, but there is nothing to prevent such a society vesting its property in Trustees, who are required under the terms of the trust (to be found in the case of a Trade Union in the rules) to administer the funds in accordance with the trust obligations. In this way a Trade Union, club, or other voluntary society acquires a permanence which a mere aggregation of members would not possess.

It must also be noted that it is by reason of the possession of property that the Court will recognise these trusts and the entity of such a voluntary association.

We may take, for example, two types of cycling club. The first has a club-house and other assets vested in trustees; to such a club the Courts will grant recognition. The other club is merely an association of members who agree to go cycling together on certain days; this type of club, for want of proprietary status, would lack recognition in law.

A Trade Union, of course, is of the proprietary type, and hence conforms to the general position of a recognised voluntary association.

A Trade Union under the Trade Union Act of 1871 may register, and in such a case the property of the union becomes automatically vested in Trustees, who may bring and defend actions in the name of the union. But there is nothing to prevent a similar trust being created in the case of an unregistered Trade Union, which, it must be remembered, is by statute quite as lawful as a registered one. The only difference is that in the latter case a trust must be created by the rules; in the former it is created by statute, which stipulates for the insertion of a Trustee rule before the society can be registered.

2. THE QUASI-CORPORATE POSITION OF TRADE UNIONS.

We have spoken so far of Trade Unions as if they were in the same position as other voluntary societies, but, while in many respects they do possess the same status as clubs, societies, etc., it must not be forgotten that they differ from such societies in being illegal at common law. As Lord Farwell said in the Taff Vale case, "A Trade Union is neither a corporation nor an individual, nor a partnership between individuals. It is an association of men which almost invariably owes its legal validity to the Trade Union Acts, 1871-76," and "the Legislature, in giving a Trade Union the capacity to own property and the capacity to act by agents has, without incorporating it, given it two of the essential qualities of a corporation."

On the other hand, we have Lord President Inglis saying in Scotland that "Trade Unions remain voluntary associations of which the law can take no special cognisance as collective bodies, and it is provided by the fifth section of the 1871 Act that the Acts relating to friendly societies and industrial and provident societies, and the Companies Acts shall have no application to Trade Unions, the object apparently being to make careful provision that they should not have any corporate existence or capacity whatever."

Though a Trade Union is not a corporation the Courts once held that it can be made collectively liable for its acts.

"If the Legislature has created a thing which can own property, which can employ servants, and which can inflict injury, it must be taken to have impliedly given the power to make it liable in a court of law." (Taff Vale case)

In the case, moreover, of *Amalgamated Society of Railway Servants v. Osborne* (1910) it was held that, though the Act of 1871 does not make a Trade Union a corporation, yet the Trade Union Acts constitute, as it were, a charter of incorporation; they render things lawful which would otherwise be unlawful, and what is not within the ambit of the statute is prohibited to a Trade Union.

3. THE ULTRA VIRES DOCTRINE AND THE OSBORNE CASE.

Now, while an individual is free to do in law anything which is not unlawful, a corporation can only do acts permitted under its charter or articles. To act beyond this is, as is said, "ultra vires," beyond its powers. The L.C.C., for example, which is given powers to run trams, acts ultra vires in running omnibuses to feed the trams, and the decision in Osborne's case, whether a Trade Union is a corporation or not, placed it within the ultra vires rule of corporations. The difficulty the Court had to contend with in attempting to restrict the powers of Trade Unions arose from two facts: (1) They were not corporations, and (2) even if they were, they possessed nothing comparable to articles or charter to show how their powers were in fact limited.

The House of Lords, however, got over these difficulties very skilfully. In the first place they pointed out that companies, **whether incorporated or not**, owing their constitution and their status to Act of Parliament, and having their objects and powers defined thereby, cannot apply their funds to any purpose foreign to the purposes for which they were established, or embark on any undertaking in which they were not intended by Parliament to be concerned.

It was pointed out that wherever a corporation is created by Act of Parliament with reference to the purposes of the Act, and solely with a view to carrying those purposes into execution, not only the objects which the corporation may legitimately pursue must be ascertained from the Act itself, but the powers which the corporation may lawfully use in furtherance of these objects must either be expressly conferred or derived by reasonable implication from its provisions; and this principle is not confined to corporations created by special Acts of Parliament. It applies with equal force in every case where a society or association, formed for purposes recognised and defined by an Act of Parliament, places itself under the Act, and by so doing obtains some statutory immunity or privilege. This law applies to all companies created by any statute for a particular purpose.

It was said that a definition which permitted Trade Unions to do the particular things named in the statute, and in addition all things not in themselves illegal, would be no definition at all. The question is whether the Legislature has conferred upon registered Trade Unions, expressly or by fair implication, a specific power, and the test as to whether a Trade Union has or has not any specific power is to be proved in the answer to the question: "Does the power merely provide a method of conducting business, or is it a power making the society a thing different from that which is specified in the Act and meant by the Act?"

In this way, by comparing a Trade Union to a company created by statute and treating the 1871 Act as an enabling charter, the first difficulty was got over, and Trade Unions, though not incorporated, were held limited to the 1871 Act.

The next difficulty was to find their powers in that Act; this was done by holding that the definition of a Trade Union in the Acts of 1871-1876 was a "limiting and exhaustive definition," so that whatever power the Trade Union sought to exercise which was not included in that definition was ultra vires and illegal. When we turn to the definition in question we find that it is as follows. It is "the regulation of the relations between workmen and masters, or between workmen and workmen, or between masters and masters, or the imposing of restrictive conditions on the conduct of any trade or business." This last brings many employers' federations under the head of Trade Unions.

This definition was then held not to include political activities, nor would it in fact include many other activities, such as running a newspaper. It is even doubtful whether it would include the provision of benefits to members.

4. THE PRESENT POSITION.—TRADE UNION ACTIVITIES AND THEIR POWERS DEFINED.

However this may be, the Osborne case has now been in a large measure reversed and its effects have been mitigated by the Trade Union Act, 1913, for, by Section 1 (1) of that Act, subject to special provisions as to the political activities, of which we shall

speak hereafter, " A Trade Union may now apply its funds to any lawful object or purposes for the time being authorised under its constitution."

A Trade Union, therefore, may now have any number of objects if its rules provide for them, for it is no longer restricted to the definition of objects in the 1876 Acts. This very multiplicity of objects, however, makes it difficult to say whether a particular society is in fact a Trade Union or not. When a Trade Union was limited to the powers under the 1876 Act it either was or was not a Trade Union according to whether its objects were or were not within the definition therein contained. At the present time, owing to the enlargement of its powers, a society may have some objects which are clearly Trade Union objects, and some which are not, and a doubt may arise in such a case as to whether a particular society is or is not a Trade Union.

The 1913 Act has therefore made provision for meeting this difficulty. It defines the old objects before 1913, namely, those contained in the 1876 Act, above set out, as statutory objects, to which it adds " the provision of benefits to members "—a power omitted, as we have seen, from the earlier Acts—and calls this group the " statutory objects." It then goes on to say that only a society whose principal objects are statutory objects is to be deemed to be a Trade Union.

Furthermore, the Act provides that a society when it is registered is to be " deemed to be a Trade Union "; that is, it need not prove in any case that its principal objects are statutory objects. It goes on to allow an unregistered Trade Union to obtain a certificate that it is a Trade Union without registering, in which case also the Courts will deem it to be a Trade Union. But an unregistered or uncertificated Trade Union may have to prove from its rules that its principal objects are statutory objects, if it wishes to be regarded in law as a Trade Union.

5. POLITICAL ACTION.

The exception to the general power of Trade Unions to conduct any activities which their constitution permits—that of political action—must next be considered.

Section 3 of the Trade Union Act, 1913, provides that no Trade Union may apply its funds directly or indirectly in furtherance of the following political objects:—

(a) In payment of expenses incurred by a candidate or prospective candidate for election to Parliament or to any public body which has power to raise money by means of a rate; or

(b) the holding of any meeting or distribution of literature or documents in support of any candidate or prospective candidate; or

(c) the maintenance of any Member of Parliament or any person holding a public office; or

(d) the registration of electors or the selection or a candidate for Parliament or any public office; or

(e) the holding of political meetings of any kind, or the distribution of political literature or documents, except where the main purpose of such meetings or distribution is the furtherance of statutory objects;

unless—

(1) The furtherance of such political objects has been approved as an object of the union by resolution passed on a majority ballot of the members of the union. The resolution takes effect as if it were a rule of the union, and as such may be rescinded.

On the adoption of the resolution notice must be given to the members of the union, informing them that each member has a right to be exempt from contributing to the political fund, and that a form of exemption notice can be obtained by or on behalf of a member, either by application at, or by post from, the head office or any branch office of the union, or at the office of the Registrar. This notice to members must be given in accordance with the rules of the union approved for the purpose by the Registrar, who will have regard in each case to the existing practice and to the character of the union.

The ballot must be taken in accordance with the rules of the union, to be approved for the purpose by the Registrar, but the Registrar must not approve any such rules unless he is satisfied

and every member has an equal right and, if reasonably possible, a fair opportunity of voting, and that the secrecy of the ballot is properly secured, and unless

(2) Rules, to be approved by the Registrar, are in force providing:—

(a) That any payments in the furtherance of the political objects are to be made out of a separate political fund, and for the exemption of any member of the union from any obligation to contribute to such a fund, if he gives notice in accordance with the Act that he objects to contribute. A member of a Trade Union giving notice that he objects to contribute, so long as his notice is not withdrawn, remains exempt from contributing to the political fund of the union as from the 1st day of January next after the notice is given, or, in the case of a notice given within one month after the notice given to members on the adoption of a resolution approving the furtherance of political objects, as from the date on which the member's notice is given.

Effect may be given to the exemption of members to contribute to the political fund of a union either by a separate levy of contributions to that fund from the members of the union who are not exempt, or by relieving any members who are exempt from the payment of the whole or any part of any periodical contributions required from the members of the union towards the expenses of the union, and in that case the rules shall provide that the relief shall be given as far as possible to all members who are exempt on the occasion of the same periodical payment, and for enabling members of the union to know as respects any such periodical contribution whether or not it is intended in whole or in part as a contribution to the political fund of the union.

Since the obligation is limited to paying money out of a separate fund, provides thereafter for giving exemption to members to contribute, it appears that, once the ballot is carried, the union may transfer moneys from the general to the political fund if they give the members exempted a right to receive back their

share of the money transferred. The question, however, has never been decided in the Courts.

There is a provision in the Act that, if any member of a Trade Union alleges that he is aggrieved by a breach of any rule made in pursuance of this section, he may complain to the Registrar of Friendly Societies, and the Registrar, after giving the complainant and any representative of the union an opportunity of being heard, may, if he considers that such breach has been committed, make such order for remedying the breach as he thinks just under the circumstances; and any such order shall be binding and conclusive on all parties without appeal and shall not be removable into any court of law or restrainable by injunction (in Scotland by interdict), and on being recorded in the County Court (in Scotland the Sheriff Court), may be enforced as if it had been an order of such Court.

How far this provision is enforceable in cases where Section 4 of the 1871 Act applies and excludes jurisdiction is very doubtful. There have been no decisions so far under it. It will be noticed that, though the Registrar has power to make an order, he has no power to compel the attendance of witnesses or to administer an oath.

There is also power under the Act for several Trade Unions to group themselves together into one political unit, such as the Miners' Federation. An interesting question would arise as to the liability of the parent federation if a component union forced an exempted member to pay the political contribution. The point has not yet been decided, though the issue has been raised on the pleadings in one case.

Finally, we have to note that the approval of political rules, when once the ballot has been carried, may be given through a recognised delegate meeting, and that the members of such a delegate meeting may alter the rules for political purposes, even when power to alter rules does not exist in the rules.

6. THE REGISTERED UNION.

The registered Trade Union is created by the Act of 1871; it is no more and no less lawful than an unregistered union, but certain special rights and duties are attached to a Trade Union by

registration. Any seven or more members of a Trade Union may register their Trade Union by subscribing their names to the rules of the union, and otherwise complying with the provisions of the Trade Union Acts and the regulations made under those Acts with respect to registration. Unless the rules provide to the contrary, any person over the age of 16 may be a member of a Trade Union, and is, therefore, competent to subscribe. But if the Registrar has reason to believe that the applicants have not been duly authorised by the Trade Union to make the application, he may require evidence from them to that effect.

As regards the regulations respecting registration, the Home Secretary makes the regulations respecting registration and the forms to be used for the purpose of registration.

In order to register:—

(1) An application to register the Trade Union, together with printed copies of the rules and a list of the titles and names of the officers, must be sent to the Registrar under this Act.

(2) The Registrar, upon being satisfied that the Trade Union has complied with the regulations respecting registration in force under this Act, registers such Trade Union and such rules.

(3) No Trade Union must be registered under a name identical with that by which any other existing Trade Union has been registered, or so nearly resembling such name as to be likely to deceive the members or the public.

(4) Where a Trade Union applying to be registered has been in operation for more than a year before the date of such application, there must be delivered to the Registrar, before the registry thereof, a general statement of the receipts, funds, effects, and expenditure of such Trade Union, as if it were the annual general statement.

(5) The Registrar upon registering a Trade Union issues a certificate of registration, and this is conclusive evidence under the 1913 Act that the society is a Trade Union.

Specific obligations are laid down in the Schedule of the 1871 Act as to subjects with which the rules must deal—obligations which do not arise in the case of unregistered unions.

The following matters must be provided for by the rules of Trade Unions registered under the 1871 Act:—

1. The name of the Trade Union and place of meeting for business.
2. The whole of the objects for which the Trade Union is to be established, the purposes to which the funds thereof shall be applicable, the conditions under which any member may become entitled to any benefit assured thereby, and the fines and forfeitures to be imposed on any member of such Trade Union.
3. The manner of making, altering, amending, and rescinding rules.
4. A provision for the appointment and removal of a general committee of management, of a trustee or trustees, treasurer, and other officers.
5. A provision for the investment of the funds, and for an annual or periodical audit of accounts.
6. The inspection of the books and names of members of the Trade Union by every person having an interest in the funds of the Trade Union.

Other obligations of a registered Trade Union are to send the Registrar annually before 1st of June a general statement of its receipts, funds, effects, and expenditure, showing the assets and liabilities at that date, and the receipts and expenditure, with the respective items thereof, during the year preceding. The statement must be prepared and made out up to such date, in such form, and with such particulars as the registrar may require. Every member of and depositor in any such Trade Union is entitled, on application to the treasurer or secretary of the Trade Union, to receive a copy of the general statement, free of charge. Together with the general statement a copy of the rules of the Trade Union must be sent, with a copy of all alterations of rules, new rules, and changes of officers made by the Trade Union during the year.

A registered Trade Union and every officer thereof, failing to comply with or acting in contravention of these requirements, are severally liable to a penalty not exceeding £5 for each offence. Every person who wilfully makes or orders to be made any false entry in or omission from a general statement, or in or from the return of such copies or alterations of rules, is liable to a penalty not exceeding £50 for each offence.

Generally, a Trade Union which fails to give any notice or send any document which it is required to give or send to the Registrar, or every person who, being bound by the rules thereof to give or send the same, likewise so fails, is liable to a penalty of not less than £1 and not more than £5, and to an additional penalty of the like amount for every week during which such failure continues.

There is also a statutory obligation on the officers to account to the society, but this can easily be effected in an unregistered society by rule.

Thus a Trade Union by registering attaches itself in a very real way to the State through the person of the Registrar, and in this way incurs obligations to disclose its resources to the State, employers, and the members of rival unions, if any such exist. The corresponding advantages of registration scarcely seem to compensate sufficiently for the incurring of these heavy liabilities. A registered Trade Union, it is true, is recognised by all the world as a genuine Trade Union, but so also is a certificated one under the 1913 Act, which incurs by certification none of the liabilities attaching to registration. A registered Trade Union is exempt from income tax on provident benefits only; but since in most cases the provident and industrial funds are mixed, this is not, in practice, a very valuable concession. It may hold land, not exceeding one acre, but apparently—since 1913 at any rate—an unregistered Trade Union may hold land to any extent. It has the offices of trustee and treasurer created for it by statute, but most Trade Unions would prefer to do these things for themselves by rule.

It can prosecute its defaulting officers summarily by a special remedy, but since 1871 any other union can bring prosecutions

for larceny or falsification of accounts or embezzlement. In conclusion, the advantages of registration are hypothetical, except those relating to income tax on provident benefits and deposits under the Assurance Companies Acts, the obligations very real. And such advantages as exist can nearly all be acquired by a certificate under the 1913 Act, which does not involve the consequences of registration.

7. THE REGISTRAR AND THE POWERS.

The Registrar, both for purposes of registration and certification, is the Chief Registrar of Friendly Societies; he has assistants in Scotland and Ireland.

Under the 1913 Act considerable powers are given to the Registrar. No combination may be registered as a Trade Union unless, having regard to the constitution of the combination, its principal objects are, in his opinion, "statutory objects," and the Registrar may withdraw the certificate of registration of any such registered Trade Union if the constitution of the union has been altered in such a manner that, in his opinion, the principal objects of the union are no longer statutory objects, or if, in his opinion, the principal objects for which the union is actually carried on are not statutory objects.

The words of this section are very wide, and appear to give the Registrar considerable judicial power. It would seem that, in considering the withdrawal of a certificate of registration, though not in granting it, he may now inquire into the actual conduct of the Trade Union, as well as into its constitution. Under the 1871 and 1876 Acts the Registrar must cancel the certificate of registration if he is satisfied that the purposes of a Trade Union are or have become unlawful, but apparently he has no power under these statutes to cancel the certificate if a Trade Union, having lawful purposes, acts unlawfully, except when (after due notice from him) it wilfully violates the Trade Union Acts. As we have pointed out, any unregistered Trade Union, without registering, may at any time apply to the Registrar for a certificate that it is a combination, which is a Trade Union; and if the Registrar, having regard to the constitution of the union

and the mode in which the union is being carried on, is satisfied that the principal objects of the union are statutory, and that the union is actually carried on for those objects, he must grant such certificate. A difficulty may, however, arise where a new union desires certification, as in this case it is difficult for the Registrar to decide how the union is actually carried on.

The Registrar, on application made by any person, may withdraw such certificate, if satisfied (after giving the union an opportunity of being heard) that the certificate is no longer justified. The Registrar's powers are thus greater in the case of certified than of registered unions, for in the latter case, both in granting and withdrawing a certificate, he may have regard not only to the constitution of the union, but also to the mode in which it is carried on.

8. AMALGAMATION AND DISSOLUTION.

In conclusion, two other matters call for consideration—amalgamation and dissolution. As to amalgamation, by the **Trade Union (Amalgamation) Act, 1917**, Trade Unions may amalgamate on a vote of not less than 50 per cent. of the membership of the Trade Union if there is a majority of at least 20 per cent. of those voting in favour of amalgamation. It is not very clear whether Trade Unions, in addition to this power, need a special rule authorising amalgamations. It is therefore safer to have one. It should be noted that amalgamation probably necessitates a new political ballot, as a new union is created, and the 1913 Act does not provide for the contingency.

The rules of every union must provide for the manner of dissolution. Notice of dissolution under the hand of the secretary and seven members, in a form prescribed, must be sent within 14 days after the date of notice to the central office (in the case of registered Trade Unions doing business exclusively in Scotland or Ireland, to the Assistant Registrar of Scotland or Ireland, respectively), and such notice of dissolution must be registered by the Registrar.

It is not very clear how far the rules as to notice apply to unregistered Trade Unions.

III.

Trade Unions: Torts and Crimes.

1. INTRODUCTORY.

It will be remembered how we have already had occasion to distinguish between contracts, torts, and crimes. The first subject in relation to Trade Unions has already been examined; we have still to consider the position of Trade Unions with regard to torts and crimes.

The principal tort which concerns Trade Unions is that which arises through the interference with or prevention of contracts between workmen and employers.

Where workmen strike after a contract has been duly ended by notice, no breach of contract arises, and consequently no tort. But while it may be only a breach of contract for A and B to sever their contract unlawfully, a person who is not actually a party to the contract, such as a Trade Union official, may commit a tort in bringing about a breach of a contract, or in preventing the formation of one. The damages in this case, it will be remembered, are not limited, as in the case of breach of contract, to the damage actually sustained, but as a tort has been committed, may be such an amount as a sympathetic jury may be disposed to give. Moreover, it will be remembered that an employer is liable in tort for the acts of his servants or agents done in the course of their duty, and, consequently, at common law, not only the Trade Union official but the society's funds may be liable where the official calls out men in breach of a contract, or without just excuse interferes with the formation of one.

This decision, which would cripple Trade Union activity and finance to an enormous extent if it were still law, was laid down in the famous case of the Taff Vale Railway Company and the Amalgamated Society of Railway Servants (1901), and had not the common law been altered by statute the effects would have

been extremely serious. Now that the common law has been varied by the Trade Disputes Act, 1906, the whole question is not so important as it once was, but, nevertheless, owing to the limitations laid down in that Act and the decisions upon it, it is still necessary to realise what the common law is, as it will still operate where the Trade Disputes Act does not apply.

2. LIABILITY IN TORTS FOR UNCONCERTED INTERFERENCE.

The liability for interference in contracts may vary according to whether it is an interference of several people acting in combination, as frequently happens in the case of a Trade Union, or an interference by a single individual. To take the simpler case first. By the Trade Disputes Act, 1906, Section 3:—

“ An act done by a person in contemplation or furtherance of a trade dispute shall not be actionable on the ground only that it induces some other person to break a contract of employment, or that it is an interference with the trade, business, or employment of some other person, or with the right of some other person to dispose of his capital or his labour as he wills.” It will be noted that the protection is expressly limited to acts done “ in contemplation or furtherance of a trade dispute,” and it is therefore convenient at this point to consider exactly what these words mean.

The words “ trade dispute ” are defined by the 1906 Act as any dispute between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment or the terms of the employment, or with the conditions of labour, of any person, and the expression “ workmen ” means all persons employed in trade or industry, whether or not in the employment of the employer with whom a trade dispute arises. The words “ trade dispute,” as also the words “ in contemplation or furtherance,” immediately preceding them in the Act, must be construed strictly. To constitute a “ trade dispute,” a mere personal quarrel or grumbling or an agitation will not suffice. It must be something fairly definite and of real substance. In order that a dispute may be a trade

dispute at all, a workman must be a party to it on each side, or a workman on one side and an employer on the other. The term "trade dispute" does not necessarily include every case of personal difference between any one workman and one or more of his fellows. It is true that after a certain stage even such a dispute, although originally grounded, it may be, upon personal animosity, may come to be a subject in which sides are taken, and may develop into a situation of a general aspect containing the characteristics of a trade dispute, but until it reaches that stage a "trade dispute" does not necessarily exist.

The words "in contemplation or furtherance" do not necessarily embrace every act done by a person with a view to bringing about a trade dispute. To contemplate a trade dispute is to have before the mind some objective event or situation, but does not mean a contemplation, meditation, or resolve in regard to something as yet wholly within the mind of a subjective character. And the term "furtherance of a trade dispute" must apply to a trade dispute in existence, and the act done must be in the course of it and for the purpose of promoting the interest of either party or both parties to it. The words "in contemplation or furtherance" mean either that a dispute is imminent and the act is done in expectation and with a view to it, or that the dispute is already existing and the act is done in support of one side to it. It is help, assistance, and encouragement to a dispute that the Legislature apparently had in view when it used the words "in furtherance." When the words "in contemplation" are used in juxtaposition with the words "in furtherance," had not the Legislature in view a dispute which must—at the time the act was done that it (the Legislature) designed to protect—at all events have been thought of by some person who should be a party when it finally arose?

Moreover, it has recently been decided that a dispute between two Trade Unions as to whether a member of one ought not to be a member of the other, is not a trade dispute within the meaning of the Act, inasmuch as it is not a dispute "connected with employment as such." (Valentine v. Hyde.)

Apart from the act, the liability for causing a breach or preventing a contract will only arise where there is no sufficient justification for the interference. It may, however, safely be said that the prosecution of a labour dispute will rarely, if ever, be regarded as a sufficient justification, apart from the 1906 Act.

It must always be remembered that, where no contract or other legal right is interfered with in any way, though the act done by the defendant may be one both calculated and intended to inflict upon the plaintiffs great loss and suffering, it is not actionable. It does not matter what the particular act interfered with is, so long as it is not one which the person doing it has a definite legal right by contract, or by common law or statute law to do. For, under these circumstances, if mere evil motive were to make that unlawful which would otherwise be lawful, or if, to do intentionally that which is calculated in the ordinary course to damage another, were actionable, it would lead to singular results. One who committed an act, not in itself illegal, but attended with consequences detrimental to several other persons, would incur liability to those he intended to injure, and the rest of them would have no remedy. Threats, however, may constitute illegal means. So also may pressure and moral coercion of numbers. And, therefore, it may be actionable to interfere with a man's employment, even where no breach of contract is caused, if threats or improper pressure are employed, otherwise, one person interfering alone, where there is no breach of contract, could not be sued.

3. LIABILITY IN TORT FOR CONCERTED INTERFERENCE.

It is provided by Section 1 of the Trade Disputes Act that, where a trade dispute is in contemplation or furtherance, an act done in pursuance of an agreement or combination is not actionable unless the act would be actionable if done without any such agreement or combination and even where no dispute exists. At common law, on the other hand, it appears clear from recent decisions that, where no action will lie against an individual for interference without breach of contract, an action may lie against a combination for similar acts done by them collectively.

Strikes and similar combinations to better the conditions of labour are not in themselves, it is true, unlawful at common law. There is no foundation for the proposition that strikes are per se illegal or unlawful by the law of England. It is true that occasional dicta are to be found to the effect that combinations to better the conditions of labour are unlawful at common law, but the Courts have never accepted the law thus laid down, and eminent judges have expressed views to the contrary. Thus, where broken contracts have expired, those who help to maintain the strike by supporting the workmen or in refusing to enter new contracts are not doing anything illegal. But, apart from the Trade Disputes Act, 1906, to procure by combination a continuing breach of contract is unlawful. While there is nothing illegal in a strike nor in contributing to the support of strikers, it may be attended with circumstances, such as breach of contract or intimidation, which makes it illegal.

But combinations which result in injury to another, even where no contract is broken, and there is no other coercion or threat, may be unlawful at common law when the object of the combination is injury either to the employer or his workmen; and, if the injury is effected, an action may lie for conspiracy. The question to be decided in each individual case is: How far the resulting injury is ancillary to a legitimate combination and how far the combination exists for the purpose of injury. When the object of the combination is to benefit oneself, it can seldom, perhaps it can never, be effected without some consequent loss or injury to someone else. The mere fact that the effect of combination is injurious does not make it unlawful. The act complained of must amount to the violation of a right, such as the right of everyone to dispose of their labour as they will; no conspiracy is known to the law which has not for its object the accomplishment of an unlawful act, or which does not involve the use of unlawful means.

But, though combination in itself is not unlawful, yet, as a combination for the purpose of causing injury may be more effective than unconcerted coercion, in this sense it may be evidence of an unlawful intention; for a combination may be

oppressive or dangerous which, if it proceeded only from a single individual, would be otherwise, and the very fact of combination may show that the object is simply to do harm, and not merely to exercise one's own rights; a man may resist without much difficulty the wrongful act of an individual, but it is a very different thing when one man has to defend himself against many combined to do him wrong. It is, however, the damage wrongfully done, and not the conspiracy, which is the gist of the action. An apparent conflict is thus presented between two rights that are equally regarded by the law—the right of the employer to be protected in the legitimate exercise of his trade, and the right of the employed to dispose of their labour as seems best to them, provided they do no harm to others. We have to consider what is the legitimate boundary. This the final result of the two famous cases of *Allen v. Flood* and *Quinn v. Leatham*.

Whether a trade dispute exists or not, the Trade Union itself apart from its officials, is protected from all actions for tort, whether brought for torts committed by the Trade Union or by officials acting on its behalf. This immunity extends beyond the cases of trade disputes to liability for libel. Thus the net result is that the only outstanding liability is that of the official personally for torts not connected with a trade dispute.

4. TRADE UNIONS AND THE CRIMINAL LAW.

Whatever may have been the position in the past, it is now practically clear that the purposes of a Trade Union, by reason merely that they are in restraint of trade, are not unlawful, so as to render any member of such Trade Union liable to criminal prosecution.

Moreover, an act done in pursuance of an agreement or combination by two or more persons shall, if done in contemplation or furtherance of a trade dispute, not be actionable unless the act, if done without any such agreement or combination, would be actionable.

Apart from conspiracy, however, there still remain those cases of interference during disputes which amount to criminal acts.

These liabilities are laid down in the Conspiracy or Protection of Property Act, 1875, as amended by the Trade Disputes Act, 1906, and are as follows:—

Every person who with a view to compelling any other person to abstain from doing or to do any act which such other person has a legal right to do or abstain from doing, wrongfully and without legal authority—

- (1) Uses violence to or intimidates such other person or his wife or children, or injures his property; or
- (2) persistently follows such other person about from place to place; or
- (3) hides any tools, clothes, or other property owned or used by such other person, or deprives him of or hinders him in the use thereof; or
- (4) watches or besets the house or other place where such other person resides, or works, or carries on business or happens to be, or the approach to such house or place; or
- (5) follows such other person with two or more other persons in a disorderly manner in or through any street or road;

shall, on conviction thereof by a Court of summary jurisdiction, or on indictment as hereinafter mentioned, be liable either to pay a penalty not exceeding £20. or to be imprisoned for a term not exceeding three months, with or without hard labour.

These liabilities are in substitution for and not in addition to any liabilities with the like offences at common law. It gives "in respect of some nuisances, as to which there was already a civil remedy, a summary remedy by summons before the magistrate," and "criminal prosecutions under it are limited to cases so tortious as to give a civil remedy also." Where immunities have been conferred by the statute, as in the case of peaceful communication of information, "to hold that the very same acts which are expressly legalised by statute remain, nevertheless, crimes punishable by the common law, would be contrary to good sense and elementary principle." The section creates only one offence, the various sub-headings merely setting out different ways of committing the offence.

A person upon whom compulsion is exercised is protected, whether he be a master or a workman. The compulsion complained of must be done wrongfully and without legal authority. The word "wrongfully" is not superfluous; the Legislature inserted the word "wrongfully" expressly, because it did not wish the Court to put that restrictive meaning on the word "compel." To issue bills asking men not to work during a strike is not a compulsion to make another abstain from doing a legal act; nor is it compulsion to issue a bill asking union men to boycott a particular person, but to issue a general "black list" of non-union men, apparently, is compulsion.

Section 16 of the 1875 Act declares that nothing in the Act shall apply to seamen or sea apprentices. The expression "seamen" means persons employed under and subject to the Merchant Shipping Acts, that is, every person (except masters and pilots) employed on board any ship. The exemption merely means that seamen cannot be made liable to punishment under the Act; it does not prevent them from bringing an action. Similar offences, when committed by seamen, are punishable under the Merchant Shipping Act, 1894, with a fine of £10.

With regard to the offence of intimidation, the word "intimidate" is to be interpreted according to the circumstances which may arise from time to time, but in any event intimidation to become unlawful must at least be such as would justify a magistrate in binding over the intimidator to keep the peace towards the person intimidated. To constitute intimidation personal violence must be used. The intimidation used need not result in such compulsion as would induce serious apprehension of violence in a man of ordinary courage, if the intimidation is such as would justify a binding over of the intimidator to keep the peace. But an intimidating letter to an employer stating that his shop would be picketed, and couched in language so threatening as to make such employer afraid, does not amount to "intimidation." Nor is it intimidation within the reasonable construction of the statute to threaten an employer that workmen will be told to cease work, without, however, using violence. To

communicate to a master a resolution of a union as to the number of apprentices he might employ is not intimidation. The test is a subjective one.

As to the offence of "persistently following a person from place to place," a man must not be dodged from place to place, so as to interfere with his personal liberty to do what he likes. To follow another down two streets, and when he crosses the street to cross after him, without speaking to him, has been held to be an unlawful "persistent following." The essence of the offence is not the following of a person in a disorderly manner, but such a following as to prevent a person doing such acts as he has a right to do.

With regard to the offence of "watching and besetting," men have no right to watch or beset a house where a person happens to be, for the purpose of compelling him to abstain from doing that which he has a legal right to do. As to picketing generally, it would appear that, except where a trade dispute is in furtherance or contemplation, picketing may be illegal. Picketing, when it really means improper watching and besetting, is illegal. At the same time, picketing is not an offence unless it is shown that the pickets have wrongfully and without legal authority done some one or more of the five sets of acts specified above. "Watching and besetting," to be wrongful, need not be extended in time nor occur in a particular place; a mere attending may thus be wrongful under the 1875 Act; nor need the persons watched and beset be actually employed at the time.

Where a person employed by a body who have the duty of supplying any place with gas or water wilfully and maliciously breaks a contract of service with that body, knowing or having reasonable cause to believe that the probable consequence of his doing so will be to deprive the inhabitants of that place of gas or water, or where a person wilfully and maliciously breaks a contract, knowing that the probable consequences of his doing so will be to endanger human life, or cause serious bodily injury, or to expose valuable property, whether real or personal, to destruction or serious injury, he is liable either to be fined £20

or to be imprisoned for three months with hard labour. A person procuring such an offence is probably likewise guilty of a misdemeanour. The malice need not be directed against the owner of the property concerned.

Apart from the above provisions, it is to be noted that peaceful picketing is legalised. The Trade Disputes Act provides that it shall be lawful for one or more persons, acting on their own behalf, or on behalf of a Trade Union, or of an individual employer or firm, in contemplation or furtherance of a trade dispute, to attend at or near a house or place where a person resides or works or carries on business or happens to be, if they so attend merely for the purpose of peacefully obtaining or communicating information, or of peacefully persuading any person to work or abstain from working.

5. CONCLUSION.

In conclusion, it must have become increasingly obvious during the study of this subject that Trade Union law is both a difficult branch of law and a difficult task for the student of Trade Unionism to master.

It is obvious that sooner or later the whole mass of conflicting common law and statute which comprehend the subject must be codified, and it is in the hope that the Trade Unionist may be better equipped with knowledge to direct and control this work, and also to understand the subject in the meanwhile, that this little book has been written.

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The 2
Use of the Roman Character
for Oriental Languages

R. GRANT BROWN, I.C.S.

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[From the JOURNAL OF THE ROYAL ASIATIC SOCIETY, July, 1912.]

THE USE OF THE ROMAN CHARACTER FOR ORIENTAL LANGUAGES

By R. GRANT BROWN, I.C.S.

"And here we must enter our protest, we fear an unavailing one, against the supineness which suffers those invaluable monuments, the unwritten languages of the earth, to perish with a rapidity yearly increasing, without one rational and well-directed effort to save them in the only mode in which it can be done effectually, viz., by reducing them to writing according to their exact native pronunciation through the medium of a thoroughly well-considered and digested phonetic alphabet. About sixty well chosen, easily written, and unequivocal characters, completely exemplified in their use by passages from good writers in the principal European and Eastern languages, would satisfy every want, without going into impracticable niceties; and we earnestly recommend the construction and promulgation of a manual of this kind for the use of travellers, voyagers, and colonists, as a matter of pressing urgency, to the consideration of philologists, ethnologists, and geographers, in their respective societies assembled."—*Edinburgh Review*, 1848, p. 226.

THE Roman character may be used for Oriental languages in two ways: first, to represent in writing the sounds of a spoken language; and secondly, to represent the characters of a written language by another set of characters. The first process is usually called phonetic writing, the second transliteration. The second process includes the first. As this may not be clear at first sight I will endeavour to explain what transliteration is.

In the languages which can be transliterated written characters are simply phonetic symbols. They have no meaning except with reference to the sounds which they represent. Chinese is largely written by means of symbols representing not sounds but ideas. Chinese, therefore, cannot be transliterated. All we can do is to choose some spoken word which represents the idea of the written character, and visualize that word by means of phonetic symbols. But most Oriental languages are written

phonetically: that is, the characters represent not ideas but sounds.

Transliteration may be understood to mean any one of three distinct processes. One of these is not what I should call transliteration, but as the word is used to describe it in a Government publication (*Tables for the Transliteration of Burmese into English*, ed. 1907) it must at least be noticed. It is, the representation in Roman characters of the present standard pronunciation of a word written in other characters, such as the Burmese, without regard to the pronunciation of each individual character. For instance, the symbol စ is pronounced much like the French *sa*, but if က, the symbol for *k*, be added the resultant စက is pronounced, not *sak*, but *set*, nearly as in English: and the word is written *set* accordingly.

The second process may be called direct transliteration. In this the proper sound of each character is first decided on; a symbol is chosen to represent that sound; and the character is thereafter always represented by that symbol, without regard to the actual pronunciation of the word. For instance, စက might be transliterated *sak*. If in any language there were a separate character, and only one, for each sound, and if the sound of that character never varied, transliteration would be a simple matter. It would only be necessary to see that the script into which the transliteration is made also has a separate symbol for each sound, and there would be no difference between transliteration and phonetic writing. As a matter of fact such a language does not exist, either because all the languages we know use alphabets more or less imperfectly adapted to their sound-system, or because the alphabet has failed to keep pace with the sound-changes in the language. Sanskrit is nearly such a language: its transliteration is therefore comparatively easy. Burmese is an instance of

the other extreme. It began by importing, with clumsy adaptation, an alphabet belonging to another sound-system; it has since undergone great changes in pronunciation, and these changes have not been uniform, but are the result of a multiplicity of tendencies. Its transliteration, therefore, is so hopeless a task that, as we have seen, the Government of Burma has not attempted it, and has substituted phonetic writing. Between these extremes there are many degrees. But transliteration of a modern language always presents difficulties which do not exist in mere phonetic writing.¹ It is, moreover, only necessary for certain limited purposes.

The third process may be called indirect transliteration. This has to be resorted to, to take an extreme case, for a text which is written with a modified form of a known alphabet, but in an unknown language. Each character is first identified with the corresponding character in some language of which the pronunciation is known; and the sound given to it in that language is then assigned to it and represented by phonetic writing. For instance, in his article on "The Fourth Text of the Myazedi Inscriptions", published in the Journal of this Society for April, 1911, Mr. Blagden has taken a text in an unknown language, identified each character used in it with a Sanskrit character, and represented, more or less, the Sanskrit sound of that character in a phonetic script. The same process may be used, and is used, for an ancient text in a known language of which the former pronunciation is uncertain, such as Burmese or Talaing. For instance, in transliterating the text of the Myazedi inscription Mr. Blagden has used *ca*, not *sa*, to represent the sound of the character

¹ I hope to show elsewhere that the supposed obstacles to the use of phonetic spelling, as against transliteration, for educational and popular purposes have little or no existence in fact, or are easily surmounted; but the matter does not come within the scope of this article, nor is it of any particular interest to the ethnographers and others who are now being addressed.

ॐ. That is because this character is clearly another form of the Sanskrit character च, the pronunciation of which, at the time of the Sanskrit grammarians, is believed to have been *ca*.¹ The word चकृ would be transliterated by Mr. Blagden *cak*, and pronounced 'cak',² the sound *a* becoming 'a' in Sanskrit when followed by a final consonant. If such a text contains a character which has nothing corresponding to it in Sanskrit, this method of transliteration cannot, so far as that character is concerned, be used. The character itself may be copied, or some non-phonetic symbol, such as a number, may be employed; but the process is then, of course, not transliteration.

The object of these introductory remarks is to show that all transliteration involves a system of phonetic writing, a fact not always recognized; and to clear the ground of some vexed questions which have been unnecessarily confounded with that of the choice of a phonetic script, and have thus obscured the issues in many previous discussions. I propose now to leave all these questions aside, and to discuss only the choice of a phonetic script.

It is not necessary to devise a new system of phonetic writing for each language. The same system can be used for all languages, whether written or unwritten, so far as they have sounds in common. If a language has sounds peculiar to itself special symbols must, of course, be invented to represent those sounds. This, however, happens to a much smaller extent than is usually supposed. There are comparatively few spoken sounds in the world which do not exist in one or other of the principal European languages. It is obviously convenient that

¹ The *c* represents a single palatal sound, approaching that in the English *church*, and perhaps identical with the Magyar sound for which the International Phonetic Association also use the symbol *c*.

² Something like the English *chuck*.

one general system should be followed which, subject to these slight additions, is applicable to all languages.

I now suggest to you that the following qualifications are needed for any general system of phonetic writing.

1. It should be based on the Roman alphabet. This hardly needs demonstration.

2. It should be on the principle of "one sound, one symbol". That is to say, a different symbol must be employed for every distinct sound, so that there can never be any doubt as to what sound is meant. Moreover, a single sound should be represented by a single symbol, not by a combination of letters. For instance, the word *thaw* contains only two sounds, and should therefore be represented by only two letters, not by four.

3. It must be acceptable to civilized peoples generally, and should not therefore follow conventions merely because they are found in some particular European language. For instance, the letter *i* must not be used to represent the sound *ai* in *aïele*.

4. It should if possible be devised so that it can be used for any language, not merely for a particular group of languages. A new language may in exceptional cases have sounds peculiar to itself. In that case it may be necessary in recording it to make use of diacritical marks or new symbols. But this will rarely happen, and where it does it will be all the more necessary to use symbols already known for sounds already known.

5. The script should be such that it can be read easily and rapidly when once mastered, without unduly straining the eyes.

6. The system should be an elastic one. There should be a simple script for general purposes which is capable of being converted, by the mere addition of diacritical marks, into an accurate one for scientific purposes. In the script intended for general purposes diacritical marks should be avoided as much as possible, not only for the sake

of simplicity, but because they should be held in reserve for use when greater accuracy is needed. It follows from both this and the last principle that, where ordinary characters are inadequate for general purposes, special characters and not ordinary characters with diacritical marks should, as a rule, be used.

7. Economy in printing has to be considered. As to this it must be remembered that an ordinary type with a special diacritical mark attached to it is just as expensive as a special type. Both have to be specially cut.

8. In choosing a system for recording Oriental languages it would, of course, be a great advantage if one can be found which is already widely used in Europe for other purposes, and which is approved by leading phoneticians. It is useless suggesting a system unless it is likely to be generally adopted, at least in essentials.

9. It would also be a great advantage to have some body of phonetic experts to whom a reference could be made in case of doubt as to the best way to represent unfamiliar sounds, and who could give an authoritative decision on the point raised. It must be remembered that linguists are not always phonetic experts.

Now let us see how far the systems now used by Orientalists fulfil these requirements. In 1894, at a congress of Orientalists held at Geneva, the transliteration of Oriental languages was discussed. The congress decided to confine itself to Arabic and Sanskrit, languages which are, of course, of first-rate importance, but which represent only two out of many Asiatic families, and which happen to have an unusually simple system of vowel-sounds. On an attempt being made to apply the phonetic script prescribed by the congress to Mongolian languages, which are comparatively rich in vowel-sounds, it was found quite inadequate. This is patent to anyone who will study Dr. Grierson's great work, the *Linguistic Survey of India*. The survey relates mainly to Aryan

languages, but includes some others, and for these Dr. Grierson has been obliged to invent new symbols. As far as possible he has applied his system to all the languages dealt with, but in some cases the contributor has used a system of his own and has failed to explain adequately what sounds are intended by the symbols used by him. These symbols have perforce been allowed to stand, with a result which is so far unsatisfactory.

The Geneva system, therefore, does not meet the fourth or the sixth of our requirements. Still less does it fulfil the eighth, as it is not used for any other purposes at all; or the ninth, as there is no machinery for referring new or doubtful sounds to a body of phonetic experts.

Many other systems of writing are in use for Oriental languages. In fact, nearly every person who records a new language uses his own system for it, with the result that in many cases his readers cannot tell what sounds are meant. The ordinary man has not sufficient knowledge of the sounds of his own language to be able to give useful examples in it.

There are some schemes, however, which call for special notice. One is that explained by the Rev. Father Schmidt in *Anthropos* for 1907. As might be expected in so distinguished a philologist, it is scientifically constructed and fulfils the first four of our requirements. But it altogether fails to satisfy the other five. Father Schmidt is strongly opposed to special characters, and uses the ordinary Roman alphabet with an elaborate system of diacritical marks, which must be difficult to read even after long practice. I need only mention here his symbol for the vowel-sound in *not*. This consists of the letter *a* with two lines and a dot underneath it. The symbol for the first vowel-sound in *air* is *a* with three dots under it. And if the diacritical marks are dispensed with we have, including the vowel-sound in *far*, three very different sounds all represented by the same symbol.

The system of the Rev. Mr. Knowles is specially devised for certain Indian languages, the Tibeto-Mongolian group being excluded. If Father Schmidt dislikes special characters, Mr. Knowles goes to the other extreme. For those languages alone he uses no less than thirty-two, in addition to the ordinary Roman characters. Of these, however, seven are for the peculiar Indian cerebrals, for which it is usual to employ diacritical marks, while others are needed only for transliteration, not for a phonetic representation of the spoken language. There is much to be said for the system, but it hardly meets the fourth of our requirements, and certainly fails to meet the last two.

A system of quite a different class is that of the Royal Geographical Society, which may be called national as distinguished from international, and does not, of course, hold the third of the qualifications needed. It is a rough scheme intended to prevent geographical names from being grossly mispronounced by English readers of maps, and on the whole serves its purpose very well, though it might easily be improved. Its main principles are that the vowels are pronounced as in Italian unless followed by a double consonant, when they are given the values of the English short vowels; that the consonants are pronounced as in English; and that the fricatives, such as appear in *shoe*, *treasure*, *church*, *thin*, *khan*, and *ghazi*, are represented conventionally as in English by *h* following another letter. This is nearly the system prescribed by the Government of Burma for Burmese, the distinction between aspirated and unaspirated letters (in the true sense) being ignored. This system is, of course, unsuitable for scientific purposes, but the Society has done much towards getting English people to use the Roman vowel-symbols with their Continental values. No one now thinks of writing the name of the Fiji Isles "Feejee", or (I should hope) of reading the name as "Faijai" when he sees it in print.

What is usually called the Hunterian system, because it was used by Sir William Hunter for his *Imperial Gazetteer*, is also, in the main, a combination of Italian vowels and English consonants. Though it deals only with a very simple vowel-system, and cannot therefore be applied to such languages as Burmese, it uses a diacritical mark for the Italian *a*, and employs the plain letter *a* for the vowel-sound in *but*: an arrangement which commends itself neither to phoneticians nor to the public. It fails to satisfy the second, third, fourth, sixth, eighth, and ninth of our requirements.

The phonetic representation of Chinese, whether for scientific or for popular purposes, is even less satisfactory, the difficulties being considerably greater. The Wade system is commonly followed, though it is admitted on all sides to be unsatisfactory. It employs the fantastic combination *erh* to represent a single sound common in certain dialects of English, and, while using a diacritical mark for the first vowel in Ssüch'uan, also doubles the *s* "to fix the attention on the peculiar vowel *ü*". It does not satisfy a single one of our requirements except the first and fifth, for it cannot be said to be economical when it uses special types with so poor a result. The truth is that it is impossible for anyone, however distinguished he may be as a Chinese scholar, to devise a satisfactory system for Chinese without a knowledge of phonetics.

Probably few people realize how very poor the Roman alphabet is in vowel-symbols. There are, of course, five symbols, which we call *a*, *e*, *i*, *o*, and *u*. Against these the English language has at least twelve distinct pure vowel-sounds, besides three used only in diphthongs; French has sixteen, including four nasals; German eighteen, including the same nasals; Swedish fourteen; and so on. Among Mongolian languages that most widely spoken in the British Empire, Burmese, has about a dozen vowel-sounds.

The Canton dialect of Chinese has about the same. The Naga and some other Tibeto-Burman languages have some vowel-sounds which do not appear in either of these.

Some of these sounds are no doubt but slight, though significant, variations from the sounds¹ *a, e, i, o, u* which the symbols we call *a, e, i, o, u* are usually taken to represent. Where this is the case there is something to be said for the use of diacritical marks with the existing symbols. But other sounds are altogether distinct from any of these. Such are the pure vowel-sounds in the English *pat, paw, sir,* and *but,* and the French *pu,* all of which occur in Mongolian languages. None of these can properly be treated as mere modifications of the sounds¹ *a, e, i, o, u.* They are cardinal points, just as the sounds¹ *a, e, i, o, u* are. Some of them have their own modifications. For instance, the vowel-sound in *pot* may fairly be treated as a modification of that in *paw,* and the first sound in *amiss* as a modification of that in *sir.* If diacritical marks are used for the cardinal vowels you have to use further marks for these modifications, and more again for nasalization and length. The inconvenience of piling diacritical marks one on the top of another is obvious. The only remedy is to have special symbols.

Until lately special symbols have been very little used. They are employed, however, in Anglo-Saxon and modern Icelandic to distinguish the *th* in *this* from the *th* in *thin,* and the same symbols can of course be used to distinguish both from the totally different sound of *th* in the Hindustani *tha.* At first sight they appear strange, stranger than ordinary types with diacritical marks: but this is really not a serious objection. It does not require much intelligence to learn their meaning, and once they are learnt they are much easier to use and to recognize than ordinary letters with diacritical marks are.

¹ As in Italian.

It will perhaps hardly be believed that there is a system in existence which fulfils all the requirements above mentioned. Such a system, however, there is. It has existed for twenty-five years, and has stood the test of experience, though it has never until very recently been applied to Oriental languages. It is in order to introduce this system to the readers of the Journal that this paper is written. It is the system of the International Phonetic Association.

The Association was founded in 1886 by a group of French professors, who had successfully used a phonetic script in teaching the pronunciation of English. Its system has been accepted in essentials by most of the leading phoneticians of Europe. Its Honorary President is our own Dr. Sweet, Reader in Phonetics at Oxford; its President, Professor Viëtor of Marburg; its Vice-Presidents, Professor Jespersen of Copenhagen and Dr. Edwards, one of His Majesty's Inspectors of Schools. Its Secretary in England is Mr. Daniel Jones, Lecturer on Phonetics at University College, London. Its aims and principles are explained in a pamphlet issued in French in 1898. A new pamphlet is about to be published in English, and will contain texts of Oriental languages in the Association's character. The script is used in at least four pronouncing dictionaries, and in several hundred textbooks and grammars. The special types are stocked by the Oxford, Cambridge, and London University Presses, by Messrs. Turnbull & Spears of Edinburgh, and by no less than four firms at Leipzig and one at Copenhagen.

Though formerly better known on the Continent, the science of phonetics has been made a compulsory subject in all training colleges in Scotland, and is advancing rapidly in England. In both countries the Association's system is very widely used.¹ Nearly all the universities

¹ See *The Means of Training in Phonetics available for Modern Language Teachers*, by L. H. Althaus, 1911.

and colleges in which phonetics are taught use that system, while most of the rest use a script invented by Sweet, which differs in some details, but can be read with ease by anyone who has learnt the Association's method.

I strongly advocate the use of the system for recording for scientific purposes languages not hitherto put into writing. But it has other and important uses. In the first place no better script can be devised for the use of tribes which have as yet invented no system of writing. The Roman alphabet has, in fact, been used with success among the Chins of Burma, who have no written language. The symbols which seem strange to us are, of course, no stranger to them than our ordinary alphabet; and it is easier to teach them a few extra symbols than, let us say, to make them remember when the letter *a* is pronounced 'a' as in *futher*, 'ei' as in *ache*, 'è' as in *many*, 'æ' as in *pat*, 'o' as in *all*, 'ò' as in *what*, or 'ə' as in *amise*; or when the sound 'a' is spelt with the letter *r*, or with the letter *a*, or with an *a* and an *h*, or with an *a* and an *r*, or with an *a* and two *r*'s, or with an *a*, an *r*, and an *e*.

Even when the language has a written character of its own the script is of the greatest use, not only for dictionaries, but for teaching the language. Modern languages are being more and more taught with the aid of a phonetic script, without which it is almost impossible for the ordinary learner to acquire the correct pronunciation. It is gradually being recognized that accuracy of pronunciation is as much a test of good scholarship as a copious vocabulary or freedom from grammatical error. And the script can be used, not merely for teaching Europeans to speak an Oriental language, but for teaching English and other European languages to the native, especially if he has already used it for his own tongue. Again, there is no reason why a script based on the Roman character should not entirely supplant those of Oriental languages, as advocated just

a year ago by the Rev. Mr. Knowles before the East India Association, and by me, in the case of Burmese, in a recent correspondence in the *Rangoon Gazette*.¹ The case for a Roman script in Burma is peculiarly strong, the alphabet being an Indian importation utterly unsuited from the first to the language to which it was applied, and still less suitable now owing to changes in pronunciation.

Yet, if I am not misinformed, the teaching of the Roman character to the Chins mentioned above has been discontinued—probably for want of an authorized system—and instruction in written Burmese substituted. This means that the Chins will no longer be able to write to each other in their own language. Owing to the fact that the sound of so many characters is dependent on the adjacent letter, a new combination of letters is meaningless in Burmese, and the script cannot be applied to Chin. I need hardly say that the difficulty of learning to read Burmese in the Indian character is enormously greater than if a Roman script is used, even if the tribesman has not already learnt that script for his own language.

Lastly, the science of phonetics, as distinguished from the use of a phonetic script in teaching a particular language, is coming to the front. I will ask leave to make a digression on a subject of considerable practical importance—the course of studies for the Indian Civil Service. That course is intended to fit probationers for

¹ Before the script of the International Phonetic is used for this purpose it should be simplified and harmonized for the particular language (or group of languages) to which it is to be applied. The Association provides one universal set of symbols for scientific purposes, the chief of which is an accurate record of the sounds of each language, whether that language has or has not already been reduced to writing, and of each dialect. These symbols, however, will present a motley appearance, and will often contain diacritical marks which can be dispensed with under other conditions. For popular or educational purposes they should be modified, so as to be easier to read and write and to give the printed page a more pleasing appearance. This has already been done for some European languages, though in the case of English at least a further move might be made in these directions.

the work they have to do in India, and it can hardly be gainsaid that their first need is a knowledge of the principal spoken language of their province. A literary knowledge of the native language is useful and valuable, but when it is pursued, as it is sometimes pursued, to the exclusion of colloquial knowledge, so that a man who has passed difficult examinations is unable to carry on an ordinary conversation with a native, I think it will be agreed that there is something wrong with the system of examinations. Moreover, there is a large and growing body of opinion, especially among practical educationalists, in favour of imparting a knowledge of the spoken or living language first, and building up upon it a knowledge of the literary or dead language. To my mind there can be no question that this is the right order of things. The habit which we have acquired of beginning with the literary language has its origin in the fact that at one time only dead languages were thought worth teaching at all. This again led to more or less scientific methods being devised for teaching those languages, whereas scientific methods for teaching a spoken language did not exist until quite recently. They do exist now, however, and a thorough grounding in phonetics, together with the use of a phonetic script, are essential parts of the training. In the case of Indian Civil Service probationers it is not practicable to defer the acquisition of the literary or classical language entirely until a thorough knowledge of the colloquial has been attained; because, while the colloquial vocabulary and idioms are most easily learnt in India, the literary language is, for climatic and other reasons, best studied at home. Nevertheless, I venture to think that the foundation of a sound colloquial knowledge should be laid before the literary language is attacked, and that probationers should go out to India well equipped for learning to speak not only the principal language of their province but any other language which may be needed

for their work. They cannot be said to be so equipped unless they have had a training in phonetics.

The science of phonetics is so little known that it may be necessary to explain what it is. Dr. Sweet, in his *Practical Study of Languages*, says on p. 4—

“The main axiom of living philology is that all study of language must be based on phonetics.

“Phonetics is the science of speech-sounds, or, from a practical point of view, the art of pronunciation. Phonetics is to the science of language generally what mathematics is to astronomy and the physical sciences. Without it, we can neither observe nor record the simplest phenomena of language.”

He goes on to show the fallacy of supposing that pronunciation can be learnt by mere imitation. “This is as if fencing could be learnt by looking at other people fencing. The movements of the tongue in speaking are even quicker and more complicated than those of the foil in fencing, and are, besides, mostly concealed from sight.

“Even in the case of children learning the sounds of their own language the process is a slow and tedious one, and the nearer the approach to maturity the greater the difficulty of acquiring new sounds. Indeed, the untrained adult seems to be often absolutely incapable of imitating an unfamiliar sound or even an unfamiliar combination of sounds. . . . Even those who devote their lives to the study of languages generally fail to acquire a good pronunciation by imitation perhaps after living ten or twenty years in the country and learning to write the language with perfect ease and accuracy.”

He points out that there is an organic side of phonetics, in which the actions of the organs of speech are described, and an acoustic side, in which sounds are described and classified. “It is evident that both the organic and the acoustic sense must be cultivated: we must learn both to recognize each sound by ear and to recognize the organic positions by which it is produced, this recognition being

effected by means of the accompanying muscular sensations."

In India we are put to shame by our own children, who, if they are brought up in the country, learn to speak the native languages with perfect accuracy. That we are most of us quite unable to do so is due simply to defective education—to a neglect of one of the most important faculties that nature has given us.

My suggestion is, therefore, that the science of phonetics should be made a basis for the study of modern Indian languages. I do not suggest it as the only basis; I think a comparative study of the structure of languages, with special reference to those to be acquired, would also be well repaid. But a grounding of phonetics is more necessary than anything else, and for it a phonetic script of some kind is indispensable. If such a grounding is given it is obvious that the Association's script is the one likely to be used.

To sum up, the Association's script fulfils all the requirements which it is called upon to fulfil. That is, it is based on the Roman alphabet; it follows the principle of "one sound, one symbol"; it is acceptable to civilized peoples generally; it can be used for any language; it can be read easily and rapidly when once mastered; it is elastic, and, considering the results, economical; it is widely used already; and there is a body of phonetic experts, the Council of the Association, ready to give assistance in applying and enlarging it.

It will be useful to ethnologists for recording new languages; to natives who have no written language, or an unsatisfactory script, for communicating with each other; to dictionary-makers for giving exact pronunciation; to transliterators for phonetic transcriptions of ancient texts; to teachers of languages, Asiatic or European, for instructing their pupils in the art of correct pronunciation; to teachers of the science of phonetics;

and to philologists as a record of linguistic changes. As there now seems to be a reasonable probability of its coming into general use for all these purposes, I venture to suggest that the Royal Asiatic Society should not be behindhand in adopting it for its records, and in joining with the leaders of the Association in order to perfect and enlarge it with special reference to Asiatic languages.

The Association's system has been recently used by me in a paper on the Tamans of Upper Burma for the Royal Anthropological Institute. The name of the Tamans for themselves and the numerals are given below as a sample of the uses to which the script may be put—

Taman	χAPTĀ (χAPTĀ)
1	tə
2	nek
3	sùm (sum)
4	pəli
5	məŋə
6	kwa
7	sənè (səne)
8	pəsè (pəse)
9	təxā (təxə)
10	fi

KEY

ʌ	as vowel-sound in E. <i>but</i> .
ä	" " E. <i>sir</i> .
ɔ	" " E. <i>saw</i> .
e	" " F. <i>été</i> .
ù	" " E. <i>put</i> .
ə	as first vowel-sound in E. <i>among</i> .
a	as vowel-sound in F. <i>patté</i> .
è	" " E. <i>men</i> .
i	" " F. <i>si</i> .
x	as <i>ch</i> in G. <i>ach</i> .
ŋ	as <i>ng</i> in E. <i>sing</i> .
f	as <i>sh</i> in E. <i>she</i> .

The English referred to is standard southern English.

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PROCEEDINGS

3

OF THE

FIRST SESSION

OF

**The Indian Insurance Companies'
Conference**

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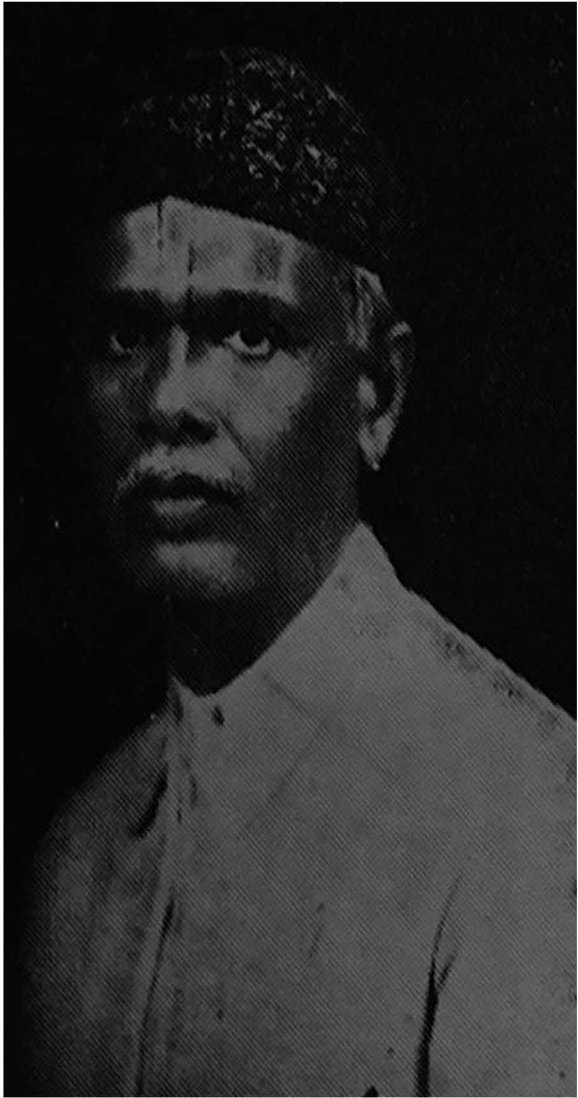
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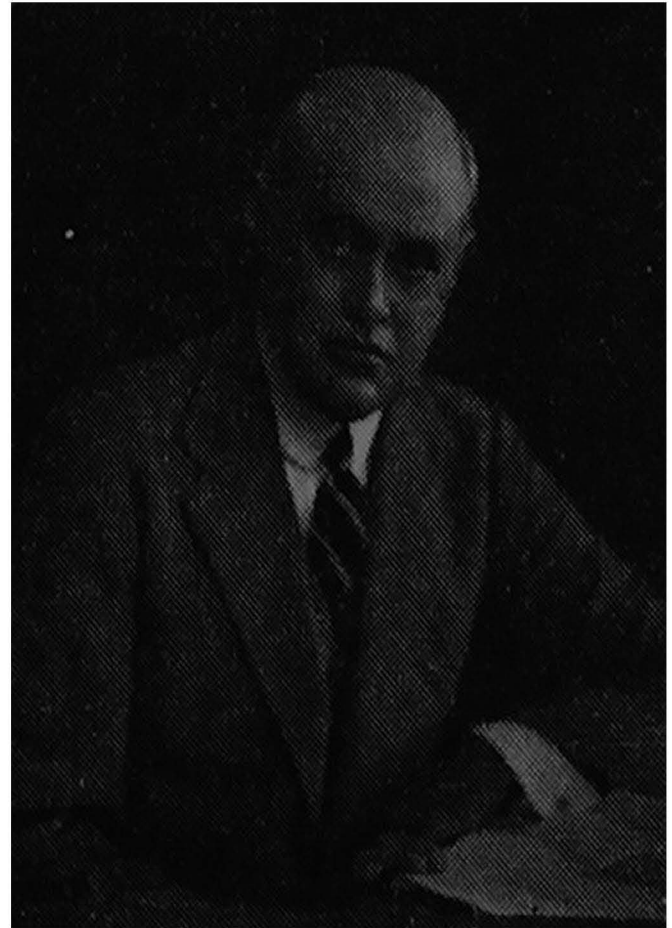
FORT, BOMBAY

April 4th & 5th 1928

PRINTED AT THE
PRESIDENCY PRINTING PRESS,
BANK STREET, FORT BOMBAY.



**SHETH LALJI NARANJI, M.L.C., J.P.,
Chairman, Reception Committee.**



**N. B. SAKLATWALA, C.I.E.,
President, 1st Conference.**

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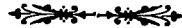
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Standing Committee of the India Insurance Cos' Conference.

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44. Western India Life Assurance
Co., Ld. Satara City.
45. Zenith Life Assurance Co. Ld.,
Bombay.
46. Insurance Association. Calcutta.



PREFACE.

For the first time in the history of Insurance business in India a conference of all Indian Insurance Companies was organised in Bombay. All the spade work in connection with the conference was really speaking done by the general Insurance Companies of Bombay. It was they who as far back as February 1927 formed into what is known as the Indian Insurance Companies' Delegation. The principal object with which this Delegation was formed was to carry on an intensive propaganda on behalf of Indian Insurance Companies, firstly by appealing to the general insurance public in India to support only Indian Insurance Companies and, secondly, by approaching all associations representing Indian trade and commerce to enlist their active support and lastly by means of group advertisement and pamphlets both in English and the vernaculars. During the one year that the Delegation was in existence it carried on a persistent campaign throughout India and Burma, with the result that a great deal of interest in the Insurance line has been created in the public mind.

It was this fact which, more than anything else, influenced the Bombay Delegation in taking up the question of organising the first Conference of Indian Insurance Companies. It must be said to the credit of all Indian Insurance Companies that even the first circular which was issued by the organisers suggesting the Conference was well received and it was this favourable reception in the first instance that was in a large measure responsible for the holding of this Conference immediately.

Almost all Insurance Companies transacting life or other branches of Insurance business have now joined this Conference and there are as many as 46 members on its rolls. That the results of the Conference have exceeded all expectations are

now so well known that it is not necessary to enlarge upon the utility of the Conference itself. The mere fact that the Indian Insurance Companies' doing business in various parts of India took the trouble and expense to send their representatives to attend this conference, combined with the fact that almost all the distinguished industrialists and merchant princes of Bombay took more than ordinary interest in the proceedings of the conference by personally attending it and thereby contributing to its great success is an eloquent proof, if any proof was needed, that the thinking mind of India is wholeheartedly with the Indian Insurance Companies.

The Conference has been responsible for stirring the principal Indian Insurance officials to great activity in that they have contributed very valuable, interesting and instructive papers on Insurance. The general public until quite recently understood Insurance as nothing else but the payment of premium and the receipt of claim, if any, whereas today Insurance people who really took part in the Conference have shown to the public the larger services which the institution of insurance has rendered and is rendering to the public good all over the country. The manifold services which the profession of insurance is rendering to the community at large have been touched upon by some of the speakers. It is no exaggeration to say that all papers without exception have been a real and solid contribution to the insurance literature of India where such was lacking.

The Conference was really very fortunate in that it had for its President an eminent businessman like Mr. N. B. Saklatwala, C.I.E., and for the Chairman of the Reception Committee, an equally able businessman in Mr. Lalji Naranji. The contributions made by these two distinguished businessmen of Bombay in their respective addresses have been very valuable indeed, and coming as they do from technical business people,

who always mean what they say must give more than ordinary food for thought for other industrialists and businessmen of India. If a firm like the Tatas—who control fire insurance running into several crores—rightly claim to have placed all their insurances with an Indian insurance company, we do not know what further effort is necessary on the part of the millowners and other industrialists of India to follow the patriotic example set by the Tatas. Mr. Lalji Naranji also can claim credit for placing all the insurances under his control with Indian insurance companies. Most of the Municipalities, public bodies, charitable and educational institutions are now looking more and more to Indian insurance companies for the protection that they require. The Conference has passed a resolution in the form of a reminder to the people of India to support Indian insurance companies and we make no apology for quoting that resolution in extenso.

"This Conference of the Indian Insurance Companies calls upon the Indian insuring public in general and the mercantile community in particular to place all their insurances whether life, fire, marine, accident etc. as far as possible with the Indian Insurance Companies."

This resolution was naturally accepted with considerable enthusiasm by the whole audience present at the Conference and it is up to the people of India to see that this mandate of theirs is loyally adhered to and that when the next Conference of Indian Insurance Companies meets in 1929, it will not be necessary to repeat this resolution.

Bombay 22-5-28.

K. S. R. Iyer.

N. J. Gor.

Secretaries.

Welcome Address by Chairman of the Reception Committee.

Mr. Lalji Navanji, M. L. C. J. P., Chairman of the Reception Committee at the outset of his address made special reference to the presence at the Conference of Sir Geoffrey Corbett, Secretary, Department of Commerce, to whom he extended a hearty welcome. He thanked Sir Geoffrey for the interest he had shown in the Conference and hoped that Government would always be willing to extend them the hand of co-operation. He also expressed his hope that Government would help in bringing about the progress of insurance in this country as far as Indian Insurance was concerned :—Proceeding he said.

Brother Delegates and Gentlemen,

“ I have great pleasure in extending to you a hearty welcome to this city. This is the first occasion on which all the Indian insurance companies are meeting together for a common purpose and with common objects. It is in the fitness of things that such a conference should first be held in the city of Bombay, for, this city has given birth to a number of organizations conducive to National development. Bombay is the one city in India where important trades are still in the hands of the people of this country. It is in this city and in this Presidency that the important industry of India, viz, the Cotton Mill Industry is situated and which is mainly controlled by the Indian people.

So far as insurance is concerned, it might perhaps be a surprise to many people to know that insurance had its origin in this country. Manu, the Hindu Law-Giver, specifically mentions a charge on goods carried from one town to another to ensure their safe carriage until handed over to the consignee at destination. The following quotation taken from an English author will confirm the above statement :—

“ If we want a remote example nearer akin to our modern conception of the meaning of the word ‘INSURANCE’ we can turn to India where it is recorded in the ‘ Institutes of manu ’ which were compiled some-time before the Christian Era, that in estimating the tax to be levied on the trader some consideration should be given to a well-known charge in the transit of goods for securing the goods carried.”

Insurance business is being carried on even now by Indian individual firms. Such firms, however, never organized themselves into limited liability concerns on modern lines, as India, instead of developing her navigation, insurance and banking, began to lose them all in favour of Western countries under the British Regime owing to their failure to turn navigation by sail into steam and their individual banking and insurance business into regular joint stock concerns.

The natural result was that, these firms as they were constituted, had no strength to withstand the inroads of organised and established foreign companies.

The resources of individuals were divided and limited and they sank into insignificance due to their own internal competition and external competition from foreign concerns.

Banking and insurance are necessary national requirements and so are very closely allied to the needs of trade. So long as articles of trade were carried by Indian sailing ships, both banking and insurance remained with Indian individual firms. But as soon as wooden sailing ships were replaced by steam steel ships of non-Indian makes, non-progressive Indian firms could not continue against the well-organised, advanced and scientific foreign countries. Along with the passing of the country's trade, therefore from the hands of Indians, shipping industry also vanished and banking and insurance followed suit.

It is to be deplored that a line which had its origin in India hundreds of years ago and which was in extant even in those primitive times, to-day finds itself not only neglected but positively ignored by the people of this country.

A hundred years ago, there was not a single insurance company in this country established by the people themselves. Even fifty years ago, there were no insurance companies of any standing in India, even for the transaction of life insurance business. In so far as other lines of business in insurance were concerned the entire benefit was going to non-Indian companies. Life insurance companies themselves began to appear on the scene only from the year 1870,

and to-day India can claim to have a number of life insurance companies. For the large number of life insurance companies that we have in India, the business that they do is very small, as it is obvious that still a great portion of the Indian life insurance business goes to non-Indian companies.

Life insurance has been developing by leaps and bounds throughout the world since the postwar period. Several countries are writing to-day four and five times more business than they used to do even five years ago. India has not lagged behind in this respect inspite of several disadvantages under which we are suffering to-day. Life insurance is slowly developing in this country as can be gathered from the fact that some of our leading insurance companies are able to write to-day as much as 50 per cent of the total business which all the Indian insurance companies wrote even three years ago. To give only one instance, the "ORIENTAL" of Bombay has been able to write in the year 1927 new business exceeding $4\frac{1}{2}$ crores of rupees as against the 8 crores of rupees which all the Indian life insurance companies wrote only three years ago. Yet, it must be confessed that the Indian people are still very backward in respect to *per capita* insurance. Of course, it must be admitted that India is comparatively a poor country. Still the amount of life insurance in force with Indian companies— $53\frac{1}{2}$ crores of rupees for the large population of this country is woefully small. Calculated per head of the population, this cannot even come to Rs. 2 per head as against Rs. 2,000 per head in America, Rs. 1,500 per head in Canada, Rs. 800 per head in England and Rs. 400 per head in Japan. In

the same way, the funds of the Indian life insurance companies, compared to the accumulated funds of life companies, in other countries, are negligible. The total funds of all the Indian life companies are a little over 14 crores of rupees as against 4500 crores of rupees of American life companies, 1600 crores of rupees of English companies, 600 crores of Japanese companies and 450 crores of Canadian companies.

That there is a vast field for indigenous life companies cannot be denied. With the creation of a proper insurance atmosphere in the country itself and with the move that we are now definitely taking and other propaganda and educational work that we shall have to carry on in the future, there can be no doubt whatever that, as time goes on, people will look to Indian companies for more and more of the insurance protection.

Leaving life insurance for the present, and passing on to what are known as commercial insurances, such as fire, marine, motor car and other accident business, it must be said at once that Indian companies, even a decade ago were not much in evidence. In spite of the fact that large trade has been going on between India and other outside countries and in spite of the fact that the cotton mill industry and the cotton trade were in the hands of the Indian people, there never was any thought given to this great handmaiden of commerce. It was left to the post-war period to bring into existence several new types of enterprises and commercial insurance was one of them. Several fire insurance companies were started with huge paid-up capital, as a

result of post-war prosperity. India has not developed many industries and consequently has not enough fire insurance business of her own. These companies are still able to carry on because of their large capital. To meet their expenses, they had to seek outside fields and some had to go to the United Kingdom and the U. S. A.

There can be no doubt that several crores of rupees are being spent every year by the millowners, cotton merchants, seed and other merchants, property owners and several other trades in insuring their respective factories and business premises. Excepting for a small fraction, most of the motor cars used in India are owned by the Indian people. A very large amount is being spent in insuring these cars, the bulk of which to-day goes to non-Indian companies. The important crops of India every year are valued at Rs. 1500 crores. The imports into India of foreign articles are valued at over Rs. 232 crores a year. The insurance premium therefore on all these heads must be enormous. But I am quite certain that not even 5 per cent of this goes to the share of the Indian insurance companies.

The great difficulty in India to-day is to get correct information to enable us to understand how insurance premiums are shared by indigenous and non-indigenous companies. Almost all countries in the world to-day have their own Government machinery to get this information every year. It is only in unfortunate India that such information is not available to the people. Although the Government of India a few years

ago agreed to introduce a Bill for the regulation of insurance business, it is to be regretted that so far nothing has happened. It is very necessary, in the interests of insurance business, that statistical information from ALL insurance companies transacting business in India, showing how much business they do under various heads, should be filed with the Government of India. Then only will it be possible for the Indian public to understand how small a portion of the large premium falls to the share of the Indian companies compared to the very large amount which goes out of this country for the benefit of non-Indian companies.

Every country in the world to-day finds that insurance business should be developed for the sake of the country itself. Even small Republics like Argentine, Chilli and Brazil have passed such stringent restrictions against foreign companies that to-day the major portion of the insurance business has automatically gone to the national companies. Other countries have passed legislations favourable to local companies even at the sacrifice of foreign interests. Behind all these, there is the solid and whole-hearted support of the people of these respective countries for their own institutions. It is only in India that such united action on the part of the people has not yet been forth-coming. With a view therefore to enlist the active support of the people of India, all Indian Insurance Companies in Bombay transacting commercial insurance started a joint publicity campaign over a year ago. The response so far has been satisfactory and the Delegation has now become a regular Association of Indian

Insurance Companies and it is proposed to continue the publicity campaign on behalf of Indian insurance companies. I am glad to say that all Associations representing Indian trade and industry have now begun to take greater interest in Indian insurance companies. Everywhere there is an awakening of national spirit and it behoves all of us interested in the insurance business to see that this favourable atmosphere is maintained, sustained and continued for the benefit of Indian insurance business in general and for the advancement of the Indian insurance companies in particular.

The development of insurance, especially of Commercial Insurance, requires the good-will and co-operation of various foreign insurance companies. I am glad to say that such co-operation has been extended to our Indian Companies and all Indian and non-Indian insurance companies have been working in a friendly spirit. Insurance creates a friendly feeling all over the world as the more risks are divided in all parts of the world, the less risky and more profitable it is to insurance companies. Insurance habit increases with the development of industries. Industries require capital and no country can do without capital. Insurance creates capital. Insurance is such a necessity that the security offered will tempt every one for his own safety to go for insurance. The growth of Insurance and the growth of industries are mutual and go together in every country. Insurance is a charge levied voluntarily by each and every business and industry. A sum is set apart to meet any contingency of loss.

Competition in insurance will affect both Indian and non-Indian groups adversely. I shall quote here the remarks of the "REVIEW" an English Insurance paper, which has in its issue of February 1928, given a review of the working of Indian insurance companies. It says as follows :—

"The feature of the working accounts of these companies (Indian Insurance) that strikes one is the evidence they afford of a low risk business, but that the business generally is done on extraordinarily high commission terms. The position in this respect improved in 1926, but it is still remarkable. In one or two cases the high rate of commission is to an extent due to the volume of re-insurance written but there is clear evidence that commissions are very much above the usual scale and the profit which there should be in the business of the risk character indicated by the loss ratio is lost in the Commission terms."

It will thus be seen that business is secured on high commission terms, which absorb all profit. I therefore appeal to all industrialists, traders, landed proprietors and everyone who has anything to do with insurance in this country to place their business with Indian insurance companies.

Insurance, unlike other business, is necessarily an international business. Insurance Companies always

like to spread their risks in as many parts of the globe and in as varied businesses as possible as, in the event of loss, the companies will always be protected from the revenues derived from different classes of business. The Insurance business is such that some countries have favourable loss experience and some otherwise. Insurance Companies generally work on the basis of reciprocity thus creating a universal brotherhood in this most important business.

In conclusion, I hope and trust that the Conference we are holding to-day will be the forerunner of the greater interest which the Indian insurance public will evince in their own national concerns and that before long all the Indian insurance companies will be placed in the happy position of sharing the bulk of the business that the Indian insuring public are placing to-day. With these words, gentlemen, I again have great pleasure in welcoming you to this the first Conference of Indian Insurance Companies.

Election of the President.

Mr. H.P. Mody (Chairman of the I.M. Chamber) in the absence of Sir Purshottamdas Thakurdas then proposed that Mr. N. B. Saklatwala be elected to the Chair. In doing so he said, "A surprise has been sprung upon me in asking me to move this proposition. However, I am glad to do this because Mr. Saklatwala is one of the leading figures in the commercial and industrial, life of this city. His claim to the presidential chair of this Conference is also based on the fact that he is the head of an organisation which controls the largest insurance company in this country which along with other companies we may regard as a national enterprise. I do not think therefore that Mr. Saklatwala's claim to occupy the chair can be disputed and I think there is no better man we could have selected for this purpose. I have great pleasure in proposing him to the Chair.

Lala Lajapatrai M.L.A. seconded.

After thanking Mr. Mody for the very eloquent words used in reference to him Mr. Saklatwala took the Chair and delivered his address as follows:—

"Presidential Address"

Gentlemen:—

I am much obliged to you for the honour you have conferred by appointing me as the President of the first Indian Insurance Conference. I confidently hope that this Conference will now be an annual event and grow every year in usefulness and importance.

The idea of holding this Conference had its origin in Bombay. This was accelerated by the activities of the Indian Insurance Delegation of this city. It was this Delegation who, during the last year, was responsible for creating a great deal of interest in the public mind in favour of Indian insurance companies. They carried on a regular and uninterrupted propaganda both in the press and through pamphlets. All the Associations representing Indian trade and commerce throughout India and Burma have welcomed the activities of this Delegation and have already begun to take an active interest in Indian Insurance Companies. The experience gained by the Delegation during the last one year has emboldened them to embark on a more permanent organisation and I am glad to say that their efforts have been crowned with success. The result is the formation of what is known as the Indian Insurance Companies' Association in February of this year.

It is indeed a gratifying feature that out of about 45 insurance companies of Indian origin who do different kinds of insurance business, almost all have joined the Conference, and at this stage, I would like to thank on your behalf the organizers, and especially Mr. K. S. Ramchandra Iyer, and Mr. N. J. Gor, for the trouble they have taken, and congratulate them on the success attained.

Mr. Lalji has told you how backward India is in the matter of insurance. I shall supplement a few figures to what he has already given you. Life companies were much earlier in the field than fire and

marine. Amongst these, the oldest existing life company is the Christian Mutual started in the United Provinces as long ago as 1847. The oldest limited life company is our well-known "Oriental" established in 1874.

Between that date and now some 50 companies (including Mutuals) have been established, and are still working.

Except the "Indian Mercantile" started in 1907 no real attempt was made to start Fire and Marine companies until 1919, when several substantially capitalised companies were established in Bombay and Calcutta.

The funds (including paid-up capital) of all Indian life companies do not very much exceed rupees 14 crores, and those of fire and marine may be put down at about 2½ crores.

There are 56 Indian life companies, and 23 non-Indian companies doing life business. Amongst those doing fire and marine business, there are only 10 Indian and over 100 non-Indian.

I hope you will all realise how insignificant these figures are for a vast country like India as compared to other countries, not forgetting Japan.

Let me now come to the object of this Conference. Mr. Lalji has rightly said that the Indian and non-Indian companies have been working in a friendly spirit, and it is not our object here to ask the non-Indian companies to quit and leave the field to

us. On the contrary, there is ample room still for all the non-Indian companies and many more Indian companies for the different insurance business. We have met to-day to make you realise what has already been achieved by Indian companies, especially life, what immense scope there is for more companies carried on by Indians, how much more can be done by a ready response by the great Indian public and how much more can the insurance business expand if the proper insurance 'sense' can be instilled in the public mind.

India is still on the fringe of insurance business as far as Indian companies are concerned. The existing companies have a great responsibility. They have to demonstrate that they can develop along the right lines and inspire the same confidence among the public as some of the non-Indian companies with millions of reserves behind them. I am glad to say that in life some of the Indian companies have shown results for a series of years which have absolutely consolidated their position, and to-day can hold their own against the best non-Indian companies that are working here. That is not enough, and such life companies should not be counted on the fingers end but by scores. Our efforts should be directed towards strengthening the position of those that are still struggling and starting many more in different parts of the country.

I have a mournful tale to unfold when coming to fire, marine and accident. Here the progress is painfully slow. The few Indian companies which have already started have demonstrated their utility and their

right of existence. I am however grieved to record that the public have not responded to their efforts to the extent they have a right to expect. The Indian public, as a rule, are suspicious and if I may say so ignorant on insurance matters. They have an idea that the foreign companies have very large reserves behind them, and have wider experience, and are therefore better able to meet losses than Indian companies of later growth. Again some of our big capitalists and industrialists have had very cordial relations with these foreign companies which they are loath to disturb. To an extent, these people are correct, but if a firm like the Tatas, who can be given some credit for business acumen, can see their way, consistent with their responsibility, to confine all their business, extending to some crores, with an Indian company, surely others can do the same.

I can assure you, gentlemen, that most of our Indian companies are now on very sound insurance lines. Whatever risk is entrusted to them (never mind for how many lacs) according to the best insurance practice, a restricted limit is retained and the rest re-insured with other sound companies who in their turn reciprocate similarly. It is this wide distribution which gives security. Some of our public utility companies, who have now begun giving the Indian companies a share of their business, have thoroughly examined the position before doing so. I am quite ready to admit that the Indian companies have first to deserve and then to desire, but I am quite confident that most of our Indian companies

can stand the most severe scrutiny. Most of them have employed the right kind of experts, have built up reserves at the sacrifice of dividends in spite of the clamour of their shareholders, and now can with all justification claim your business.

It is now the turn of the great Indian public to support them. There should be some enthusiasm in them, there should be patriotism and business instinct. I am no politician, but I am sufficiently a business man to feel in my heart that the Swaraj for India depends to a great extent on its industry, commerce, banking and insurance. God helps those who help themselves. On economic as well as on patriotic grounds it is your bounden duty to place all your business with the Indian companies which are already existing, and thus give a stimulus to the promotion of new companies. This is the surest way of conserving India's wealth in the country itself. Big and small, all can help. I ask for the right vision and right perspective, and I do hope this appeal will not fall on deaf ears but practical results will be achieved by the time we meet again next year.

Before I finish, there is one important question I must refer to, namely, Insurance Legislation. As far back as June 1925, a draft Insurance Bill was published in the Gazette of India, and most of us were requested to send in our comments on it.

The Insurance Bill seems to have disappeared. The original reason for its disappearance was that Government proposed to wait the report of a body

sitting in London to recommend alteration to the English Insurance Act.

To the best of our knowledge, the report has now been made, and we are but awaiting Government's next move in the matter.

The Government of India Bill, as originally published, provided, for deposits from every insurance company, and in this connection, it is important to us to insist that the final wording makes it clear that subsidiary companies working in India shall be required to make a separate deposit; that each American company be required to put up a separate deposit, however it may be worked or controlled in India. Numerous American companies have entered this country free, but some of us know the onerous requirements before an Indian company can enter America. And lastly any firm or person representing "Lloyds" or other similar underwriting body shall be required to put up a deposit. "Lloyds" is really a combination of a great number of very small insurance companies, and it is a matter for consideration as to whether one deposit should be regarded as sufficient. This is a legitimate demand of indigenous insurance companies and would be readily granted in any country.

I think we should go further than deposits, however, and strongly commend to the Government of India the idea as to whether it is not possible to think out some reasonable and moderate form of protection for Indian insurance companies. The question is a difficult one, but it has been done in other countries.

We do not want anything unreasonable, as it might do more harm than good, by provoking retaliation on Indian companies outside India. We want some moderate suggestion that would constitute a slight inducement to Indians to insure with Indian companies, in order that the progress of Indian companies may be assisted.

After all, the Indian companies sell insurance in much the same manner as other people sell cotton or steel.

I once again congratulate those who have conceived the idea of this Conference. Let us realise this is merely the commencement of our task and there is much work ahead. This will have to be an active and live Conference working throughout the year because once the pace is slackened much of the good work can be undone. If the right sort of propaganda is carried on much can be done to shake off the present listlessness of our countrymen and it will go a great way towards promoting a spirit of goodwill and co-operation by which alone substantial progress can be made. Gentlemen, I again thank you."

Death of Sir Currimbhoy Ebrahim.

The following resolution of condolence at the death of Sir Currimbhoy Ebrahim was moved from the Chair and carried unanimously, all standing :—

“ The Conference has heard with very great regret the sad death of Sir Currimbhoy Ebrahim, Baronet, the Senior partner of Messrs. Currimbhoy Ebrahim & Sons one of the leading Industrialists of India who have consistently supported Indian Insurance Companies and places on record the deep sense of the great loss the Indian business in general and the Indian Insurance business in particular have sustained. They beg to convey to the family of the deceased the sympathy of this meeting in their sad bereavment.”

That a copy of this resolution be forwarded to Messrs. Currimbhoy Ebrahim & Sons.”

Appointment of Subjects Committee.

A Subjects Committee consisting of the following gentlemen was formed to draft the necessary resolutions to be placed before the Conference :—

N. B. Saklatwala, Esq., C. I. E.
Lalji Naranji, Esq., J. P.
H. E. Jones, Esq.,
J. C. Setalvad, Esq.

R. J. Duff, Esq.
 H. L. Humphreys, Esq.,
 Sen Esq.,
 Pandit K. Santanam.,
 Lala Girdharilal.,
 S. B. Cardmaster, Esq.,
 Byramjee Hormusjee, Esq.,
 S. Kabboor, Esq.
 Kanchanal Varajdas, Esq.,
 Girdharlal Mullick, Lala,
 D. D. Deshpande, Esq.,
 G. S. Marahte Esq.,
 K. S. Ramchandra Iyer, Esq.
 N. J. Gor, Esq.

Messages.

The following letters and telegrams from gentlemen who were unable to attend the Conference were read by the Secretary :—

From **Sir George Rainy**, the Commerce Member, Government of India: "Sir George Rainy regrets exceedingly that he is unable to accept the kind invitation of the Chairman and Members of the Reception Committee of the Indian Insurance Companies' Conference to be held at Bombay on Wednesday and Thursday the 4th and 5th April, as it is impossible for him to be in Bombay on these days."

From **Sir Rajendra Mukerjee**, Calcutta:—"Sir Rajendra Mukerjee regrets his inability to accept the invitation of the Chairman and Members of the Recep-

tion Committee of the Indian Insurance Companies' Conference to be present at the conference to be held in Bombay on 4th and 5th April next. He, however, wishes the Conference every success."

Telegram from **V. Mangalam**, Bangalore, "Regret inability to attend owing to company's pressing business. Posted letter yesterday. All India association an epoch making event in progress of Indian Insurance. Pray accept best wishes for success of Conference."

Telegram from **Madhava**, Mysore :—"Owing to important Government work unable to attend. My ideas already frequently before public. Wish Conference every success. Great future awaits prompt and correct action by Indian Insurance men."

Telegram from **Mr. Jamshed Mehta** Karachi :—

"Regret inability to attend. Accept hearty congratulations. Wish your Conference all success."

Telegram from **Cowasji Khambatta** Auctioneer, Ahmedabad :—"Wish every success to Insurance Conference."

Letter from **Mr. V. Rangasami** General Secretary, Asiatic Govt. Security Life Assurance Co. Ltd. Bangalore :—

"Many thanks for your kind invitation to the First Indian Insurance Companies' Conference which I hope will become a permanent annual institution. Believe me that only very pressing official business

has prevented me from personally attending and participating in the function. The absence of a common Association and want of co-ordinated thought for the protection of the legitimate interests of Indian Companies have been very keenly felt and it is a matter of immense satisfaction that the praise worthy efforts taken in this direction have at last borne fruition. The future of Economic India depends to a great extent upon Insurance and co-operation. These are the crying needs of the hour and if as a result of your deliberations in the Conference, you are able to focus public attention upon the value of Insurance and the necessity for encouraging Indian concerns, you will be achieving a large measure of success. It should also be our endeavour to explore all possible ways and means to satisfy the public at large that the Indian Companies are no whit inferior to foreign concerns in (1) safety and security of Investment, (2) speedy settlement of claims and (3) economy in management. In this great humanitarian work each has a lot and all the Indian concerns should therefore work together in a spirit of sympathy and goodwill. May your discussions lift aloft the banner of Indian Insurance and May the Conference inaugurate a new era of concord and good understanding among the Indian concerns, is the wish of your friend and fellow worker."

Six interesting papers dealing with the different aspects of Insurance were read at the Conference. They are printed here one after another in the order in which they were read.

Insurance and its Manifold Services.

BY

Dr. B. J. MODI,

of Messrs. Lalji Naranji & Co.

Managing Agents.

THE JUPITER GENERAL INSURANCE Co., Ltd.

Mr. President and Gentlemen,

The general idea in the minds of the ordinary public about insurance is that its real function begins and ends with the payment of a claim. To a certain extent, this is undoubtedly so, but in this short address I shall confine myself with the larger service rendered by all classes of Insurance to the community in general and to individuals in particular. There is no branch of Insurance which does not render this important service. Fire Insurance Companies have been responsible to a very large extent in the great improvement that has taken place in the architectural designs of some of the prominent public buildings throughout the world. It is here that the professional architect and the trained insurance Inspector put their heads together and evolve a design pleasing to the eye and safe from all points of view. But it is in the construction of large industrial plants that the ingenuity of the insurance Inspector is brought into full play as it is here that very large amounts are covered by Insurance Companies. Particular care is, therefore, taken to see that

proper cutting-off of hazardous processes from innocent departments is done so that the industry is saved from paying huge premiums for fire insurances and the workmen are saved from disastrous fires that always take place when such separation has not been provided for. In this way, Fire Insurance undoubtedly plays a leading role instead of merely meeting a claim by the payment of money.

The same can be said perhaps to a larger extent of the service of Marine Insurance. Every trained underwriter is expected to be fully posted as to the construction of all important vessels as this has much to do in the acceptance of risks both of vessels and the cargoes that are carried on them. There are experienced marine engineers and no vessel to-day can get a quotation unless it has been passed by the trained Surveyors of that wonderful Institution known as the Lloyds of London. As everyone knows, after steamships were introduced in the world's sea going traffic Lloyds became the oldest marine Insurance Institution in the world and almost all the steam vessels of the globe to-day have had at one time or another to come under the scrutiny of the surveyors of this Institution.

When we pass on to what are known as Accident Insurances, we find that a larger service is done in these departments than even in the two previous ones that I have mentioned. Safety appliances and other safe guards to prevent accidents in factories are the out-come of careful inspections and reports made by the various people engaged in the Insurance business. To-day, there is no industry worth the name which

does not protect its workers from accidents. Indeed, it has been made compulsory by various Governments that all workmen engaged in factories should first be protected by their employers against accidents happening to them in the course of their employment. Insurance Companies know well that the negligence of a careless employer will mean certain death to a number of employees and very large amounts by way of compensation would be made against the former. So, in the nature of things they take great care to frequently inspect all the factories in which they are interested and suggest various improvements so as to avoid accidents to workmen as far as possible. This serves two important purposes, one in the industry being able to continue all its employees intact and the Insurance Company in not being called upon to pay heavy claims. It is only natural that nobody will like to be known as careless or negligent towards his employees and so ultimately without anybody feeling anything about it a great service has been rendered not only to the industry in general but also to a group of employees in particular.

But the greatest service of all services is rendered by the Life Insurance Companies. To-day, several go-ahead Companies of the West are engaged in the pleasant and noble task of prolonging the Lives of their policy holders. Literature by the tons are issued to-day telling people how to live under hygienic conditions and to avoid diseases. It is not so much the curing of diseases that worries anyone to-day as the prevention of illness altogether. Small booklets

attractively printed, written in equally attractive style by people expert in their lines are broadcast freely throughout the length and breadth of the country telling people what they should do and eat to prolong their own lives. Some Companies have even gone a step further and have organised free medical examinations so that a policy-holder is always put on his guard if there is anything the matter with him. Discreption of diseases known only to the medical profession ten years ago is to-day within the knowledge of everyone who is competent to read common English. More knowledge and better information are placed at the disposal of the laymen by Insurance Companies to-day than a host of authors put together. Who could have dreamt even twenty years ago that Life Insurance Companies would be launching on a scheme I have mentioned above instead of merely collecting the premium, paying the commission and when a claim is made paying it thus ending its contract? Times have changed and are changing and at this rate one cannot say what further wonderful service will be at the disposal of the common generation. Even this, I maintain, is only a very small service rendered by Life Insurance Companies compared to the very great and useful service that they have done to a large number of population throughout the world. If to-day the farmer in Western countries finds himself prosperous he has to thank the Insurance Companies for his prosperity. If the middle class man has a roof over his head, he has no one else to thank for but the Life Insurance Companies. If gas and electric power have made the very remarkable development that they have

to-day it is the Insurance Companies that have made them possible to attain this position. If Rail-Roads have increased their capital it has come from Insurance Companies. If Public Schools and Universities have been possible the Life Insurance Companies have had a great hand in this development as well. I can go on multiplying cases where Insurance Companies have spread their usefulness, but I think for an audience like this the facts that I have enumerated above will be more than ample to show that Insurance Companies when they begin to grow, develop and become a power, will only be too-glad and too willing to render the greatest of service to humanity in general and to the country at large.

Why Non-Indian Insurance Companies Still hold the Indian Market ?

BY

Mr. R. J. DUFF,

General Manager,

THE NEW INDIA ASSURANCE Co., Ltd.

Mr. President and gentlemen,

The subject of the paper I have been asked to read to you is: "Why non-Indian Insurance Companies still hold the Indian market ?"

The direct and immediate reply is, of course, very simple. It is "Because Indians insure with non-Indian Companies."

(It is to be understood that in this paper I refer to Fire, Marine and Accident Insurance Companies and not to Life Companies.)

Obviously, if Indians insured always with Indian Companies,—the non-Indian Companies could not hold the market. In such circumstances most of us would probably be going about our business with broad smiles upon our faces, instead of attending this Conference. There might still be a Conference (possibly in London) but it would be a Conference of non-Indian Companies, to find out, amongst other things, "Why non-Indian Companies had *failed* to hold the Indian market."

To-day, however, we are up against the fact that, to a very large extent, Indians do not insure with Indian Companies. Therefore, if we search for, and find, the *reasons* for this, we shall have solved to a large degree the question of "Why non-Indian Companies hold the Indian market".

I propose in this paper to detail some of the "reasons" just spoken of, and discuss and suggest means by which we can endeavour to overcome and do away with those things which impede our progress.

(1) The number of Indians and Indian firms holding the Agencies of non-Indian Companies.

I put this "reason" first, because it enables the non-Indian Companies to retain the larger bulk of insurance business.

There is a collection of Rules familiar to many of us known as "Agency Rules." These Rules prevent us paying agency commission to more than a certain number of firms. Therefore, even if an Indian merchant does desire to give up the Agency of non-Indian Company, and place his business with an Indian Company, he probably finds that it is not a business proposition.

The natural enquiry is,—“Why bind oneself to such Rules?” and the reply is interesting.

We must be either Tariff Companies or non-Tariff Companies.

If we are Tariff Companies, we are required to bind ourselves to adhere to the Agency Rules.

If we become non-Tariff Companies, we automatically lose our important Treaty Reinsurance market in London with the British Tariff Offices.

This, by itself, would not be disastrous, because we would not have much difficulty in finding other markets for our wares, in so far as Fire business is concerned. We could place our reinsurance Treaties:-

- (a) In the non-Tariff London market including "Lloyds," (but the security might not be so good.)
- (b) In Europe (outside England.)
- (c) In America.

There is another consideration, however, and an important one. Our friends, the British Tariff Offices, give us business by Reinsurance Treaty. Some of us get this business to a larger extent than others, but most of us, I believe, get some of it.

If we become non-Tariff Companies, we lose this business, and we don't want to lose it.

The point may be put forward that we could get business back from the other markets I have mentioned.

As regards the London non-Tariff market, we might get some back, but not much. Moreover, it would not be the same class of business, nor should we get as wide a 'spread of risk.' Further, there are inconveniences.

As regards the Continental Companies, I will only say this :—that, nowadays, it will require (in my experience) a superman to squeeze a really good profit out of them.

We are left with America. Well, some of us know quite a lot about that, but we still hold up our heads, and are even beginning to look cheerful. At the same time, if we have to choose, I think we prefer the General Foreign Treaties of the old-established British Companies.

We arrive at this result, therefore, that the price of our adherence to those Agency Rules today is our mutual reinsurance arrangements with the British Tariff Companies, and it would be foolish to suggest that we do not want those arrangements, because, if we know our business, we do want them.

So, you see, gentlemen, it comes to this, that a number of amiable gentlemen who sit round a table in London (and constitute the Committee of the F. O. C.) (Foreign) have us reasonably tight in a net. All we can say at the moment is that we are wriggling, and shall continue to wriggle.

We hope our friends, the British Offices in London, will appreciate that there is nothing very monstrous about our wriggling, since we are merely striving for the progress of Indian Companies in their own country.

To place themselves in our position, the British Companies must imagine how they would feel if they awakened one morning and found that the bulk of the biggest firms in London had accepted the Agencies

of non-British Companies overnight, and that they (the British Companies) were not in a position to compete adequately for the business, owing to something called an "Agency Rule."

(There is just one other point which should be mentioned, although I am not dealing with the merits of Tariff versus non-Tariff. But we must never forget that other Companies besides Indian Companies, could play at the non-Tariff game.)

(2) My second "reason" as to why Indians do not insure with Indian Companies is—"Ignorance of the principles of insurance and reinsurance."

Undoubtedly, lack of knowledge is a potent factor against us. I will only mention one instance, and I think it is sufficient.

In the course of the peregrinations of the late Indian Insurance Companies Delegation, the Delegation interviewed a body of prominent businessmen. We found that many actually thought that if they insured a property worth say Rs. 50,00,000 with an Indian Company, and the property was totally burnt, the Indian Company would itself bear the loss of the Rs. 50,00,000.

The argument appeared to be as follows, how could the Company pay Rs. 50,00,000, when its Capital was only about Rs. 20,00,000.

This is not a fairy story, it is actual fact. The principles of reinsurance and spread of risk had no place in their consideration of the subject.

It is curious to reflect that they might have applied the same argument to many non-Indian Companies working in India, but this they never thought of. This fact shows something which is akin to 'lack of knowledge' viz., mistrust.

There *is* a certain amount of mistrust. The remedy for this 'lack of knowledge' and mistrust lies to a very large extent in our own hands.

First, we want propaganda, and again propaganda.

Secondly, we must by steady work and proper insurance practice, pursue our way to success, and thus show the general public the stuff we are made of.

(3) My third "reason"—"*Long-standing connections* with non-Indian Companies." I have met this objection so often, and confess that it strains my patience.

My reply always is :—"But if every Indian held that view practically no Indian concern of any kind could progress in its own country."

It is not for me, however, to deliver a homily on what is called patriotism in a gathering of this kind: By all means let Indians have "long-standing connections," but let them be with Indian Companies.

I sometimes suspect that the phrase "long-standing connection" cloaks a feeling of mistrust, which I have already referred to. Otherwise, it is difficult to understand the logic of it; when national interests are concerned. Here again, we can do a good deal

by propaganda, but a change in the mentality of the general public is also required, so that they will think out for themselves the advantage to the community by the support of national concerns.

(4) My fourth reason is :—"The security offered by the old-established Companies, and their fair dealing."

Here we have to pause a moment and give credit to our competitors,—the British Companies.

I have taken three of the old-established British Companies at random, and not the three largest. The premium income from Fire, Marine and Accident of the three combined exceeds £36,000,000 or Rs. 48,00,00,000. Their Reserves for Fire, Marine and Accident business (exclusive of Capital, but including General Reserves) exceed :—

Company A—£16,000,000 equal to Rs. 21,33,00,000

Company B—£10,300,000 equal to Rs. 13,73,00,000

Company C—£ 7,100,000 equal to Rs. 9,47,00,000

Company C carried forward an amount exceeding £1,500,000 or Rs. 2,00,00,000 at the end of 1926.

These are big amounts, and *they are earning interest all the time*. It is unfortunate for us that our shareholders do not appear to appreciate the importance of reserves. Immediate dividend is all that concerns some of them, they do not look to the future. But, after all, our shareholders have the right of selling their shares if they don't like us, and although

we must always consider our shareholders' interests; I think we have an even bigger duty which must never be lost sight of, namely, the building up of Indian Insurance Companies on a sound foundation.

For this, we must have three words always blazoned before our minds :—

“ BUILD UP RESERVES.”

and underneath that another three words :—

“ RESERVES EARN INTEREST.”

We must give our British friends credit for the security they offer,—I speak of course of the well-known and old-established Companies.

It does not follow that every British Company offers better security than any Indian Company, as some Indians seem to imagine. There are British Companies working in Bombay today which offer less security than some of the Indian Companies ; this never seems to occur to any Indian, however.

When dealing with a prospective client who puts forward the plea of “ security,” it is well to remind him that most of the big Companies have been established for more than a 100 years, and in 100 years there is no reason why the Indian Companies should not show the enormous funds which so appeal to him.

Further, if one could turn back to the Accounts and Balance Sheets of these same old-established Companies when they had been working for only say 7 years, you would probably find that at that time

they were no stronger than the 70 years old Indian Companies of today.

But they still exist, so why this doubt of the newly-established Indian Company.

Moreover, it does not of necessity follow that an old-established Company is a sound one; nor is a newly-established Company necessarily a weak one. After all, there are such things as 'investments' and 'liabilities.'

Now, as to fair dealing. Here again, we must, in my opinion, give full credit to the British Companies; there is not much haggling with a straight client,—they pay the claim. We must emulate this. Note that I said a 'straight client.' If you do not fight a 'crooked client,' you are doing a disservice to the community, for the reason that rates are based on the general experience.

Unfortunately, there is a class of person, he is not peculiar to India, although I think there is quite a large class of him here, who makes an outrageous claim, with complete disregard for values, or the conditions of his Policy. If his claim is not met immediately and without question, he remarks: "This is what happens through insuring with an Indian Company, I shall renew my policy with a British Company again."

With him, we can only use tact, and perseverance.

With regard to this question of fair-dealing, I would like to tell a story. There is I think a certain

amount of injustice towards the British Companies in the minds of some Indians. A well-known Bombay Cotton merchant once said to me : " The British Companies have bled India, look at the rates they have charged and are charging. My reply was, " But if you can secure an extra high price for your cotton, do you turn to your buyer and say " Oh, no, I really couldn't take as much as that."

The British Companies have sold their insurance, and they have taken as much as they could get. Bear in mind, that they have not done it only in India, they have done it all over the world. I think the view that they have bled India is an unjust one. If they have " bled " anyone at all, which is itself a moot point they have " bled " the whole world.

Moreover, think of the happy days when rates were high, commissions low, and competition not keen. Would we gentlemen responsible for running Indian Companies, have any great objection to such a period ?

Well, gentlemen, we cannot do away with the security and fair-dealing of the British Offices while they work with us, but we can cope with it :

- (1) By creating more than adequate reserves.
- (2) By emulating their fair dealing.

(5) My fifth, and last " reason " is comprised in the two magic words " Better terms."

We all know what a multitude of sins, iniquities and lies those words cover, but we will not attempt to deal with the multitude to-day.

The only point I want to bring forward concerns the strange mentality of the Indian who demands

"better terms," before he will transfer his business from a non-Indian to an Indian Company.

Is pride in national institutions to have no place in the Indian mind? For how long will the Indian consider that the progress of his own country should place an *extra* 1 per cent, in his own pocket?

You may think that this attitude is only adopted by "brokers," or the smaller men. It is not so. We recently had a case of a well-known Indian Association. We requested them to consider whether a larger share of the Insurance their Members controlled could not be placed with Indian Companies.

They did not say in so many words, "Yes, if you can do it 5 per cent, cheaper." But it was delicately suggested, and conveyed to us, that if we could do so-and-so for them, then we might have some claim on their assistance.

We had not gone to them to barter, nor had we gone to ask them to do anything which would have *increased* their cost.

We had merely supplicated for a little more assistance, on equal terms for Indian Companies in India.

Gentlemen, I have finished, and we will end where we began, because it is a good thing for Indians to remember, that the reason,

"Why non-Indian Insurance Companies still hold the Indian market." is because

"Indians insure with non-Indian Companies,"

Some Aspects of Life Insurance.

BY

Mr. K. S. RAMCHANDRA IYER,

Secretary.

THE JUPITER GENERAL INSURANCE Co., Ltd.

Mr. President and Gentlemen,

I have to thank you very much indeed for the courtesy that has been extended to me. I do not know whether it will be considered somewhat of a presumption on my part to speak on life insurance when I have had really speaking no active interest in that most interesting (but to me a most fascinating) line. My only apology for taking this subject as my theme is that in the first place I have always taken much interest in this line and in the second place, this is the one industry of this country which is now steadily making its presence felt with the people of India in spite of the depressions that are taking place in the rest of the industries of this country.

Although life insurance has been in existence for nearly a century, there was nothing remarkable about it until the beginning of this century. Statistics collected by various companies go to prove that even as early as 1900 there was not even one twentyeth of the amount of life insurance that is in force to-day.

To take some concrete cases. Beginning with Japan, an essentially Eastern country, where life

insurance is of very recent origin, we find that at the end of 1905, the total amount of life insurance in force was hardly 33 crores of rupees, whereas the latest figures indicate that the Japanese people carry as much as 1000 crores of rupees of life insurance exclusively with Japanese companies and with their own Government. That small but virile country—Canada—whose population is less than 9 millions to-day had not even 100 crores of rupees of life insurance early in the century. To-day Canadian life insurance companies carry as much as 1500 crores of rupees of life insurance in force. Even war-weary Germany after losing practically all her life insurance business during the war has now recovered so rapidly that during the last 8 years her citizens have accumulated 700 crores of rupees of life insurance.

India certainly has not been sitting idle, although her development may not have been as rapid as these go-ahead countries. Yet it must be admitted that she has shown remarkable strides in this one branch. I have for my purposes selected 9 of the larger life insurance companies of this country in order to show how they have progressed during the last 10 years.

The total income of these 9 companies for the year 1916, was Rs. 1,32,66,112 whereas at the end of 1926, the very same companies show an income of Rs. 3,20,06,929. That speaks volumes. And yet, Compared to what other countries have done where does India stand? I shall let the following figures speak for themselves.

<i>Country.</i>	<i>Life Insurance in force.</i>	
	<i>(All in rupees)</i>	
United States.	... 27,000	Crores.
United Kingdom	... 3,300	Do.
Canada	... 1,500	Do.
Japan	... 1,000	Do.
Germany	... 700	Do.
Australia	... 600	Do.
Netherland	... 400	Do.
Sweden	... 400	Do.
France	... 400	Do.
Switzerland	... 200	Do.
Italy	... 150	Do.
Norway	... 150	Do.
Denmark	... 150	Do.
Brazil, Argentine, Peru, Chilli, & Paraguay	... 150	Do.
India	... 63	Do.

Beyond the fact that India has the largest population compared to the above countries, there is nothing remarkable about our country in material possessions when we consider the accumulations made by each and every one of the above countries several of which are still far less advanced than India. It cannot be said that Our people are not creating wealth. But the difficulty has always been to get organizations enough to save what is created and life insurance is primarily an organization created for the conserva-

tion, preservation and the perpetuation of what men create with great toil and strife and suffering. It is life insurance which struggles against the world's general disposition to waste to waste life and property. Some one has said that life insurance is a great university where the companies are teaching sound economics and sound politics. Life companies are teaching a doctrine of responsibility and of self-respect and in the heart of every man who is insured is put a good grip on those doctrines. It is not that life companies are merely selling something but it is a fact that they are doing the finest and best service in the world.

The greatness of life insurance lies in its revelation of the value of human life—a real revelation.

In its programme of true democracy based on the dictum that all men are created unequal.

In its solution of the problem: How effectively to relate the brief life of the individual to the continuing life of the race and rob the grave of complete victory.

The following quotations which I have freely taken from the writings of one of the greatest Life Insurance Presidents in the world will put the case of life insurance service better than any one else has done so far. I am myself indebted to President Kingsley of the New York Life Insurance Company for his great courtesy in presenting to me a complete set of all his writings. Much of the information and inspiration

which I have drawn for my purposes in the insurance line have come from this giant. I therefore make no apology in adopting his views.

"Historically Life Insurance seems a recent development. Whether we date its efficient beginning back 50 or 75 years or to the days of Joseph is immaterial. It seems to have sprung up only yesterday and has clearly achieved a glorious to-day. It supplemented the plans of free responsible men and made them almost unbelievably powerful. To vary the simile it is the steel and cement in the fabric of modern life. It binds to-day and to-morrow. It works marvels but no miracles. It is as simple as a straight line.

"Its chief function is it conserves human values and to impress those values with the social power that is peculiar to Life insurance. But it also creates value in that it creates courage; courage is the essence of personality and personality is the source of all values."

"These assets of our companies are the tangible evidence of values, that death would otherwise destroy, that death earlier did destroy."

"Socially, Life Insurance teaches that human Life is the first value, the great value, the only real value. No other social system teaches that."

"Politically it advocates true equality, the equality that man pays for, the equality that does not rob another."

Life Insurance in effect says: "You cannot attain real happiness by pursuing an abstraction, you must

have a plan, a plan that exalts life and defeats death."
That is just what Life Insurance does.

"It is the most human of all human institutions. Its assets are human values accumulated in order to keep the faith, to keep the social contract from breaking down; its outstanding insurance is a concrete expression of human dreams: dreams that will come true."

"It has indeed moved on the face of the waters. It is ending social chaos and darkness. It has even kindled a political torch which burns steadily."

In its majestic proportions, in its cumulative service, in its prophetic atmosphere, it is the modern response to the same voice that the Hebrews recorded 6,000 years ago saying.

"Let there be Light and there was Light.

And there is Light.

Life Insurance is Light."

Fair and Unfair Competition of Insurance Companies in India

BY

Mr. S. KABBOR, B. A., F. S. S. (London).

Assistant Manager.

THE GENERAL ASSURANCE SOCIETY Ltd., AJMER.

My. President and gentlemen,

The building of a Life Insurance Company, or the great fabric of Life Insurance, as exemplified in many standard Companies, is an interesting study. With a large army of agents gathering clients and premiums from every city, hamlet and countryside, here are created small rivulets, streams and rivers of liquid capital, flowing into a mighty Ocean of never vaporating funds, which are redistributed whenever and wherever most needed.

Even in times of extreme panic, when other financial institutions- Banks etc., have been compelled to lie down, Life Insurance assets have remained liquidable. Some of the small rivulets ceased to exist, because of the financial drought, but the big streams and rivers of Life Insurance never ceased to flow.

There are ample statistics and figures to prove the assertion that Insurance business is only in its infancy, and that the amount of protection actually carried by the people in India to-day is totally inadequate.

The Life Insurance business is conspicuous in contrasts. It is the most important thing to the people and yet they know the least about it. It is the most scientific business in the world, with very unscientific men and methods in the producing end. It is a veritable fairyland for the imaginative mind in its ramifying opportunities for constructive service and personal development. Yet one must go through the darkest, coldest dungeon of despair and privation to attain mastery.

It has the most enticing allurements for the really successful on the gilded side; yet the average agent is a financial failure, and a greatly preponderating number of those, who take to the work, never attain any reasonable success but stray into other pastures. As an institution for systematic thrift as a means for preventing want and pauperism, as a medium of safeguarding the home and oldage, as an equalising force in business, and as a leveller of human affairs, sound Life Insurance stands as a great bulwork to man-kind.

It is quite usual that a business of such ramifying importance in its economic and beneficent value to the public should be looked upon with so much prejudice and be so generally shunned as a vocation. This bias has not materially lessened in recent years, but on the otherhand it seems to be on increase, although without any fundamental reason. It is unfortunate that those at the Head Offices and in the field who dealt with the public in the early stages before the passing of the Insurance Act in India,

did not themselves have a clear idea of the true significance and magnitude of the business, and did not dress their presentation of the subject in a more attractive manner from a human and economic standpoint. Much of the prejudice and aloofness towards Life Insurance and its agents would never have existed had a broader and saner presentation been made to the public from the start, and a more efficient and scientific method of appointing and training agents been practised.

Again the lack of a drastic, uniform State Law for the incorporation and control of companies and agents, in the early period, has resulted in much spuriousness and exploitation to aggravate anti-public opinion.

Even with all these handicaps, the business has grown in value enormously and the public are beginning to have a better understanding and appreciation of its benefits to them.

To those who are ambitious for promotion and place, Life Insurance offers great inducements. The companies in India, as I see them today, are actually hungry for real, capable men to fill responsible positions. The comparative newness of the business, in its larger aspect, as practised in India has created a shortage of individuals, who can join production with executive ability, and for them the opportunity is ample and greater in fact, than those in any other field not requiring large capital.

The existing laws for appointing, and the practice of Companies and Managers in selecting, agents, have

permitted an undue number of agents who are unfitted, in mental equipment and training, to engage in the business.

Incidental to these requirements is the fact that a standardised representative is one who has embraced the Life Insurance business, specialising in that one vocation. He is one who serves an apprenticeship and builds, by study and hard work, to the heights of knowledge and experience where he will be equipped to guide and serve each individual for the latter's best interests, considered absolutely and in relation to principles of economics. Further more there is great need and abundant opportunity for substituting the standardised representatives for the poor and indifferent lot newly engaged in the work. It is a business where personality counts,—personality, with gentlemanly enthusiasm outside, and quick discernment of human nature plus conviction inside.

One of the greatest difficulties with the younger generation, specially with college graduates is a too impatient and arrogant attitude towards doing the work as an apprentice and unwillingness to work and to wait a sufficient length of time for advancement. Hundreds of young men, who are making a very scanty living in various other lines of work, have the inherent qualities of successful agents and all they lack is thorough preparation and enough confidence in their own ability to make an earnest start.

The worst thing in India to-day, as has been in the past, is unfair competition, which is the most vicious thing in our business. This is the chief reason why the

public still retain doubts and fears in thinking of Life Insurance and its agents.

I think I would be failing in my duty if I hesitated to bring to the notice of this august body forming the First Insurance Conference, the behaviour of one or two very responsible officers and representatives of a most leading office. One of them misrepresented to the public by setting up a rumour that the "X" Company sustained a very heavy loss of a lakh of rupees by the death of a policy-holder. At that time the said company had never issued any such policy for a lakh of Rupees. In spite of this fact being mentioned in the annual reports of the company, that representative who should have realised his responsibilities made an astounding exhibition of himself and of his sense of propriety and misguided the public wilfully just to make this a small plea and foundation to secure a few cases for his company!

Similarly another "Responsible" representative of a particular office made a public statement in a certain place the other day, by showing the highest Bonus declaration of another company, saying that Actuaries can be purchased and made to produce any kind of Bonus result. He did not quite realise what he was saying. He little knew that by making such a random declaration he was endangering his own position but what is more important the reputation of the concern he so poorly represented. It is needless to enumerate several such instances of the kind on this occasion. Suffice it to say that most of us present here are familiar with such unfair statements.

It may not be out of place to bring within the cognizance of this Conference the pernicious practice with certain companies of allowing heavy rebates *directly* to the policy holders. This bad practice leads to unfair competition with its attendant evils. This must be put a stop to unanimously.

It is a great pity that a number of irresponsible representatives and agents of this kind, to whatever company attached, who indulge in this disgusting habit of running down other companies, are daily increasing owing to unfair competition. Incompetent and mischievous agents of this type should be literally weeded out of the business. It is men of this character who misinterpret the noble objects of leading life offices in India and mislead the public and often drag respectable companies into law-courts against their will. The irresponsible act of one or two might bring reproach on one's fellow workers and the progress may be made to suffer.

Every agent therefore ought to try to do *constructive* work and should never attempt to bring down the name of *Insurance*.

It was a great calamity for Insurance Companies in India until this day, that they never came forward to meet together in a friendly spirit and adopt measures to eradicate agents who obtained business in such a manner as to bring discredit on themselves and the companies they are attached to. Agents who wilfully misrepresent the work or position of other companies should be discarded by all of us. It would be a good

lesson in discipline if discarded and dismissed agents are never taken into the service of other companies. Unless in all seriousness a resolution is passed to this effect, I would not consider that this Conference has brought about any good to agents in general and Insurance Companies in particular.

The dishonest agent who speaks in an irresponsible manner about insurance business for which he is angling is a curse to the business world. All companies by united efforts should inculcate in the minds of their agents that misrepresentation is a despicable thing and it ought to be discarded as a business rule. This is the only way of effectively putting down misrepresentation in our business.

It must not be forgotten that the worth of an office is not determined solely by the funds at its disposal, but rather by the character of its representatives. It is easy to imagine that even a wealthy office whose agents are largely composed of unscrupulous men, would soon be ruined. The demand of the public to-day is "Give us men of character who are fair and square in all their dealings" How can we achieve this object unless Insurance Companies co-operate with each other in a friendly way and put down such undesirable agents by framing proper rules and regulations for their conduct and circulate the names of such irresponsible agents who do immense harm to the Insurance business generally.

I believe in Life Insurance as a vocation, not passively, but with a burning intensity. It is not,

however, a job for a light-weight or shirker. Any one who desires to enter the Life Insurance business should study the situation carefully and pick up the gauntlet only after he feels equal to this great work of conservation.

It calls for superior ability in the discernment of human nature, backed by industry and intensive power to sway people to harmonious action. Without these, continuous and cumulative success is impossible. Constructive salesmanship in Life Insurance business necessitates the cultivation of the idea and practice of selling one's brains by a sagacious method of approach and publicity, just as a lawyer and doctor employs in building a successful practice in their profession.

In my opinion the real Insurance man is one part talk and nine-part judgment and he uses the nine-parts of judgment to tell when to use the one-part of talk.

The truism cannot be often told that the salesman should know his own goods (i. e. the advantages of his own company) thoroughly, and those of his competitors as well. It is quite important however, that he should learn the art of creating sales by playing up the strong points of his own company.

The way to be positive is to be positive and not to be negative. Tearing down or traducing, is bound to be negative. Even where actual comparisons are to be made by the use of legitimate adroitness the negative existing on the opposite side can be shown by a strong playing up of the positive or superior qualities of one's own article. Healthy competition on these

lines would assist the building up of a great National cause on the firm bed-rock of rational insurance.

It is necessary in organisation building to have agents that is the main purpose of the agency manager. Selecting men therefore, is the all important thing because they not only build the business but are the ones who are nearest the public, to protect and give them service. The greatest test of ability in an agency manager is not the man himself but the men with whom he is able to surround himself.

If the secret of selecting men were known and could be copyrighted and sold, the possessors of the secret would have John D. Rockefeller and Copper King Clarke look like door-step beggars. It is not knowing whom to hire and whom to fire and when to hire and when to fire, that is the cause of great worryment not only in the Life Insurance business but also in every other line.

If the agency manager has really earned his job, he must be a very good judge of human nature, up to a certain point. He knows by liberal knowledge and of psychology, and the limited knowledge and use of phrenology, how to size up men. As to their immediate thought and dispositions he is an adept, but he has not acquired occult power which will enable him to look forward to next week, next month, next year, or the year after, and know with any degree of certainty, what will then be the "mind incline" of an individual.

An organisation should be so departmentized that no class of people from the common labourer to the skilled artisan, from the humble clerk to the general manager or leading professional men will be neglected.

Department heads should of course be selected because of their experience by familiarity in real life or in insurance work with the class of people towards whom their activities will be directed.

Departmentizing is comparatively new in agency building, but, in service to the public and in training of agents, is successful wherever tried and is sure to be incorporated more and more with each advancing year.

That the chief function and the all important one to the insured, is the selection of his agent by the same standard employed in choosing a lawyer or doctor. Success is not just eating three meals a day, paying one's debts, joining a Church or amassing fortune. It is so doing and living in beautifying the immediate task, and in touching other souls and lives, with sunshine and inspired endeavour, as will make them enlist in a mighty army of sincere, earnest, capable workers, for that better day when greed, squalor and cruel aggrandisement shall have for ever perished from the earth. "Happy is the man who has found his work" says Carlyle. But I say "Happy is the Insurance man who has to work, and to work hard and work long."

Mr. President and gentlemen, a word more and I am finished. It must be acknowledged that there are

a few very competent and faithful workers in the field of insurance. But there is a general feeling among insurance representatives that such capable workers are being sent away on some plea or other by the Insurance Companies, after they have done a great amount of spade work in building up the company's work in unrepresented parts. If this feeling is allowed to grow without early checking and nipping in the bud, it is likely to do more harm than good to the Insurance Companies in India. I also understand that due to this reason, many competent and capable young men who are mentally and physically fitted to our line, hesitate to enter the Agency corps of this great humanitarian work. This is a point of supreme importance which deserves the immediate attention of all of us present here to make the service more attractive and secure, in Insurance Companies in general and individual companies in particular.



Insurance Legislations

BY

PANDIT K. SANTANAM.

OF

THE LAKSHMI INSURANCE Co., Ltd.

Gentlemen,

The subject that I have taken up, Insurance Legislation, is a very big subject and to exhaustively deal with it will take much more time and space than is available in a paper to be read before this Conference. I, therefore, think it necessary to indicate at the very commencement the few aspects of it which I have proposed to deal with.

You are all aware that the Life Insurance Companies Act is going to be revised and Draft Bills had already been circulated for opinion last year. At the present moment there is no Act governing the Insurance Companies which do other kinds of business than Life Insurance. The intention of the Government of India is to bring in an Act to cover all Insurance Companies and not merely the Life Insurance Companies as has been the case hitherto. This is a step in the right direction and it is none too early that it has been taken. I, however, propose to confine my remarks only to the provisions relating to the Life Insurance Companies as that is the only subject I have studied. I do not feel myself competent to deal with the other branches of Insurance. Even as regards Life Insurance what I wish to touch upon is the question relating to how far Legislative enactments can help to spread

of and popularise the growth of Life Insurance among the people and safeguard the interests of the indigenous Life Insurance Companies and also of the public. Further more I wish merely to indicate the salient points to which attention must be directed by all men interested in the development of Life Insurance Companies in India. You will, therefore, see that my object is not only limited but my idea is merely to indicate the points rather than exhaustively deal with them.

The first point to consider is the extent to which there should be Government control and supervision of the Insurance Companies. In this matter there is a distinct conflict of ideals between the British system and the American and the Canadian systems. It would be necessary for us before we tackle this subject to get a clear idea as to which of these two systems will, in the long run, be beneficial to India considering the peculiar circumstances prevailing in India with regard to Insurance in general. The Government of India itself being British entirely has got a natural tendency to follow the British traditions, the essentials of which are the least amount of Government control and the greatest scope for the play of public opinion. The Englishman by nature and traditions has got an intense aversion to the interference of Government in business affairs whether public or private. He does not like that there should be a large number of regulations governing conduct of his business. He considers that the public is quite intelligent enough to guard its own interests and no molly-coddling by the Govern-

ment is necessary in the interests of the public. If the public or any member of it is fool enough not to know what is best for him he deserves to suffer for it. The Government should not interfere in such matters except to the minimum extent necessary and only for the purpose of ensuring that the standard of business morality which has been built up in the country is kept up in the carrying out of a business concern.

On the other hand the case in America and Canada is quite different especially in the Insurance field. The lead in this respect has been given by the United States of America and Canada seems to have followed in its footsteps. Both in America and in Canada the regulations governing the Insurance Companies are so elaborate and the control exercised by Government Officers so great that the underlying idea appears to be to guard the public in all possible ways on the assumption that the public cannot look after its own interests sufficiently. There are regulations framed for Government audit, for Government inspection, rules laid down for the method of investment and even power given to disallow schemes of insurance which may not be considered beneficial to the public at large and several others too numerous to mention here. Whatever might be said against this there is this remarkable fact to be kept in mind that these two countries are the places where insurances have developed to an extraordinarily large extent and which lead the world not only in the total volume of business but even comparatively to the population. As far as I can gather the figures of total insurance in force for the several countries of the world are as follows :—

United States	\$	63,779,741,000
Great Britain	...	9,537,059,000
Canada	...	3,285,028,000
Japan	....	2,404,762,000
Australia	...	1,708,382,000
Netherlands	...	961,262,000
Sweden	...	864,107,000
Germany	...	713,746,000
France	...	701,855,000
Brazil	...	426,997,000
Switzerland	...	397,806,000
Denmark	...	392,547,000
Norway	...	392,111,000
Italy	...	337,471,000

Judging from the results it appears that this excessive interference of Government in the management of Life Insurance Companies does not seem to have in any way militated against the popularity of insurance amongst the people. There is no denying the fact that the public in both these countries are educated enough to be quite alive to their own interests and if left to themselves will look after them no less efficiently than the English public would do. Still the Government interference appears to have been welcomed by the people as an additional safeguard and has contributed not a little to the growth of the huge volume of business. I am informed that even in India some of the agents of the Canadian companies

doing business here have represented that the solvency of the Companies which they represented is guaranteed by the Canadian Government, which is not really true, but the result has been that the public they have been approaching have felt reassured and have been persuaded to patronize the Companies more readily than they would have otherwise done.

With these few remarks about the two systems I would like you to consider which will be more appropriate for application to India. The Draft Bill circulated proceeds entirely on the English lines but from the criticisms that were offered to it by different companies and by different commercial bodies it appears that the general trend of public opinion in India seems to be that this amount of control is insufficient and ought to be enlarged. I personally am not by temperament in favour of arming the Government with too much power which is likely to be misused in the present circumstances in India. It is a fact patent to all of us that the Government managed departments like the Post Office, the Railways and some industries have not been the success that they could have been. There is no doubt that private management with private initiative could have achieved better results at much less cost than the management by the State. I am, therefore, not enamoured of the idea of excessive interference by the Government in the management of the Indian Life Insurance Companies. At the same time we cannot lose sight of the fact that industrially India is not very much advanced, that being a predominantly agricultural country it has

not yet accustomed itself to the new modern industrial conditions ; that the people are mostly illiterate and uneducated and that no efficient and strong public opinion has been formed throughout the country. Further insurance on a large scale and on modern lines is a novelty to the people and in 95 per cent of the cases the prospects are not in a position to decide for themselves as to the best course that they ought to adopt. Life Insurance has not become popular to the extent that one could desire and even the business that is written now a days is done more by compulsion of the field workers than voluntarily by the people. The necessity of Life Insurance under modern industrial conditions is not grasped and many of the persons who take policies do it more as a personal obligation to the agents who approach them. Very often they do not enquire into the standing of the company with whose representatives they are dealing. The personal factor in canvassing is so predominant that every thing else fades into insignificance. Even after once insuring, the people are careless enough to let the policies lapse very often through sheer carelessness and negligence. Many other factors could be adduced to show that the public at large is generally apathetic to the idea of Life Insurance, not to say anything of the prejudice that very strongly exists in very many quarters. Considering all these factors it is a matter for serious thought whether we can proceed on the assumption that the public will be able to take care of itself. Any impartial observer would have no hesitation in laying it down as an incontestable proposition that the public in India even the educated

portion of it at the present day does not as a rule watch after its interests carefully either through incompetence or disinclination. In my opinion a more strict and vigilant control by the State becomes imperative in India than is the case in England and the Draft Bill which was circulated last year for opinion has to be considerably modified in very many particulars.

It may well be asked why should the State concern itself with looking after the public in this manner with regard to Insurance when it does not do it with regard to other kinds of business. It is a legitimate question and I believe it must be answered satisfactorily before any case can be made out at all for stricter State control. The Indian Companies Act provides certain regulations which public companies doing business of any kind whatever have to observe. The trade of a country is the bed-rock on which the prosperity of any State is built of and all countries have realised the importance of this with the result that they have considered it necessary to ensure certain publicity and certain periodical checks on corporations which do business with public capital but in the management of which the public are precluded from having an intimate voice. My plea is that something more than this is necessary in the case of Insurance Companies. Life Insurance Companies are credit institutions, in even a greater degree than the Banks and the huge accumulations of capital in these companies are not only an index of the prosperity of the nation but also of the habits of thrift and economy among the people at large and if they are not carefully

watched by the State, the ensuring crash might very well affect the well being of the whole nation. The growth of Life Insurance is synonymous with and indicative of the margin between the earning power of the nation and its expenses on its bare necessities. It is also a very good index of the standard of living of the people and their capacity to think and provide for the future and not only for the present. Only those nations are truly prosperous which produce more than they consume. The condition of a country which lives from hand to mouth is a very precarious one and will lead to acute crises time and again. As the Life Insurance Companies are the guardians of the surplus wealth of the community it is only just and fair that the State should take care to see that the affairs of these companies are conducted in such a manner that unscrupulous and fraudulent persons will not have the chance of playing ducks and drakes with the hard earned savings of the community at large. Look at the early history of the Life Assurance Companies in England. As one writer summarises is:—

“For half a century the floating of life offices had been a remunerative field for the activities of promoters. Owing to the nature of the business and to the absence of supervision, there was perhaps no form of enterprise which at the time offered more attraction to those desiring to become rich quickly, for during the earlier years after establishment the principal function of an office is to collect premiums and by the time claims begin to mature the promoters

have in many cases parted with their interests in the office and have secured a handsome profit."

The failure of one company due to fraudulent management may very likely have such a phenomenal repercussion on the credit of the country that it might set back the hands of progress for decades to come. A private business of any other kind which fails whether through fraud or incompetency will hardly have any effect even on the people who are doing business of the same kind in the same locality or elsewhere. But it is not the case with the Banks and in a much larger degree with the Life Insurance Companies. The arguments put forward in this connection are so obvious that I do not think it is necessary for me to dilate any further on the essential difference between the credit institutions and others and specially on the importance of the Life Insurance Companies as the premier credit institutions of any country whatever.

I, therefore, wish to bring it to your notice that in future legislation for India regarding Life Insurance Companies, the policy of *laissezfaire* adopted by England will certainly not do. Whether we should have the same amount of control and supervision as in America and Canada is a different point altogether. This much is certain that we must insist on a greater degree of control than is considered sufficient for England.

The problem in India is further complicated by the fact that the foreign insurance companies have got

a strong foothold in the country and the indigenous companies have to meet with very strong competition if they wish to establish themselves at all. In all other countries which are self-governing this factor of foreign competition with regard to insurance is negligible not only because those countries have fairly highly developed insurance institutions of their own but because being National Governments they have no hesitation in passing such legislation as they consider necessary from time to time to eliminate the foreign competition. In India the Government is foreign. Further the foreign companies came first in the field and Indian companies were started long after. This in itself is a great handicap and can only be removed by very strong and drastic action by the Government in the interests of the indigenous concerns; but unfortunately for us the Government not being a National one, it is only human nature if it is not disposed to take all the necessary action against their own countrymen, as the interests of India and the Indian Insurance Companies demand. It, therefore, becomes necessary for us to take such concerted action as would force the hands of the Government to take all the steps that may be necessary to protect our interests and the interests of the country whether they are naturally inclined to do so or not. There is nothing strange in this as even England which is so highly advanced industrially has no hesitation in appealing to the people on every available occasion for the support of home industries and they have even begun to introduce the policy of protection whenever necessary. My contention is that no foreign Government, however, well

intentioned it might be can fully realize the interests of the country it governs as a National one can do.

If you agree with me in the remarks I have made you will admit that the provisions in the Draft Bill circulated by the Government are entirely inadequate. Since that Bill was circulated there has been an exhaustive enquiry in England by a Committee of experts whose report has been published. They have made a good many recommendations covering a fairly wide field. I do not wish to go into details of this reports but I only wish to remark here that all the changes that they have made even if copied here will still be inadequate for our purposes.

One great omission from our point of view is that there is no provision at all made for dealing with competition by foreign companies and taking steps to eliminate their predominance in the country. This is naturally due to the fact that the foreign business in England is very small. We, however, in India are confronted at every turn with the difficulty of coping with this foreign competition. In the Life Insurance field a good deal has already been achieved but in the Fire and other General Insurance the Indian Companies are nowhere at all. I, therefore, wish to put in a strong plea for some drastic legislation to be introduced by which not only the favourable conditions that exist for the foreign exploiters should be curtailed but some advantages should be given to the indigenous concerns to push on their work. What I am suggesting is nothing new at all if considered from the patriotic point of view. Most of the countries of the

world have taken steps of a very extreme character to eliminate foreign competition. I here quote to you a passage from a speech made recently by Mr. K. S. R. Iyer.

“ When the insuring public of each country began to support their own companies, Government on their part, passed necessary legislation favourable to local Companies even at the risk of harming foreign interests. In this way Sweden has been able to confine practically its home business to its home companies, and for the 52 millions of fire premium, the share of the foreign companies hardly came to 9 millions. The French companies are so powerful that in their own field, they are unrivaled. In all Treaty agreements they insist upon a clause preventing foreign companies opening up office in France for direct business during the currency of the agreement. Germany is so careful in retaining all the insurance premium to herself that she makes it a condition in all trade agreements that insurance should be with German Companies. Brazil has passed such strict laws under which it has become impossible for any foreign insurance company to enter that tiny country. Argentine has not been slow in protecting her companies and stricter laws have been passed which adversely affect all foreign companies. Turkey has gone a step further in protecting her national concerns that foreign insurance companies

have automatically ceased to do any business. Spain has passed laws in regard to taxing foreign companies that the latter are assessed on the profits of their entire business instead of on Spanish business. That wonderful neighbour of ours—Japan—has developed her insurance business in such a remarkable manner that to-day 50 Japanese Fire insurance companies control all the fire insurance business of Japan.

Recently a Bill has been introduced in the New York Legislature which runs as follows :—

“ No insurance corporation organized and existing under the government or laws of any country outside the United States, and now or hereafter authorised to transact the business of insurance in this State, shall underwrite any risk or insure or reinsure any property owned, operated or under the control of the State of New York or owned or operated or under the control of any country, city town or Village of the State. A violation of this section by any such corporation shall be grounds for the revocation of any certificate of authority theretofore granted by the superintendent”.

You will see, therefore, that even countries which are very much advanced in the Insurance line do not hesitate to take all the steps necessary to keep the country's money in the country itself. No-doubt

England has not gone out of its way to introduce any discriminatory legislation but that is due to the fact that the English Companies which were started long ago feel so secure that they do not require any protective legislation. I am of opinion that unless very strong measures are taken it would be a very very long time indeed before public opinion can be so cultivated as to enable the Indian Companies to cope successfully with their foreign rivals.

I will now deal with a few points which I think are essential to be incorporated in any new legislation that might be brought forward. As I do not wish this paper to be too long I will merely indicate the points leaving it to you all to elaborate the arguments thereon.

1. An Insurance Department of the Government of India should be created with strong powers of inspection and control over the Life Insurance in India. The Government Actuary at the present day has practically no powers at all. It is necessary that if he is to be at the Head of the Insurance Department he should be given much wider powers. Right of inspection whenever he might think necessary, the right to enforce penalties in case companies are not conforming to the regulations made, the power to examine the basis of valuation and such other disciplinary measures as may be necessary to ensure the sound working of the companies. It may also be necessary to appoint Commissioners of Insurance in various provinces with power to decide disputed claims and enforce the payment of claims where they

are long delayed, and give valid discharges to the companies. If insurance is to become popular in India it is necessary that the public should come to know that there wont be any delay in the payment of a claim when it becomes due.

2. All foreign Life Insurance Companies working in India should be obliged to give separate returns of their Indian business and submit separate Revenue accounts of their Indian business with a view that the public might be in a position to judge whether these companies are working on economic lines in India. I am told on reliable authority that some of the foreign companies are so anxious to capture the field in India that they are willing to incur very high rate of expenses as regards the Indian business though their expenses in their Home Countries are comparatively much lower. This action of their's has made it very difficult for the Indian companies to carry on the work on economic lines. If separate returns of Indian business were submitted by the foreign companies the Indian public would be in a position to judge the policy underlying the action of these foreign concerns.

3. A further safeguard should be provided by requiring that adequate provision is made for the safety of the Indian Policyholders and that adequate funds are invested in the country so as to prevent the continuous drain that goes on in the shape of premiums to companies having their offices in other countries. This will be nothing new as several countries have adopted a similar procedure. In the United States of America, the different States of the Union have

laws to this effect even as regards other States in the Union itself. This is the only method by which the exploitation by foreign companies can be effectively put an end to and the interests of the Indians safeguarded.

4. The Indian Government can materially help the Indian companies especially in the matter of Fire, Marine and other insurances by requiring local bodies like Municipal Corporations, Port Trusts etc. to insure with Indian companies only. I have already mentioned to you a piece of legislation which has been introduced in the New York Legislature preventing foreign companies from insuring the Corporation buildings. There is no reason at all why a similar course should not be adopted, drastic though it might be, to help the indigenous concerns in their unequal struggle with the foreign companies. The only question is whether the present Government which has got an outlook different from those of the Indians themselves would be prepared to go to this extent. Our duty, however, is clear and we must press for it with all the force at our command.

5. The question of rebate especially in Life Insurance is becoming more and more a serious matter. In America the giving of rebate has been prohibited by Statute and any person contravening the provision is liable to a heavy fine. It is the experience of the Indian Insurance Companies that this pernicious system is coming more and more into vogue in India and it is time to consider whether it should not be stopped by legislation. The rebates may be given by the agents

but in the last resort they fall on the companies themselves with the result that the expense ratio of the company naturally goes up. In framing the tables no Insurance Company makes any provision for such rebates to be given or for the consequent enhancement of the rates of commission to the agents to enable them to give these rebates. It, therefore, becomes all the more necessary that this practice should be put down by voluntary action among the companies themselves if possible and if not by legislation.

These are some of the broad points on which the Indian Insurance companies should concentrate their attention. There are many others which deserve consideration. I do not, however propose to deal with them here, as I do not want to occupy your time much long. Before concluding I wish to place before you a few points on which legislation may be necessary if Life Insurance is to be made more popular than it is among the people.

1. I have already mentioned that a Commissioner should be appointed with power to deal with claims so that the insuring public might not fear that after their death a lot of trouble will be given to the beneficiary. There is no denying the fact that there is an impression abroad that there are too many obstacles put when the claim becomes due. If this impression is removed and if facilities are provided both to the offices and the claimants by which time, trouble and expense might be saved, Life Insurance would become much more popular with the people. The present practice of requiring a Succession Certificate in case of intestacy

is a very great hardship on the majority of Policy Holders whose policies do not go beyond one thousand Rupees. The Government has no doubt tried to ease the situation by empowering the Administrator General to deal with such cases but without going into details I might mention that it would be much more satisfactory if Insurance Commissioners when appointed are given these powers in preference to the Administrator General in the Provinces.

2. The Law of Succession to Insurance money must be made uniform throughout India irrespective of the personal law governing the party who insures. I do not think any legislation in this behalf would be seriously objected to by any body in India. In the case of Joint Hindu Families there is a good deal of uncertainty as to who the beneficiaries are and this militates against the spread of insurance to the extent to which it would otherwise do. If it were to be declared that whatever the source from which the premiums come the Insurance policy is a personal asset of the person who takes out the policy and that it will go to whomever he nominates as his beneficiary, this will be of immense advantage in popularising Life Insurance among the people.

As a corollary to what I have said above it also becomes necessary that the law of Assignment and Nomination should be changed in material particulars. At the present moment a person can assign his policy and if the assignment is registered with the company the assignee becomes entitled to the money as soon as the claim arises by death. It is, however, the

experience of many Indian companies that inspite of the obvious advantages people are not willing to assign their policies for the very valid reason namely that once the assignment is made it cannot be revoked if the assignee who may be a son or daughter or any other relation happens to displease the assignor. A person does not wish to bind himself in this manner. If on the contrary he merely nominates a person this nomination has no legal value whatever and the companies find that they cannot pay their monies to the nominees and secure a valid discharge from their obligations I, therefore, suggest that it should be made a law that the person insuring can nominate any person as beneficiary and the companies will be protected if they pay the money to the nominee without any other formality. Further the Policy Holder must have the right of changing his nominee at his discretion. This will be of immense help to all the parties concerned and the complaints so frequent now a days of delay in the payment of claims will vanish in most cases.

3. The licensing of agents is another problem to which our attention can be usefully directed. Life Insurance business is becoming more and more a fine art and with the lapse of time the personal factor in canvassing will become less and less and only an able canvassor would be able to produce good results. If agents were to be licensed, the immediate effect will be that the standard of conduct among the agents will become appreciably higher than it is today when there are all sorts of amateurs in the field and some of whom are unscrupulous in their methods of can-

assing. Disciplinary control over the agents will become easier and the public would have less cause of complaint against any misrepresentation by the agents. Once a large body of expert agents is created by this method of licensing it will become easy for the insurance companies to give quite a number of facilities to the Policy Holders which would go ultimately to minimise the cost of insurance and practically eliminate all the troubles that exist today between the policy-holders of the company. Here again the English system seems to be entirely different to that prevailing in most other countries but the advantage seems to lie with the system of licenses which are to be periodically renewed and which are liable to be forfeited in case of misconduct.

There are a few other points on which an authoritative pronouncement by Statute will put an end to a lot of litigation which is irksome both to the people at large and to the companies concerned. For instance the question of insurable interest and the rights of creditors to insurance money when the policy has been assigned. On both these questions there is a good deal of doubt and the law on the subject is contained in a series of rulings which sometimes are contradictory. Both these points in English law do not form the subject of statute but are parts of the Common Law. But now a days the tendency even in England is to codify the existing law wherever practicable and feasible and I think that this applies with greater force to India where the whole subject of insurance in this present form is quite a novelty. I, therefore,

suggest that the law should define clearly what an insurable interest is and also the rights of creditors to insurance money in case of the bankruptcy of the policyholders.

Another point of outstanding interest is the question of the voice to be given to the policyholders in the management of the Life Insurance Companies. At the present moment some of the companies have many provisions for having one or two Directors on the Board from among the Policyholders while in the other companies the share-holders are all in all. It is well-known that the share capital of a life insurance company becomes a negligible factor as time goes on and the amount of Life Insurance Fund becomes hundreds of times greater than the amount of paid-up capital. Under such circumstances it becomes only right and fair that the policyholders should be given a certain recognized status in the management of the company's affairs. There is a good deal to be said for and against giving a predominant office to the policy holders after a certain stage but I think, to start with, after the first two or three years of the company's existence the Policyholders must be directly represented in the management even though they may not have the majority. I think most of the people concerned with the management of the Life Insurance Companies will agree with me that where there has been provision made for the appointment of Policyholders' Directors there has been greater confidence infused into the public mind. The greater the confidence the greater is bound to be the vogue of insurance amongst people.

I will conclude my remarks here and not take up any more of your time. As I said at the beginning my object was not to deal with all the possible aspects but only draw your attention to the few points which I considered most important. A good many other suggestions can be made and will be made when the time comes to consider any proposed legislation. I, however, think that before any legislation at all is introduced in India we should have a committee of enquiry which should examine all persons interested in insurance and experts in the business side of it. The commissioners might draw all the benefits they can from the conclusions of the English Committee of Enquiry but there is no doubt that considerable modifications will have to be made as regards India. I have throughout asked for a much stricter control than what prevails in England. There may be a divergence of opinion in this matter but at the same time I will merely quote one paragraph from the Insurance Journal called, "The Policy" about the Canadian Act.

"It will be seen from the foregoing extracts that the Insurance Act of Canada amply protects the public by the strictest kind of supervision of the Canadian companies which makes it impossible for a company in poor financial shape to continue in business unless conditions are remedied. As a result Canadian Life Assurance Companies are eminently sound and reliable. And hence it comes about that no policy holder has ever lost a penny through failure of a company licensed by the Dominion Government."

**Organisation and some other Problems of
Medical Department of a Life Insurance
Company in India**

BY

ABRAHAM S. ERULKAR, M. D., (London)

B. S., L. B. C. F., M. B. C. S., F. C. P.

Mr. President and gentlemen,

MEDICINE AND LIFE INSURANCE :—

I appreciate the compliment paid to me when your Reception Committee invited me to speak to you about the organisation and some other problems of Medical Departments of our Life Insurance Coys. The choice of this subject is one of the many proofs that your Conference is keen on developing Life Insurance in India in all its aspects. Medicine and Life Insurance have been closely connected. Indeed, each has contributed to the progress of the other. On the medical side we have learnt a great deal about the prognostic importance of various disease conditions, the influence of body build on the incidence of disease, the incidence of different diseases in various occupations, the significance of variations of blood pressure, to mention a few

instances. On the other hand, medicine has contributed and will contribute much to the progress of the social science of life insurance. You are aware that modern life insurance is based on three factors:—

(1) The official returns of births and deaths.

(2) Census.

(3) The prospective value of capital at compound interest of these the first almost entirely and the second partly depend on medical data. The selection of healthy lives and the exclusion of impaired lives depends on the recommendations and rejections of your medical departments. Every advance in medicine and most particularly preventive medicine, has much influence on the progress of the life insurance. Such close relationship between medicine and life insurance is natural since medicine is the noblest of professions and life insurance is the most beneficent of our social sciences. This close relationship between medicine and life insurance has developed in less than three-quarters of a century, because it is interesting to note that prior to 1860 there were no medical examiners for life insurance.

CHIEF MEDICAL OFFICERS & MEDICAL EXAMINERS.

The Medical department of an insurance Coy. in India consists of a Chief Medical Officer or medical referee at the Head Office and Medical examiners

wherever life insurance business is canvassed by the Agents. The former revises the confidential medical reports sent by the examiners and recommends to the Directors the acceptance or rejection of the insurance applications, or the modifications of the plans or the terms of insurance. I am afraid sufficient care is not taken in the selection of medical referees and the examiners. The Chief medical officer of a life insurance office should be a physician of ability usually holding a hospital appointment. He should have not only a wide knowledge of his profession, but he should be well versed in the medical aspects of life insurance and in statistical science. He must work in close co-operation with the Managing Director or the Manager of the Coy and actuary. Medical examiners have been described as the eyes of the Insurance Coy. But they should not be the eyes of the Agent. This may often happen when examiners are chosen, as they are chosen in India, on the recommendation of the local agents and no limit is fixed to the number of the examiners at each centre. There is a very dangerous impression that any doctor will do for life insurance examination. The local agent selects the doctor and he is appointed by the Head Office. The medical examiners must be absolutely independent of the Agent. He should not be related to the Agent or have a financial interest in the work of the Agent. He should be selected from the local medical profession by the medical referee for recommendation to the Directors. He must be a qualified and registered medical practitioner of unimpeachable character. He must have all the necessary equipment for his work.

I have come across examiners who did not possess weighing scales, and even some who did not have the very simple and cheap outfit for urine examination. Another pernicious practice is the appointment of a large number of examiners in each centre on the untenable plea that this facilitates the work of the canvasser. The larger the number of the examiners in one centre, the greater the likelihood of a very unhealthy competition amongst them detrimental to the interests of the Company. The canvassers are likely to take cases to the most lenient and least scrupulous of the examiners and the honest independent examiners will be avoided. From an experience of almost 12 years in Life Insurance I can assure you that the smaller the number of examiners you have, the better will be the quality of work on your books. There should not be more than two examiners in one centre. I would like to repeat that medical examiners should be very carefully chosen by the medical referee from the list of local medical men and the number in each centre should be strictly restricted.

LADY EXAMINERS.

This brings me to the question of lady examiners for female lives. I admit that these are often as efficient as men examiners, at times more efficient for female lives. But I am opposed to their appointment on the ground that the female applicant who insists on a lady examiner, is likely to be a purda lady and therefore not suitable for life insurance. Where a gynecological examination is necessary and the lady

examiner is insisted upon, this may be allowed; but for routine examination I would exclude lady examiners simply because by doing so we can exclude most of the purda female applicants.

EDUCATION AND SUPERVISION OF

MEDICAL EXAMINERS.

As far as I know, no attempt is made to educate medical examiners and very little is done in the way of systematic recording of mistakes of medical examiners with the object of revising the list of examiners from time to time. Our medical schools teach nothing of the medical aspects of life insurance and when a practitioner is first appointed a medical examiner for life insurance work, he has absolutely no idea of his duties, his responsibilities or the nature of the work. Literature on this subject is scarce and it is only after some years of experience that he learns something of his work. His medical department makes no effort to educate him as is done by many insurance coys in America. All this is detrimental to the Co. I have repeatedly seen medical reports wherein the examiners have recommended diabetics and cases of Brights disease as first class lives. The claim papers filled in by attending medical men are often extremely unsatisfactory. I have seen again and again heart failure as cause of death, an event which must happen before a person is dead from any cause. I have read that Bombay water was the cause of death. All this shows how badly our medical men are trained from life

insurance point of view. My suggestions in this connection are that lectureship be endowed at our medical schools on medical aspects of life insurance; these lectures to be open to senior students and practitioners; and that the medical referees should issue to his examiners instructions from time to time so as to improve them; and that a systematic record of their mistakes be kept with a view to discontinue the services of those who are found to be deficient. I would also like to suggest that whenever an examiner is discontinued by an Insurance Coy. for dishonesty, the other companies should be informed of the same. If these suggestions are adopted, we will, I am sure, get a better type of medical examiner.

HEALTH PROPAGANDA.

In later years Life insurance Coys. in America and to a certain extent in Europe also, are taking more and more part in the health propaganda of their communities. Let me give you some idea of the enormous work that is being done in this connection by one of the American Insurance Companies.—The Metropolitan Life Insurance Coy. of New York, In 1909 they first published a pamphlet called "War upon consumption." Since then, they have distributed to the general public hundreds of millions of pamphlets in various languages on a large number of health subjects, such as small-pox, measles, pneumonia, hook-worm disease, malaria, the child, care of the teeth, tonsils and adenoids, expectant mothers, open air, the fly, first aid, milk &c. Their visiting nurses cover 4000

towns. A sanitarium for tuberculosis for its own employees is maintained and various health campaigns undertaken. All this is done because they believe in the truth of the saying "an ounce of prevention is better than a pound of cure" and because it is realised that writing of insurance is only a part of the service a modern insurance company should give to the public. Besides, an active health propaganda amongst its policyholders lowers the expenses of the insurance coys, and such propaganda becomes a good financial proposition. I think it is time for us to make a similar beginning in this direction. I would suggest, health propaganda by each insurance company amongst its policyholders. At the time of an epidemic, the Co's medical department should issue to its policyholders in the affected area instructions regarding the nature of the prevailing epidemic, and suitable preventive measures. Apart from this, along with the notices of the periodic payments of the premia, it would be a good thing to issue instructions regarding any epidemic disease present in the district of the policyholders. With a very little extra expense, these measures of health propaganda would raise the insurance Coys. in the estimation of their policyholders and the general public and it will pay the coys financially.

EXAMINATION AND DECLARATION FORMS.

The next suggestion I wish to submit is in connection with the medical examination form and the declaration form. These forms are more or less copies of the forms used in Western countries and we often

see some ridiculous question, such as "Have you lived in a tropical country" or enquiries about some diseases which are extremely rare in India, while very often many of the scourges of our country are entirely left out. Our medical forms and declaration forms should be alive to our conditions and an attempt should be made to have as far as possible some basic uniformity in these forms. I would therefore suggest that your offices should revise these forms in such a way that the questions ask the information sought for should have a bearing on the local conditions. Here I would like to refer to some questions that occur in the declaration and medical examination forms and one or two that ought to be there. We always inquire into alcohol and opium history. What is our attitude toward these habits? What is the safe limit? Do not our local conditions demand a different standard in these cases than what is adopted in Western Countries? My own feeling in this connection is that alcohol limit allowed in Western countries is too high for India. I feel that alcohol is much more harmful in tropical countries and particularly amongst Indian people than in the cold climate & amongst Western races. It is my belief that opium deals lightly with Eastern races as compared with Western races. I would be inclined to deal more seriously with an Indian who takes alcohol than the Western taking the same amount, but I would deal more strictly with the Western who takes a small quantity of opium than the Eastern taking a similar amount. These are my personal views and I submit them for your consideration and the consideration of your medical departments. One disease that

we ought to enquire into both as regards the applicant as well as his family members, but is absent from all the forms that I have seen is leprosy. Another addition that I would suggest is the inclusion of applicant's wife in the family history record. She may be suffering from tuberculosis or may have recently died from it, she may be a leper or suffering from some other diseases where the intimate contact between husband and wife would be a most important factor of influence on applicant's health. For these reasons I would suggest including enquiries about wife in the family history record.

BLOOD PRESSURE.

The estimations of blood pressure have become so very important that I would like to see it made compulsory for our medical examiners to take the diastolic blood pressures of every applicant. Mortality is found to be very high amongst those who were rejected for high blood pressures and higher the blood pressure, the greater the mortality. Here is a table which will convince you of the importance of blood pressure in life insurance work. I have been trying to make the taking of blood pressure compulsory in one of the insurance coys I had the honour to be attached to, and the difficulties I have found are entirely due to the ignorance of many of our medical men in taking blood pressure. Majority of them do not possess even the apparatus, but this could be remedied by making compulsory for them to possess it.

NEED OF INSURANCE STATISTICS.

No solid advance can occur in the field of Indian life insurance till we have Indian life statistics. So far we have been guided by foreign statistics on the individual experience of each chief medical officer. We ought to have our own standards of heights and weights and mortality rates, our own figures of the incidence of various diseases at various ages in different parts and different communities of the country. In this connection I would like to congratulate the Oriental Government Security Life Insurance Company on the small beginning that they have made in drawing up height and weight tables. We need many more data. We have to deal with a large country with a variety of climates. The health conditions, the diets, and the habits of the life of the Indian people in different parts of the country vary considerably. We have to take these differences into consideration. Life insurance statistics would throw much light on many of our insurance and medical problems. Much could be done by our offices in drawing up these necessary statistics. Without them our loading of lives remain unscientific and haphazard, our rejection of applications not always correct, our acceptances not always safe.

CONCLUSION.

In the course of this paper, I have given you my views on many of our problems and I have made a few concrete suggestions for the improvement of our Work. These suggestions are as follows :—

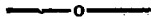
- (1) Medical examiners should be carefully chosen by the Chief Medical Officer from a list of local medical practitioners and there should not be more than two examiners in each centre.
- (2) A systematic record of the mistakes of the examiners should be kept by the medical department of the Head Office with the object of removing inefficient or dishonest examiners from the list of examiners. The name of any examiner found to be dishonest, should be circulated amongst other Insurance Coys.
- (3) Lectureship on medical aspects of life insurance should be endowed at our medical colleges, these lectures being open to senior students and medical practitioners.
- (4) The chief medical officer of a coy should try to educate his medical examiners in their work as far as possible.
- (5) Head Offices of our Companies should now make a beginning in health propaganda amongst their policyholders in some such way as explained in this paper.
- (6) The declaration form & medical examination form should be in keeping with our local conditions.
- (7) The taking of blood pressure should be made compulsory in each case.

(8) Effort should be made to build up Indian Insurance statistics.

As every one of these suggestions are practicable, I submit these & the views expressed in this paper for your consideration.

After Dr. Erulker had finished his paper the Conference was Adjourned till 2:30 P. M., the following day viz. Thursday April 5, 1928.

SECOND DAY'S PROCEEDINGS.



(*Thursday, April 5*)

The Conference re-assembled punctually at 2-30 P. M. The enthusiasm of the first day was not in the least diminished. The attendance was good and the delegates displayed the keenest interest in the Proceedings.

The greater portion of the day's sitting was devoted to the reading of nine more papers on Insurance by various gentlemen.

As they form a Continuation of the papers read on the first day they are given here as such and in the order in which they were read.

Settlement of Claims Under Life Policies

BY

Mr. KANCHANLAL VARAJDAS.*Gentlemen,*

It is now definitely recognised in India and in other countries that life insurance plays a very important part in the economic well-being of a country. Anything that comes in the way of its growth or speedy development in an economically backward country like India should be removed without delay. Life insurance thrives on the confidence of the public. One thing that is likely to create suspicion in the minds of the general public regarding the services it does and the way the whole matter is handled is in respect to settlement of claims especially after the death of the insured. When a claim is settled promptly, without undue and irksome formalities, the company has rendered real service in the cause of life insurance by creating confidence at once in the public mind in favour of life insurance.

There are certain companies who will do well to revise their methods and formalities in the matter of claim settlements. One company, for instance, insists on a form being obtained from the employer of the deceased. It is often very difficult for an illiterate widow to comply with this requirement. It serves no purpose, either. The company's desire to see that the claim is a bona fide one is laudable, but the method it should

employ to serve that end should not be irksome. The same remarks apply to the attestation by one of the mourners. My view is that instead of all these signatures the claim papers should be signed by the claimant and the physician who attended the deceased. This sort of simplification of the procedure would be of immense benefit to all beneficiaries and incidentally to the cause of life insurance.

Another very important matter to which I wish to draw attention is the assignment of policies. There is a lot of confusing formalities which prevail in this respect. There are many companies in India coming under the jurisdiction of a variety of laws. There are also two kinds of courts, those of British India and those of the Indian States. If a policy-holder belonging to an Indian State dies in his own native place and if he is insured with a company situated in the British territory the claimant has to come to a British Court for obtaining necessary Letters of Administration, thus necessitating considerable trouble and expense. In my opinion, steps should be taken to remove this anomaly by a uniform legislation being introduced in this country. In order to facilitate matters, the company can introduce a clause in the body of the policy itself to enable the insured to name his nominee in the event of death so that considerable delay may be avoided and the beneficiaries will be enabled to receive the benefits of a life policy when they most need it.

Prospects of Marine Insurance in India

BY

Mr. MILLARD,

Marine Manager.

THE NEW INDIA ASSURANCE Co., Ltd.

Mr. President and Gentlemen,

In dealing with such a subject as the "Prospects of Marine Insurance in India," it is essential to appreciate the wide difference between the factors which generally control the placing of Marine insurances, and the considerations which influence the placing of the other classes of insurances common to most present here today. A proposer of Life Assurance or Fire or Accident insurance is almost invariably the sole party interested in the cost of that type of insurance and concerned in the benefits to be derived from or the indemnity those insurances contract to provide. For those reasons a proposer for these latter classes of insurance normally prefers to insure with a Company domiciled or effectively represented locally, and it would be an easier task to deal with the prospects of such classes of insurance in India. Let us now turn to the subject of Marine insurance and review the vastly different considerations which influence the placing of this business. Almost the first thing an insurer does on receiving a Marine policy is to endorse it conferring the right to the indemnification provided

for therein on some party, probably thousands of miles distant and possibly a total stranger. The original insurer also, in making out the Invoice in connection with the goods insured, includes therein the cost of insurance or charges separately and definitely the premium paid. The original insurer, therefore, is not the sole party interested in the cost of insurance ; indeed he is not interested beyond the point that in most instances the securing of the very lowest cost of insurance is essential to enable him to sell his goods in a market that may be ruled by international and intensely competitive prices. In some instances, however, in which the market is such that the cost of insurance is not a consideration of so great importance in disposing of his goods, he is only interested to the extent of the discount or commission to be gained by effecting the insurance. Emerges then, the point that the actual payer of the cost of Marine insurance is the purchaser of the commodity. The retort may be that the purchaser is in fact the eventual payer to the cost of all insurance effected, by the trading communities. That is so ; in fact the cost must ultimately be transferred to the consumer, but the feature peculiar of Marine insurance is that the purchaser, at whose motive goods are transported from one place to another, which gives rise to the need of insurance whilst the goods are in transit, pays the itemised cost of insurance of each shipment or individual transaction. That party, therefore, being most intimately concerned in the cost and the benefit of insurance has the dominating voice as to the terms and conditions of the same ; the natural consequence being that the requisite cover is often taken

out in the country to which the goods are consigned, or if that country cannot offer the facility of cheap and comprehensive insurance, it may be effected in the market in which the cost and conditions of insurance is most favourable to the insurer.

Most of you will probably be wondering when the subject matter of this paper will be dealt with, but the subject can only be fairly considered after the factors and considerations controlling and influencing the placing of Marine insurance are fully grasped.

I think it now abundantly clear that the prospects of Marine insurance in India are interwoven with the prospects of the business generally and internationally, and the prospects of local Underwriting Companies depend largely on the extent to which this fact is realised and the adoption of a line of action conforming accordingly.

It is true that India has a large coastal trade involving a considerable volume of Marine insurance and the economic forces applying to this section of the business are not so insistent and powerful as the similar forces that apply to foreign trade. It would be thought that Local Companies, more particularly the domiciled Companies, would handle this business to the point of practically controlling it, yet, never the less, we that are interested in the insurance of this trade, find it is subject to foreign competition to an extent nearly as intense as the competition for the insurance of India's overseas trade. This illustrates the extent to which Marine insurance, whether of a local character

or otherwise, is ruled by the manner in which it is internationally regarded and the consequential application of that outlook.

In the process of reviewing the prospects of the business in this country and having regard to its close relationship to the business in its world-wide nature, let us consider firstly the present prospects and in their proper order touch upon the prospects that the immediate and the distant future hold out for the Insurance Companies of India.

It is known only too well that Marine insurance has suffered and is still suffering from result of the aftermath of the late war. A few years of exceptional —although, perhaps fictitious—prosperity and high values of ships and cargoes led to a marked expansion of underwriting facilities throughout the world which, evidently, are now much in excess of requirements. To serve competition has been mainly due the trouble that it has been the misfortune of Marine insurance to suffer during the last few years. Doubtless, this has been good for Shipowners and Shippers of cargoes, for there is no question that Marine insurance, generally, has been and is being provided at less than cost price. The Market in India for the insurance of the Hulls of ships is very limited, nor is there likely to be a demand that would call for any appreciable expansion of the present capacity for the underwriting of such insurance, unless remarkable changes in the ownership of the merchantile fleets of the world, or in the constitution and ability of the existing recognised Hull underwriting markets of the world, take place.

This paper must, therefore, be regarded as dealing with the insurance of cargoes. It is regrettable that the prospects of the business so far as the insurance of Hulls is concerned, cannot be brought within the purview of this paper, as it is that section of Marine underwriting which holds out the only bright spot discernable in the whole fabric of the business.

The present terms and conditions prevailing in the insurance of cargoes are deplorable, although some improvement has been brought about in the insurance of Hulls. Little if any, success, however, can be recorded in dealing with the question of cargo rates and conditions, which, as this paper indicates, is of chief importance to Companies operating in India. Insurance Companies throughout the world have been able to present more or less satisfactory accounts of the results of transacting most classes of their business but the accounts relating to Marine insurance point to the serious difficulties of conducting the business as evidenced by the extremely poor results secured. The business of Marine insurance, instead of contributing to the profits of the Companies has called for great sums from the profits of other classes of insurance to be transferred to support the Marine accounts, or large funds, built up in the past, have been dissipated or have had to be retained in the Marine Accounts for the purpose of meeting claims still to be borne. Individual Companies here and there have shown that, in spite of the unfortunate condition of Marine insurance and the extreme difficulties in conducting the business a small profit can be earned, but such Companies are

very few and appear to be those that can influence exceptionally desirable connections or have written a small and very carefully selected account. The less disastrous experience of Companies adopting this policy in conducting their Marine Underwriting, clearly indicates that if many more offices were to exercise a similarly restrained policy, terms and conditions would quickly respond. It is to be feared that this, though a counsel of perfection is a counsel of despair, for as long as powerful underwriting groups continue, apparently, to write large amount at low and—more often than not—unprofitable rates, other Companies desirous of proceeding on cautious and conservative lines, naturally find it difficult, if not impossible, to secure the terms and conditions which they believe to be justified. One would think that in such circumstances, the obvious policy for Companies holding that belief, to pursue, would be to refrain from accepting the risks. In the past, such reserve on the part of the Underwriters was feasible and usually brought about a remedy, but it would be less effective now owing to the size of the market and the present day clamouring for premium income. Even, if action, to improve the conduct of Marine insurance can be immediately taken, the degree of success with which such action will be met will not be enjoyed nor apparent for some time.

It is not only the insufficiency of rates that has brought Marine insurance to the unfortunate condition we see it in to-day, but the underwriting of the business is complicated and rendered still more unsatisfactory and unprofitable by a present day demand of ship-

pers for the inclusion in Marine policies of risks which are outside the ordinary and generally recognised perils of the sea. True, this development has one desirable feature, in as much as it evinces a growing appreciation of the value of insurance, and it is not easy for Underwriting Companies to refuse to recognise that and decline to grant insurance protection for extraneous risks when it is desired. The case for a more comprehensive cover is strong, therefore, and it would be difficult and perhaps, a short sighted policy for Underwriters to refuse to satisfy the needs of shippers; particularly the needs of those whose business has brought a profit in the past. It is for Underwriters to try to ensure that an adequate remuneration for the acceptance of this additional insurance protection is obtained, and to consider, in conjunction with the Shippers, which risks the latter are best fitted to assume, since some are ordinary risks of trading and have little to do with the special perils which transport involves.

Having listened to this gloomy recital of the difficulties attending the conduct of Marine insurance at the present time, and the unsatisfactory condition it has reached, you will not expect the optimism that it would be necessary to assume and to unwarrantably assume—to predict bright prospects in the near future for the domiciled Companies now transacting the business, or awaiting Companies that may be contemplating venturing into the Marine Insurance market. The immediate attitude to be adopted by our Companies towards the business must be dictated by the

respective policies and capacities of the individual offices. Some companies, acting possibly in what they believe to be the interests of their general welfare and development, may decide to freely transact Marine insurance in spite of the unsatisfactory results that must at present be anticipated, while others may elect to proceed on the lines of sound and cautious Underwriting. In the latter event it is to be feared the amount of business they would succeed in securing would, indeed, be small.

Any concerted action on the part of Indian Companies is not feasible, apart from considerations of their numbers and financial strength, unless conforming with a movement embraced generally by the large Underwriting Companies and groups throughout the world, and there are yet signs wanting of any such movement being made. If, and when any action having as its aim an improvement in the general and world-wide conduct of Marine insurance is projected, Indian Companies would be well advised to join and effectively support any such action, for the progress of Indian Insurance Companies in Marine business depends entirely on that business being placed on a basis that makes it profitable to transact.

This aspect of the prospects of Marine insurance in India can be emphasised by recounting the recent history of Marine business in Bombay. In this city there are operating, approximately, one hundred Insurance Companies Indian and Foreign with a collective Underwriting capacity sufficient to cater for the entire Marine insurance requirements of every

merchant shipping goods from the port. Practically all those Insurance Companies are members of an Association which has as its object the regulation of Marine insurance by fixing rates of premium which experience indicates are responsible both to Underwriters and Shippers, and determining relative conditions on which goods may be insured. One would think, that in these circumstances, the market in this city for Marine insurance would be able to so regulate the business through the medium of the Underwriters Association as to withstand any serious attack from competitors not members of the Association. The contrary, however, is the case, and severe competition has been forthcoming from foreign Underwriting groups operating—through Agents—in our midst, and from foreign Underwriters that write the business in their home markets. The severity of such competition has compelled the local Association of Underwriters to relinquish control over rates of premiums applying to a large portion of the shipments from Bombay. It is realised that even the adoption of a scale of rates of premium which experience proves would result in a loss to Underwriters—and no Association feeling a moral responsibility for the guidance of its members could adopt that line of action would still invite that ridiculous competition which is the feature of Marine insurance today. Also, the imposition of an obligation on members to observe a Tariff of rates would place them in a position of having to fail in that observance in instances when it is deemed advisable to retain certain connections at all costs.

It is evident that the present and the near future hold but little promise to those that are ambitious and anxious to extend the activities and expand the facilities of the domiciled Insurance Companies in the realm of Marine Insurance underwriting. However, to give a fitting conclusion to the paper, having regard to its title, it is incumbent on me to look further ahead into the future that Insurance Companies, in the process of their development, must always visualize. It would not be unreasonably optimistic to hold the view that Marine insurance must in course of time again become a business by the proper transaction of which the Companies can expect to drive a reasonable profit. Economic forces, stronger than the power of Insurance Companies, have brought Marine insurance to its present unsatisfactory condition, but counter forces will, in time, rectify the position, for it is obvious that Insurance Companies great as their collective financial resources may be, cannot continue indefinitely to provide insurance protection at less than cost price.

Given the improvement in the conduct of the business which Insurance Companies must, in their own interests, and by some means enforce, the prospects of Marine insurance in India are naturally largely dependant upon the export trade of the country. A review of the general trade prospects is, however, outside the scope of this paper, although it would not be out of place to anticipate that the demands of the world at large for the products and Manufactures of India will grow and counteract any shrinkage in exports that may otherwise follow her increasing ability to convert

her raw products into the manufactured articles the country requires.

To the extent that the course of Marine insurance in India depends on the general trade of the country, so does the future of Marine insurance, generally, depend on the course of world-wide trade. Most of you will have followed the published opinions of those best fitted to judge which are to the effect that a gradual improvement and expansion in the trade of the world can be looked for. It is recognised that Marine insurance is a more satisfactory business to transact when the state of trade is good and is subject to a healthy expansion. As Marine insurance is a business of so international a character it will be seen that any improvement in world-trade must, therefore brighten the prospects of Marine insurance in this country.

There is no reason, therefore why Indian Insurance Companies should not regard their Marine insurance business of the future with hope and optimism, and prepare to secure their rightful share of the business offering. To succeed they must possess the financial strength and be in a position to provide the service that inspires confidence in those electing to insure with them. They must aim to extend and perfect their organisations in order to offer the facilities of insurance that are at the present time so readily obtained from the many competitors in the business who have already developed a world-wide and intricate organisation.

Those Indian Companies now transacting Marine insurance would welcome the advent of more domiciled Companies into the business. Advancement of our Companies in the business would be accelerated and consolidated were greater numbers operating. The whole-hearted support and patronage of the merchants trading in this country cannot be looked for until they are convinced that all their Marine insurance requirements of a reasonable nature can be catered for by Companies of Indian origin. When that time arrives it will be found that much greater progress will be easy of achievement.

**Life Insurance Investments and some
Suggestions Thereon**

BY

Mr. N. J. GOR, B. A., LL. B.

OF

PRESIDENCY PROVIDENT & GENERAL INSURANCE Co., Ltd.

Mr. President and gentlemen,

It was not my intention to submit any paper during the Conference as I had very little time at my disposal for handling any subject. However, I have been forced to speak by my esteemed friend and co-worker Mr. Ramchandra Iyer, who, as we all know, has worked for the promotion of insurance business in this country by propaganda in press etc. as no other man has done.

The subject of investment is equal in importance to writing new business and helps or retards the progress of an institution according as its investments are on sound and paying lines or otherwise. The latest figures available roughly show the following position as regards the Indian Life Offices' investments:—

	1921	1923	1924	1925
	% to total assests.			
Govt. Securities	65	66	65	60
Port Trust, Municipal & other securities	15	13	14	19
Mortgages on property	7	6	6	7
Loans on Policies	3	3	4	4
Miscellaneous	10	12	11	10

It will be seen from the above that a very large part is invested in Government securities, the result of which is that the rate of interest earned is meagre and is not what large funds should command as will appear from the following :—

	1921	1922	1923	1924	1925
Rate of Interest	5.88	5.96	6.26	5.93	5.70

Compare with this the following figures for the United States companies as on Dec. 31, 1926 :—

Mortgages on property	42.8
Government Bonds	9.4
Other Bonds & Stock	28.8
Policy Loans	12.2
Real Estate	1.8
Cash	.9
Miscellaneous	4.1

The second class of investments viz. the semi-Government stock etc. occupies the second position. It is this stock that should have found larger favour with investments than the first, for, it is in this field

that there is a very wide scope for investment with safety. We find, and as you gentlemen know, very little active investment programmes are previously modelled and carried out by our companies. In this class there is an ample scope for companies to underwrite by negotiation the whole stocks of semi-Government bodies at a great profit. They can even approach local self-Government institutions like the Municipalities and the Local Boards with suggestions that the funds would be forthcoming if Government guarantee their loans. As an illustration of my view point, I would suggest the following. We recently read in papers that the Bandra Municipality had full support of the Government in their water supply and drainage schemes. The difficulty is about the funds as the Local Government is not in a position to help it on account of financial stringency. There is no reason why some of our local companies with large funds should not approach severally or jointly the Municipality with clear suggestions that they would be prepared to underwrite the loan at a certain discount and certain rate of interest if they could obtain the sanction of the Government for a loan duly guaranteed. This is the most important form of investment that has been neglected and I hope in years to come we may find the figures for the Government and semi-Government securities reversed.

In this connection, I quote Mr. Ecker, Vice President of the Metropolitan Life Insurance Co, of New York. He says "It may be well to emphasize the extent to which the Life Insurance funds are

sought to be invested so as to be of greatest benefit to the whole public. Investments in the public utility concerns give the best returns, and greatest benefit to the public, and are safest as they are in the form of obligations secured by mortgage of property of the operating companies."

One form of investment properly secured but not to be encouraged in the interest of policy-holders is the policy loan. The amount of such loan once given is not controllable under any form of investment policy as it is given under contractual and legal requirements. Demands for policy loans are seen to follow closely the swing of business conditions. In times of general stress, policy loans increase. But it should be persistently brought to the notice of the public that they tend to defeat the very object for which the life insurance was procured, of course the exception being the case in which the loan is merely a transfer entry to keep the policy running under non-forfeiture clauses. It is doubtful if the money loaned on life insurance policies really finds its way into productive channels and before the amount shows an appreciable increase in percentage to total assets it should be checked and kept low.

The final item of note is the miscellaneous which comprises loan on personal securities, Agents' balances, Deposit, Cash etc. The percentage is extremely heavy and needs to be reduced to a very large extent so as to make more funds available for better form of investment.

I will end gentlemen by quoting from Charles Evans Hughes "It is well for you constantly to emphasize that life insurance is the effective agency of thrift. The best guardian of purse that has ever been discovered is a life insurance policy. You deal in money. As your outstanding risks grow your reserves must correspondingly increase. You cannot hoard. Thus you control very largely the funds available for important public enterprises. You should therefore in a very large measure be the means for public undertakings, for railroad expansion and betterment, for the service of public utilities for every endeavour which gives proper response to public needs.

Statistics in Insurance Business

BY

Mr. D. H. HIRANANDANI,

B. Com. (Bombay & London.)

OF

THE JUPITER GENERAL INSURANCE Co., Ltd.

Mr. President and Gentlemen.

My very sincere thanks are due to the organisers of this First Indian Insurance Companies' Conference for giving me an opportunity to read this small paper on a subject of which I have been a keen student both in this Country and in England while preparing for my degree examinations. Of course, the paper is a very brief one and is meant to give only the general lines on which the study of this subject should be developed in Insurance business.

Nothing is more vital to business development than Statistical information available in connection with that branch of business. No information is more convincing than the one obtained by the compilation and analysis of actual figures pertaining to the business. In fact the gist of the modern business development, is Statistics. Statistics is as vital to business as fuel to an engine and food to man.

Unlike other branches of business, the need for statistics is of paramount importance to Insurance

business and it is in this very branch of business that information is not forthcoming. Insurance is a business of a very special nature inasmuch as it has not only to face the ordinary Trade Cycle in sympathy with business in general but it has also to face the ravages of nature in particular. It is this phenomenon, which is peculiar to Insurance business, that makes it a subject of statistical investigation in minute details. Unlike in Life Assurance, the risk in other classes of Insurance business viz. Commercial and Casualty is not certain of occurrence inasmuch as that loss will never occur in all cases of insurance. It is only a certain proportion of business that suffers a loss and it is a most difficult thing to ascertain which of the risks will be subjected to loss and at what time. In order to safeguard against this uncertainty incidental to underwriting business nothing can help us more than the compilation of statistics, their analysis and examination. As raw material is a big item in the cost of manufacture similarly loss ratio is a big item of cost in Insurance business. While in the former case the cost can be exactly calculated, in the latter it can be got by taking the average loss in relation to particular class of business and averages are the soul and substance of Statistics. It is desirable always to know the cost of each item and the profit earned by the sale of that item and this can be possible in Insurance business if risks are properly classified according to their nature giving the figure of premium earned on each particular class. Losses must similarly be shown against each class and this can give us the best idea as to whether the business is being

carried on, on prudent lines. This information is of vital importance to all the insurance offices, and the best figures are those obtained from one's own previous records. The results of all the companies will vary, because each has its own way of dealing with its business.

Not only do the individual companies pay little heed to this cardinal factor in business, viz :—maintenance of proper Statistics, but it is very unfortunate that the Government have also ignored this important branch of business—viz Insurance.

There is no information as to the total amount spent on Insurance by this country as no returns are made by the Companies transacting a general insurance business in this country to the Government. But from the inferences that can be drawn based upon the following facts, we will readily realize that the share of this business going to Indian Companies is but very nominal. Taking into account the imports and exports of merchandise into and from this country which run into an enormous figure of 1200 crores of rupees every year, the amount of marine premium earned by our national concerns is very small indeed. If to this figure we add the figure of coastal trade—that portion of it which is insured,—the result is only further aggravated.

Turning to Fire insurance, the same thing is true of this class. In absence of direct figures, we can only infer by taking into consideration the amount of capital invested in industrial concerns viz :—Cotton

etc. and other public buildings and in private trade on small scale, and taking on the other hand the premium earned by the few Indian Companies in existence at the moment, one feels that this figure is insignificant.

Leaving Fire and turning to casualty insurance, we don't find the results any better. We know that most of the private cars and commercial vehicles running in this country are owned by Indians, and yet taking the number of vehicles on road and the number insured with Indian Insurance Companies, we can only infer that inspite of the ownership being Indian most of the property is insured with foreign companies. Most of the mills in India are owned and managed by Indians and yet we find that not many mills give their workmen's insurance to Indian Companies.

All these facts make it clear that quite a substantial amount of Indian resources leave this country in shape of premium to foreign Insurance Companies.

All these facts are only an indirect way of proving the loss to the country due to export of our resources in shape of premium, known as invisible export, an information which could be had in a more direct way, by legalising the Insurance Companies and making all the companies to submit an yearly report of premium earned from each class of business, the amount of risk underwritten each year and the funds created for the safety of the policy holders. As I have already said, nothing is more convincing to human mind than figurative information obtained by

the analysis of figures pertaining to that business, it would do this country any amount of benefit if the Government legalised Insurance business, and collected information on lines indicated above and laid the same before the public when their eyes would be opened to the loss, they were putting the whole nation into by allowing the export of Indian money for the benefit of foreign lands.

The Co-ordination of Life Assurance and Long Term Banking

(By Mr. S. M. Pandharipande B. A. Managing Director the Ideal Democratic Assurance and Mortgage Loans Ld. Nagpur, and Mr. D. D. Deshpande, B. A. S. T. C. F. C. R. A. Chief Accountant the I. D. A. & M. L. Ld. Nagpur.)

These two businesses may at the very outset, be looked upon as incompatible with each other, but the incompatibility is more supposed than real, in as much as, it will be apparent, that on a studied investigation into the techniques of these two different businesses, for which the present essay is intended, there is nothing in their very nature that may conflict with each other. On the other hand, it can be proved to the satisfaction of an intelligent reader and a serious student of economics, that the two businesses can be very harmoniously co-ordinated without prejudice to either of them but to the utmost good of an economically distressed and primarily agricultural country like India. How this can be done, we shall presently see in the following few pages.

The business of Life Assurance, having passed through many primitive stages, more or less of an experimental nature, has now developed into a definite science and owing to the vast practical experience so far gained has attained such a mathematical perfection:

as to stagger the imagination of the most calculating and cautious investors of the day. There are many causes which have contributed to the unique success of life Assurance business ; but the principal of them all is that through this business human genius has succeeded in finding out the cheapest and the most effective remedy to alleviate the financial sufferings of the family dependents consequent on the premature death of a prominent and particularly the earning member of the family. In short, man has triumphed over the uncontrollable chances of nature in compensating to a considerable extent the material and financial losses attendant upon the untimely demise of the principal supporter of the family and that for a nominal cost or sacrifice.

The advantages of life Assurance are manifold and need not be reiterated here specially before those whose everyday duty includes the unfolding of those benefits to the ignorant and mostly indifferent public in glowing terms by all ingenuous and effective means. For our present purpose, it should suffice to say that a scientifically and efficiently managed life Assurance Company brings about the smooth but mutually beneficial combination of all its Policy holders who otherwise hardly save even the premiums they are required to pay to the Assurance Company but who having thereby secured an unshrinkable asset from the outset, for their dependants on their own untimely demise, indirectly but materially contribute to the alleviation of similar financial miseries inflicted on the families of their less fortunate colleagues in business by the uncertainties

of human existence. Life Assurance has thus become an important factor in the economic life of an individual as well as of a nation. Look at the enormous growth of life Business in the various countries of the world at different stages of modern civilization and it will be apparent that vast funds have been accumulated in the hands of life Assurance companies, which have constantly been invested in one way or the other. The economic wellbeing of a nation largely depends upon the sound and judicious investment of these automatically accumulating huge funds of life Offices.

Despite all its rapid and enormous growth and development, life Assurance has not however been given that importance in the domains of economics which is attached to Banking. This is true more or less even in Europe and America and much more so in India. Open any treatise on economics and you will find that a good many chapters are devoted to banking, its historical development, theory and practice, the different systems as prevalent in different countries, the functions of the different types of banks and various other problems connected with Banking. But we are at a loss to understand why even the elementary principles of the mathematically perfected science of Assurance are not expounded in any literature on economics. Both the businesses command the paramount importance in the material prosperity of every nation and there is no reason why life Assurance should not be reckoned in economics at least as essential as banking. The truth is that the potentialities of life Assurance business have not as yet been fully recogniz-

ed and appreciated by the students of economics. The accumulating funds of a life Assurance company are looked upon merely as money to be hoarded and invested in liquid assets to meet the contingency of Assurance claims arising at any time ; but the essential characteristic of this business has been generally overlooked by people entrusted with investment of those funds, namely that a very small proportion of such accumulated funds is likely, if at all, required to supplement the premium and interest incomes in meeting the demands of Assurance claims even in times of virulent epidemics and that substantial proportion of such funds can safely be utilised in building up the well conducted industries in the development of the commercial and agricultural resources of the nation or in the alleviation of oppressive agricultural indebtedness. There is the vague conscientiousness behind that Banking and Insurance are par-excellence on the same footing since in discussing the problems of Bank investments references are often made for the sake of comparison to the nature of Insurance investments and it has been often urged that the nature of investment in these two businesses ought to differ fundamentally as their obligations also radically differ. But this is only stating a partial truth and not the full truth. Investments of ordinary or commercial Banks ought certainly to be of short durations and liquid in nature in order that the necessary funds may always be at the immediate commands of such Banks to fulfil their demand obligations, and to meet the runs of their clients at any time. The other important peculiarity of these banks is that they should keep

religiously aloof from all other sorts of Banking and investments requiring long term and inconvertible locking up of their funds and the many failures of such Banks are primarily due to the neglect in the rigid observation of this essential principle. But the ordinary or commercial Banks are not the only kinds of Banks in the world of Economics. There are other sorts of Banks as well namely—the Industrial Banks, the Mortgage Banks, the Investment Banks or Trust or Finance companies as they are called in England, the nature of whose investment is more or less similar to that of Life Assurance Companies. The avowed objects of the Mortgage and the Industrial Banks as their very names imply are to finance the original industries of a nation, to advance long term loans on the first mortgages of property either real or chattel, for agricultural improvement or for liquidating oppressive private mortgages or immovable property, as well as to supply the original capital for sound business propositions. It is interesting to investigate how such Banks obtain finance for carrying on the above mentioned operations. Obviously such Banks attract long term deposits from and sell their mortgage Bonds or Debentures to the investing public at reasonable rates of interest and realize the finance so collected in carrying on long term Banking. It is in this connection that we would like to discuss the question how far life Assurance companies in India can supplement the much needed finance for the conduct of long term banking, which is the vital need of this country.

By the special nature of their Business as evinced from so vast an Actuarial experience, life Companies

need not keep large funds at immediate disposal for meeting their obligations since they are never affected by the so called "runs." The actuarial science of ordinary Banks can well nigh correctly anticipate the annual liability likely to arise in respect of the Assurance contracts. Setting apart, therefore a little more than what is anticipated by actuarial calculations, out of the life fund, the remaining portion of the same can safely be invested by the life Companies in long term Banking either directly by themselves or by financing the Banks which carry on the business of Industrial, mortgage or other forms of long term Banking. The practice of investing their funds hitherto followed by life companies in India has very little to be recommended in it, nay much more than this, it has never been creditable from the stand point of either the national or commercial prosperity of India. Taking the most recent figures of life assurance business in this country from the blue book of the Govt. of India, for the year 1926, it will be seen that the total life fund of all Indian Life Assurance companies and the funds working during 1926, amount to 12,58,03,740 crores of rupees, and out of this enormous amount as many as 7,98,64,027 crores of rupees or 63.5% are invested in buying Govt. Securities; 1,12,05,406 crores or 8.9% are invested in advancing loans to their Policy holders on the security of their policies within their surrender values and 69,45,011 lacs or only 5.5% are advanced by a few companies as loans on the mortgage of real property. This will clearly go to prove that the policy of Investment of Indian Life offices in halting and has no commercial enterprize in

Utmost security of life fund is no doubt the first anxiety of a life office but that sort of first class security, if obtained by some ingenious, enterprising and altruistic methods of investment, has certainly much to be commended in it. No very great expert management and technical skill are required for collecting life premia from life contractees from year to year and investing the same in Govt. securities after spending that much portion which is absolutely needed for carrying on current expenses. This is an achievement in which capable management cannot glory. The real skill of management of life offices, ought to be in utilizing their surplus amounts to the best interests of the nation and towards the development of Industrial and agricultural resources of their country. This has been practised successfully on a large scale by life offices of Canada, Australia and United States of America and to some extent in certain countries of Europe. Indian Life Offices have a wide field to show their abilities in this direction.

India's vast and still unexplored Industrial and agricultural resources have yet to be developed but the development is hampered, on one side by want of young, energetic and enterprising band of workers, to utilise those resources, and on the other by the lack of capital or finance for promoting such enterprises. Then there is that monstrous problem of India's agricultural indebtedness which has baffled many solutions, attempted both by Government and people, for the last so many years. The life assurance companies can with safety lend their helping hand in

this matter and can even be the pioneers to save the Indian agriculturist, from the death like cold claws of the indigenous Banker, known as the Sahukar or Mahajan, of whose banking system Sir Daniel Hamilton says. "What India wants is an act written not with goose quill dipped in milk and water, but with an iron pen dipped in the blood of the Mahajan, for until the Banking system for which the Mahajan is responsible, is dead, India will not live." The village Sahukar mostly "the diseased product of a diseased community" mercilessly trading upon the misfortunes of his borrowers saps the very blood of the Indian agriculturist, as it were, and lives in opulence and decency upon the misery and wretched indebtedness of his agriculturist clientele. To save this miserable farmer, from the wicked grasp of shylockian money lenders, measures like Deccan Agriculturist relief act were passed and the great co-operative credit movement has been undertaken but they have neither wiped off the greedy Mahajan nor have improved the financial condition of the impoverished farmer by an iota; on the other hand, such measures have been actually responsible, to a certain extent, to aggravate the miseries of the farmer, since the sahuks try to exact any unfair terms and conditions from the needy farmer, with a view to be out of the clutches of laws. In the absence of any other source, which, a needy farmer may look to for the satisfaction of his needs, he is at the mercy of these mahajans, and hence the paramount or supreme need of some such organizations, as mortgage banks, which can give a considerable relief to the poor ryot on non-exacting and sympathetic terms.

The urgency of such mortgage Banks has been beautifully expressed by B. Ramchandra Rau in his "Present day Banking in India." He says "The chief reason why mortgage Banks should be started in India is the fact that in the interior, this business lies in the hands of the indigenous Banker and members of the wealthy class. Their terms are too high and exacting. The borrower is exploited according to the urgency of his needs and nowhere does he get fair terms, to which he is entitled, by virtue of his security. Organized credit should be substituted in place of the money lender." Sir Frederick Nicholson has also said, "The individual system of providing credit is too elementary and must needs make way to higher and more organized form of credit, as general wealth, order business, confidence, and habit of association develop on the part of the people. Such measures alone can eliminate, the dangers of usury. No amount of tinkering with laws can stop it. This fact has been admitted even by Government in one of its despatches by saying that though the Deccan Ryots relief Act, the Jhansi encumbered estates act and all other similar measures of an exceptional character, have tended to relieve the peasantry in some localities of hopeless load of debt, *but they have not enabled thrifty and industrious cultivator to obtain money for agricultural purposes on easier terms, or more equitable conditions.* A mass of literature is prepared by Government by appointing so many commissions from time to time to make inquiries into the indebtedness of the Indian Agriculturist rightly hitting upon the true causes of his indebtedness and the literature so prepared is so

very lucid, erudite and thoroughly convincing that one would wonder why the Government is so very hesitating, in bringing into practice what has appealed to its reason and conscience. The whole literature is now collected and published by Prof. S.C. Ray M.A. of Calcutta under the patronage of the Calcutta University in such a beautiful volume. "The Agricultural Indebtedness in India" as would do credit to the shelves of any library, for the perusal of those having the desire, patience and leisure to go through it. But Government has not gone a step beyond the appointment of commissions and publications of their reports. As early as in the year 1884 the Government of India, had admitted the necessity of establishing an agricultural Bank in Deccan in its despatch to the Secretary of State for India, No. 7 (Revenue) dated 31 May 1884, and it is well nigh fortyfour years, since the despatch and yet that Agricultural Bank for the Deccan is still to come into existence. Period of two generations, has rolled down, and even the grandsons of the wretched indebted Deccan Agriculturist of 1884 have no hopes of being benefitted from the yet to be established, Agricultural Bank for liquidating his continuous indebtedness. Such is the indifferent attitude of the Government towards this vital question of India's need. In foreign countries, the Government have tried their utmost to give relief to their indebted farmer, by establishing Banks of their own, or encouraging private Banks to carry on mortgage Banking by actually patronising and lending its helping hand to them or more effectively guaranteeing the mortgage bonds or debentures issued by them

Look at the credit Foncier of France, which is the mother of all land mortgage Banks, and the Landschaften of Germany, which have rendered signal service to the peasantry of those two countries in rendering them free from oppressive indebtedness. Both of these institutions are helped by Govt. actually by subsidies, and by passing legislative measures, with a view to aid them in realizing their loans from defaulting customers, by the right of foreclosure of the property mortgaged, as well as by having endowed them with the power to take over the management of the real estate as receivers. We have no enough space and time at our disposal nor is there any necessity to go into the constitution and the methods of working of these two sorts of institutions, however, interesting those questions may in themselves be. Suffice it to say, that in European countries such banks, are carefully watched over by the Govt. and due provision is made that the bonds issued by these land banks are honoured by the commercial Banks. Fortunately for the agriculturists of these countries "these mortgage bonds are reckoned as equivalent to Govt. Securities, and are valued more because they do not fluctuate like the latter which depend on the glorious uncertainties of political fortune" Perfectly safe and readily convertible securities are thus created in these countries out of real properties which cannot easily pass from hand to hand and both the borrowers and investors are benefitted by these mortgage Banks, the former getting long term loans at cheap rate of interest while the latter perfect safety, high interest and ready convertibility. For all those who have the

genuine good of their distressed countrymen at heart, it is a matter of paramount National importance to study the vexing question of the continued but oppressive agricultural indebtedness of India and to offer all practical solutions of the crucial problem. In the opinion of the present writers, life Co's funds and the nature of their business afford ample scope to tackle this problem and make it a practical reality in the field of long term Banking. As has been already shown, a substantial portion of the life funds of assurance Cos. which is not required for meeting the immediate obligations of a life office (and this can very well be demonstrated from the balance sheets of successive years of well conducted life offices both young and old) can safely be invested in giving long term loans (say for periods ranging between 20 to 30 years) to the agriculturists, sunk over head and ears in the debts either ancestral or self incurred at moderate rate of interest on the security of their property. The repayment of loans, thus advanced can very well be arranged, by easy instalments annual, sixmonthly quarterly or monthly, suited individually to the borrowers. If the repayment be arranged, in instalments of the original sum, lent, a little extra charge, over and above the rate of interest allowed, will have to be recovered from the borrowers, to cover the expenses of administration etc. but the best way, to recover such loans, would be to get lives of the borrowers insured with the Companies to the extent of at least the amount of loans advanced to them if they be acceptable as first class lives purely from an insurance point of view. Under this arrangement, the extra

required, for the administration etc. is covered in the premium instalment and the party has to go on paying the interest, on the sum borrowed, at the stipulated rate, and his annual premium instalments. The loan can thus be automatically liquidated from the assurance claim whenever it arises, either by survival or premature death; and herein, the debtor, has the greatest advantage, which he can never secure from any money lender or even from a long term Mortgage Bank, namely, if he unfortunately succumbs to a premature death, his debt is immediately discharged, and his mortgaged property at once becomes free from the encumbrances without the payment of a single pie further as interest or principal. This is not a new feature altogether, as it has behind it the authority of usage and practice. Mr. M. T. Herrick says in his rural credit "However Insurance and Finance, are intimately allied and the idea of protecting the claim of the creditor, by insuring in his favour, the life of the debtor, was put in practice, at a very early stage and is now gradually spreading in all other countries, where plans have been devised and actually carried out in practice for completely replacing mortgages by life policies as security for long term mortgage loans." Of course, this would not be the case, with the borrowers, whose lives would not be acceptable to the companies for insurance, and in their case, their estates would continue to remain encumbered even after their death until the final liquidation of their debts, but the companies are helpless in such cases. However, even for them the advantages, in the form of easy instalments spread over a term of 20 to 30 years, and

the lower rate of interest allowed, are equally precious, when compared with the high and exacting terms of any village sahuakar. The object of granting such long term loans at moderate rate of interest should invariably be either the redemption of ancient and oppressive private mortgages, or the improvement of agricultural soil. Such loans should as far as possible be avoided for non productive objects, such as the marriage ceremonies or any other rites which are enjoined either by society or religion upon the borrowers.

A question may arise in this connection, as to what percentage of life fund should be invested on this business of long term banking. Experience shows that it will not at all be risky for life offices to invest at the most upto 50 or 60% of their funds on this business. The remaining percentage of the life fund can very well be invested in buying gilt-edged securities, being thus reserved as ready money for paying the assurance claims arising from time to time. Particularly for such companies as may grant loans on the joint security of life Assurance policies and immovable properties this percentage of ready money need not be even so large as that in the case of other companies not granting such loans, since no claims shall have to be paid in cash for the assured borrowers who die prematurely. If ever the annual revenues of the Company namely premium and interest income be found insufficient to meet claims etc., the companies can very well draw upon the gilt-edged securities and meet their immediate obligations. If the life funds be economically and tactfully managed, this business of long term banking would no doubt

prove on the one hand a boon to the poor and aggrieved Indian agriculturists, and on the other a source of reasonable profit to the life offices under a safe opening in a new but popular direction, for the investment of their funds. The only care that must be taken in granting such loans, is the valuation of land must be on a very sound and rigid basis, and must be done by qualified appraisers, the amount of loan to be advanced never exceeding half the appraised value put on the land by them. Mr. B. Ramchandra Rau says in his "Elementary Banking" "So long as a sound evaluation of land and due limitation of loans to half the appraised value of the land, are scrupulously followed, there is no reason why a Mortgage Bank ought to fail". That long term Banking is perfectly compatible with life Assurance business, has been opined, by eminent actuaries. Mr. G. S. Marathe, the eminent Actuary of Poona, in his very recent article on Insurance in the popular Marathi monthly "Chitramaya Jagat" has favourably talked of investing the funds of life offices in sound long term investments. Sir Gerald Ryan opines in his Presidential Address:—"I may add that I am strongly in favour of a substantial portion of the funds of a life office being employed in mortgages of free hold and lease hold properties not only for the reasons given above but to lend stability to assets in times of monetary crises." There is Prof. K. B. Madhav M.A.A.I.A. another eminent Indian Actuary of Mysore who genuinely realized the importance of the problem of agricultural indebtedness in India and says in one of his articles "of immediate concern, is the relief of agricultural indebtedness, in the country

which is well known and ever increasing. The ordinary kinds of financing, joint stock industrial and co-operative Banks, have naturally all failed, because of the peculiar, characteristics of Agricultural relief." On further discussing investments on land and real property mortgages by life Assurance companies, he adds "These loans satisfy all the canons of sound investment for life Assurance offices ; security unimpeachable, when not actually guaranteed by Govt. interest rates very favourable, long term investments, and being directly helpful in the relief of the indebted, it is intrinsically of the same nature of social service, as life Assurance itself. This form of investment is eminently suitable, for the life offices, and future participation is bound to bring both profit and popularity." These opinions of experienced Actuaries ought to weigh high on all sceptic minds and to remove all apprehensions regarding the investment of the funds by life offices on the first mortgages of nicely selected and critically sifted real properties.

After having so far, demonstrated that long term Banking is perfectly a safe business for life offices, and that in particular, long term land mortgage loaning is more desirable, as a form of investment of their funds a note of warning, has to be sounded. Should a careful selection of the borrowers be not made there is likelihood of such concerns being involved in costly and time-wasting litigations. A critical enquiry of the financial dealings and paying capacities of the borrowers has therefore to be cautiously made before the grant of the loans. It is also more urgently necessary

to get the existing legislature so modified as to ensure the safety of such investments as well as to guarantee effective measures against any defaulters as has been done in other countries and in particular with regard to the co-operative credit societies in India. Such companies as are carrying on the long term Mortgage Banking should with great advantage be invested with the right of foreclosure and to act as receivers of the estates so foreclosed, as in France and Germany, and other European countries. Such legal state aid, is the minimum that can be expected from the present Govt, though, it ought to be equally its duty to help such institutions by actually supplying them with a portion of their finance or at least to patronise such companies by guaranteeing their mortgage bonds or debentures. Even to obtain such a legislation, a combined effort on the part of all life and loaning offices in India would be required, and a strong representation, will have to be made to Govt. pressing the urgency of such legislative measures.

Particularly life Assurance Companies of any magnitude are anxious how profitably and safely to invest their surplus funds; they further have to popularise the great mission of life Assurance as far and wide as possible and in particular to ward off as much as practicable the huge export of life Assurance premia from this country by so many foreign life offices. Lastly life Assurance Agency has yet to be recognized in India as a lucrative and honourable profession even though the problem of the unemployment of the educated people is day by day becoming

more and more exasperating. Should Life Assurance companies take in mind the conduct of long term mortgage Banking as well along with their ordinary Assurance business or at least invest their funds on the fixed deposits and mortgage debentures of those few Indian Life Assurance Companies who may have specialized in and be inclined to undertake this allied business strictly on scientific lines, all the above problems would be very effectively and simultaneously solved.

Distant mortgage Banking essentially requires capable and trustworthy local organization which would open avenues of employment for a number of capable hands both for life Assurance and Loan business. If the grant of long term loans on advantageous terms be vigorously undertaken by life companies on greater and greater scale the day would not be distant when they and their life Assurance business would be a by-word with every humble hearth and home throughout the length and breadth of this extensive land. The present condition of the principal industry of the country namely agriculture is in such a sad plight of economic distress as should appeal to all patriotically conduct life Assurance companies, particularly because they are the only institutions in the country which, if they really desire, can render singular service to unfortunate Indian Agriculturists, and fight out the usurious Sahukar ranging through the nook and corner of the country with his heartless rates of interest. The earlier the important lead given by Prof. K. B. Madhav in this respect, is followed by life com-

panies, the better it will be for the all round prosperity of the country, namely. "In conclusion, the entire group C (Investment of assurance funds on land and real property mortgages) under discussion and more particularly this part of it, has a personal attachment, the value and service of which can never be over-estimated. This it will be seen appeals to the heart and homes of the public and will thus be in conformity with the general indemnifying purposes of Insurance. *For this reason alone, even if nothing else recommended this group of what I may call personal aspects of investment may and ought to be specialized in (by life Assurance companies).*"

It is earnestly hoped that all life offices in India, having the supreme good of their mother-land at heart, would recognize their duty towards their economically distressed agriculturists and contribute their full quota to the solution of a long delayed but extremely vexing national problem vitally affecting this primarily agricultural country.

May Providence inspire them to undertake this highly benevolent endeavour with the earnestness which it deserves.

GOOD WILL.

BY

Mr. M. V. MERCHANT.

The maintenance of good will begins with the securing of the application. When the application is first secured the agent must be gracious in his manner ; he must give to the client substantial information, accurate and reliable both with reference to the clients insurance needs and with regard to the remedy which the agent is applying for their fulfilment.

It is not enough for the agent to suggest the plan which suits his needs properly but he must also explain to the client the reasons why, so that the client will understand from the very beginning that he is getting not only what he needs the most but he must also be convinced that the plan offered to him is the most adequate and proper.

Before completing the case the agent must handle all the details first ; for in no other vocation does time seem to enter as a more important factor. He must also handle the case with as little trouble to the client as possible. Not only must he be considerate of his clients time but he must also be considerate to endeavour to keep the client from having to perform an undue amount of thinking over the matter. An average client always appreciates the services of the tactful agent who works out all the intricacies of the

life insurance transaction and lays them before him in the simplest form for his decision.

The ways which I have mentioned above go a great way to establish good will in the very beginning, the first and the most important step in maintaining the good will of the client.

The succeeding steps in maintaining the good will consist in keeping personal contact with the client. These contacts may be made either by the agent or the chief agent of the company or by all three.

The agent can have the personal contact in two ways—through letters or through personal interviews. There are two ways of letter contacts one originating with the client and the other with the agent. Letters coming from the clients usually ask for the information about their policies or they call for exercising policy privileges or they make complaints. These letters should not be handled in a sterio-typed fashion by a clerk in the office but some responsible head of the department should attend to it and if possible forward the same to the agent with a request to make a personal call on the clients and explain the whole thing. The client's letter may only seem a routine letter but every such letter is an opportunity for cementing good will by granting services to the Policy-holders. When the agent keeps up his good will with the policyholder there is always a good chance of either getting further business from him or through him. But the agent at the same time will take care to see that he is

not too aggressive or making him feel that he is going to be flooded with letters.

The agent at the same time should not refrain from discussing insurance when the client himself starts the subject.

The letters asking for the fresh business from him should be sparingly sent but in its place letters, giving information about the new plans, assignment and such other things should be sent or mentioned at the time of the personal interview. It is always a good rule, in maintaining good will among the clients, for the agent to call on every client at least twice a year. The timing of his call is very important. He should generally see him either on his birth day or on the occasion of getting some promotion or on occasions of additions to his family. This should be distinctly a personal call, having no reference to business. The agent should simply congratulate him and do it in a manner that will convince the client that he really has a personal interest in him.

The dissatisfied client, as everybody knows, not only becomes an enemy of the company but generally becomes an enemy of Insurance in general; so, an alert agent should always try to convert the dissatisfied client to a satisfied client and to further good will. If the dissatisfied client presents a situation in which the agent or his company is wrong, the agent should always admit it and should take steps to have the matter set right. The dissatisfied client psychologically does not expect you to admit your wrong and if you admit it, you will take the wind out of his sails.

If the agent or the company is right and the client is wrong the agent should tactfully and firmly explain to the client the true situation. An explanation giving the facts graciously will, in most cases, bring a client to a reasonable frame of mind. The tactful handling of a dissatisfied client will convert him to a satisfied one and turn him into a champion not only of the company but of Insurance business in general. When the client sees that the agent and his company want to be fair, no matter what the case may be, then that client, if he be a man, will do everything in his power to rectify the injustice that has been caused by his dissatisfaction.

The best rule to maintain good will among the clients is for the agent to visualize the kind of insurance man to whom he would wish to entrust his insurance if he himself were a client and thereby to live up to the standard he would demand if he himself were the client.

The last but not the least thing which the agent and the company should do is to maintain the good will in the interest of life insurance business in general is to be very prompt in the settlement of claims and to render all the services which would facilitate the prompt payment of the claims which according to my experience brings much more new business than anything else.

INDIA FOR INDIANS IN INSURANCE.

BY

N. B. DAVE.

Mr. Chairman and Gentlemen,

It is with the greatest of pleasures that I rise to put before such a select meeting of persons of wide experience and knowledge in the Insurance line, a few points for consideration. The fact that we all meet here at the invitation of a band of enthusiastic patriots who, out of love for their Mother Land, have come forward with the great idea of uniting all the Companies of India into a Confederacy to fight, which is in a way also a National fight, is a sufficient proof that we are one and all ready to join hands with them.

It has long been proved, and actually confirmed by the last World War, that insurance in all the varied forms is a national institution. More than half the war loans had been covered by the Insurance Companies in each of the several belligerent countries, who thus supplied the sinews of war. The people and the Governments of every present day independent nation in the world cherish with care, and almost with anxiety, the interests of the indigenous Insurance Companies. The union of the two leave no ground for any foreign concerns to thrive amongst them. Only India is, in this respect, so to say, a "no-man's land" and open to be exploited by a number of foreign

companies our people are not only indifferent to what is happening, but should be even accused of matricidal policy by patronising these intruders. They are steadily killing the chances of their Motherland attaining Swaraj at an early date.

Every one of you present is aware that over 10 crores of rupees of the Indian money is drained out of the country every year through the instrument of the Foreign Insurance Companies. No other Nation on the face of the Earth is being bled in this way. Let us just ponder for a while how we would be treated by other Nations if we were to invade their soil in this fashion. Take the premier Insurance Company of India. Let the Oriental Insurance Co., Ltd., open an agency or a Branch in France, Germany, Italy, Japan or any other country in the world. Do you believe that, in spite of its solid position and admirable management, they would be able to secure sufficient business to enable them to pay for even half the expenses of maintaining such Office? Certainly not. If this is the reception we would and are sure to receive at these people's hands, why should we welcome them with open arms to the detriment of our country's interests? Have we no self-respect and the sense of self-preservation? I regret to say "NO"; for, else our conduct would be different.

Our leaders in the political arena and our representatives in the Councils and Assemblies have not yet given a thought to this momentous problem. We require legislation of the right type to keep away these strangers from our Native land, and not legislation to

stifle progress of the indigenous Concerns. A great and tremendous propaganda is absolutely necessary to educate our people and the Leaders as well.

The second measure I would suggest to counteract the foreign encroachment would be that all the present Companies writing Life Insurance alone should open Fire Branches, and those Companies at present writing Fire Insurance alone should open Life branches, and I estimate that we will thus have nearly fifty new Concerns. It is advisable to resort to this measure as it is difficult to float new Companies in face of the trade depression and shyness of the capital. The Fire Branch so opened can transact direct business or can remain merely a Treaty Office accepting re-insurances only.

In the Fire Insurance Business, we know, it is impossible to compete and successfully fight the Foreign rivals, and the existing Indian Companies cannot cover a total risk of millions of rupees. I would further suggest that there should be a Central Office maintained by all the Companies whose business it will be to distribute proportionately Fire Insurance Business to be secured by the Office directly. I admit that much will be left to be done in order to retain the whole of the Indian Insurance for Indian Companies. The help of Foreign Companies may be necessary in special cases, but a very big slice of the aggregate business will have remained in India. It will at any rate be a great stride forward towards the attainment of our ultimate goal. The Conference is to be held every year, and we need not try to exhaust all

the ways and means to improve the status of our local institutions at this first meeting. However, it is absolutely essential that we must put into practice all the suggestions that are put before us as far as our resources will permit.

We have already lost a great portion of the ground and we shall be called upon to put our heads together to retain it as early as possible. Fortunately for us, Insurance is still in its infancy in our land compared to the progress it has made in other hands. While in America the average insurance per head of inhabitants is about Rs. 2,000,—that in India is only Rs. 1-8-0. From this you can imagine how far behind we are lagging and whether it is not time to wake up and be doing.

I, therefore, beg to recommend the following suggestions :—

1. That the first Indian Insurance Conference urges that every Indian Company that has given its adherence to this Conference should write Insurance business both in Life and Fire. That is, those carrying on Life Insurance should also start Fire Insurance and vice versa.
2. That this Conference recommends that a Central Office be opened to secure Fire business. The profits, liabilities and maintenance of the Office shall be distributed amongst all the existing Offices in proportion to their share of

the Insured amount, which should vary according to the stability of each individual Concern.

Gentlemen, this is all I have to say on this occasion. Before I sit down, however, I must thank the Reception Committee for premitting me to spea at this meeting though I had not figured on the list of speakers at the beginning. I also thank this select audience for having given me a kind and patient hearing.

Wishing a rapid progress to the movement that has been initiated this day, in which each of us is expected to give his best, I take my seat.

Life Insurance Companies going into Liquidation.

BY

G. S. Marathey.

There is a wide spread opinion which is fostered by canvassers of some young companies, that 'Life Insurance' companies never fail. This statement is absurd from an absolute point of view, but to a certain extent there is truth in it. The reasons why a 'Life Insurance' company, particularly a company of some standing, is less prone to failure than other companies may be stated as follows.

(1) The nature of the assets. A large portion of the assets are, so to say, invested with the policyholders themselves, for the premiums to be received in future from the policyholders must be considered as assets when the sums assured to be paid as claims arise to be considered as liabilities, at their face value.

(2) Margin in with profit premiums. The provision for profits acts as a safety valve, as it is possible for a company technically to withhold bonuses for any length of time. There is thus a considerable opportunity for improvement before losses after exhausting this safety margin in the future premiums payable by the insured affect the sum assured itself which is the really guaranteed amount.

(4) Margin for expenses. The provision of this margin in the premiums includes provision for the heavier expenses on new business, and so far as the existing business is concerned, by the exercise of economy it is possible to reduce the expenses, so as to make up for past incapacity or indiscretions.

(4) Actuarial Valuations. These act as an indication and a check and disclose signs of weakness if any before it is too late.

(5) Safe investments. The sacredness of the Life Insurance business requires, and custom also endorses the practice, that investments of Life Insurance Companies should be as safe as possible and there should be no element of speculation in it. It is because all respectable companies keep this in view that the chances are minimised of heavy losses in that part of the assets which is represented by the Life Assurance Fund.

(6) Steadiness of claims. Such companies are not subject to a run like Banks or to heavy loss of capital all of a sudden like other trading companies. An Insurance Company can get ample time for recovering its position.

The rates of premiums are the basis of Life Insurance business and they must be prepared on a sound basis. With inadequately low rates of premiums a company cannot go on. A man buying a cheap article in the market need not care what happens to the dealer if he is selling below cost price, but a person buying Insurance at cheap rates must take some

risk, as his connection with the company does not cease but only begins when a policy is issued.

Even when the premiums are sound, the persons managing the company have to keep within the limits prescribed by the basis on which the premiums are constructed. The basis is mainly threefold (1) Mortality (2) Interest (3) Loading (or provision for expenses and profits). If there is heavy mortality owing to negligence in selection of lives, or loss of interest and perhaps of capital also owing to bad investment, or extravagance in expenditure, the company is bound to suffer.

When as the result of an Actuarial Valuation a deficit is disclosed which cannot be covered by the paid-up share capital, it becomes necessary to call up the unpaid share capital, and if even then the deficit is not covered the company must either get more capital subscribed or go into liquidation.

It more often happens that the Life Insurance department of a composite company doing other business also is quite solvent or even working at good profit, but heavy losses in other departments necessitate a liquidation of the whole company. In this case the Life Insurance business is transferred to some other Insurance Company. But the business is not an asset by itself, it is a liability and the assets represented by the Life Insurance Fund must go to the other Company along with the business. Even if one company cannot carry on Life business successfully, it is possible for another company to do so as the

addition of this new business to its existing business reduces its ratio of expenses. Also there might be better opportunities for the other company for more profitable investments of the premiums as they may be received.

When a company goes into liquidation, the courses open to it are.

(1) To return the policy value as obtained by Actuarial calculation to each policyholder, fully or proportionately as the funds in hand may permit.

(2) To transfer the business to some other company along with the funds represented by the actuarial reserve, the other company taking up the full liability or a proportionately reduced liability according as the Life Assurance Fund is sufficient or insufficient to cover the Actuarial reserve.

The first method should be resorted to only if there is no other company willing to take up the business by transfer, because returning of the reserve in cash to a policyholder is a great hardship to him. In the first plan he gets back only a part of the amount paid by him in premiums ; and in the second place the chances are many against his life continuing to be insurable, and insurance is the most important thing to be lost. At the time of winding up of a composite company which recently went into liquidation in Bombay with a very solvent and profitable Life Department, this method of returning the money was adopted under orders from the High Court, though there were a number of Companies desirous of taking

up the business, and it was a pity that the disadvantages referred to above were not pressed on the notice of the Judge on behalf of the helpless policyholders.

I conclude this after pointing out one defect in the provision for winding up in the Life Assurance Companies Act. In that Act the provision for valuation allows the value of the sum assured and the attaching bonuses only as the share of the policyholders and the surplus is given wholly to the shareholders. The articles provide that while the Company is working in a solvent condition the policyholders are to be entitled to a percentage of the profits (generally 90 p. c), but as soon as the Company becomes insolvent, the policyholders apparently lose this right. As the management is to a great extent in the hands of the shareholders, it can be possible for a group of unscrupulous persons to appropriate to themselves a huge surplus by cornering the shares and then taking the company into liquidation even though it is working well.

I must apologise for the shortness of this paper, but considering the time at the disposal of the conference, I think you will be glad that the paper is not lengthier.

CHILD INSURANCE

BY

(G. G. FOZDAR.)

Mr. President, Brother delegates and Gentlemen.

I think I am not breaking any rules of etiquette of the committee of the organisers of this Conference when I tell you that I happened to be present at one of such deliberations when they were discussing as to the nature of subjects on life insurance and the persons who should be requested to read them. I casually mentioned that some one may be requested to say something on this subject and the Secretaries and the members then present penalised me for this suggestion, by asking me to say something on this subject myself. Although I cannot claim any authority or expert knowledge on the point, in obedience to the Secretaries' wishes I will make a few observations and trust you will not be disappointed when I say that Child Insurance is a subject which is quite in its childhood having no history or development to boast of, as in the case of ordinary life, fire or marine insurance. Therefore I am afraid I will not be able to quote to you any illuminating statistics to interest you as has been done by our friends yesterday.

This branch of insurance has not yet attained any degree of success although recently there are companies offering some schemes of provision for marriage and

education. We have yet to see how far the present schemes can be made popular looking to the fact that the rates of premium are generally as high as those for adults. Of course from Co's point of view the rates must be consistent with risk but I am not aware of sufficient authoritative statistics and other materials available to form the correct basis of premium rates.

It may therefore be safely left to the Actuaries to say whether this branch of business can or cannot be worked profitably with reduced rates of premium.

However, I notice some demand for this class of insurance by some parents but they are prevented to take advantage of these schemes seeing the rate of premiums.

Even in other countries this class of insurance does not seem to have made any appreciable headway, but I do not see why we in this country should not attempt to tackle this branch of insurance more seriously than we have done so far. Of course there may be some difficulties in this country such as the want of reliable statistics of birth and mortality of children.

However, my object in drawing your attention is that some serious attempts be made by the Companies and their Actuaries to popularise the children insurance schemes so that the idea of life insurance and its value may well take root in the young age so as to prepare the ground for larger policies which means larger business around, when boys come to age, start in life and the girls when they become wives and

mothers will insist on their husbands and sons to take out life insurance policies.

This will be the surest way to drive away the present day superstition of women folk in our country against life insurance policies. Many of our field brothers will tell you as to the number of policies they have lost after much waste of time and energy due to the false sentiment of their prospective client's mothers or wives. This would mean that your propaganda touches right at the bottom of the rock, begins from the youth of this country who will grow up with the valuable idea of life insurance, its necessity and importance. You will then need no big advertisements to convince or propaganda to educate people about the necessity of life insurance, because your field will be ready made and it is only then a question of filling in the proposals.

Let us hope therefore that the Companies will devote some attention to utilise this field with a view to larger insurance business in this country.

**Insurance Business in General and Life
Assurance in Particular.**

BY

A. E. FERNANDEZ.

Mr. President and gentlemen,

I thank you for the opportunity given to me to speak on a subject which is not of mere academic interest, but of very great practical value judging from an economic point of view not only to individuals but to nations as well.

The importance of Insurance cannot be overestimated and the fact that so many new Insurance Companies are springing up in rapid succession bears ample testimony to this.

There is talk even of forming an Insurance Syndicate in India and of nationalising the Insurance business and save to the country the enormous profits that now fatten the foreign Companies.

Now a glance around will show that Life is so uncertain, misery and poverty so rampant, accident so frequent, burglary and dishonesty so general, destruction by fire so common, the sea so unruly, earthquakes and similar catastrophies so many, and risks in general so numerous, that the necessity of insurance is felt very keenly by the world at large.

1. Widows cry that they have been left destitute.
2. Sons moan that their education has not been provided for.
3. Daughters wail that they are peniless to pay their dowry.
4. Creditors upbraid the dead man over his cold ashes.
5. Business houses go into Liquidation.
6. Merchants become insolvent.
7. Shipping and clearing companies are dissolved.

And all this is due to the colossal ignorance on the part of the majority of the general public of the idea of Insurance, despite their knowledge that no other provision has been made owing to their narrow means.

To dispell this darkness is therefore my main aim this evening, and I sincerely hope that this will have the desired effect. Viz. to impulse those of us who have not done so, to rush to some Insurance Co. or other and insure ourselves and our things and thus not only safe guard our own interest, but also merit the Benediction of those who would otherwise curse us.

So let me now define what Insurance in general means and point out to you a few of its advantages—Insurance is a contract whereby a person undertakes in consideration of a payment called the premium to indemnify another against some risk or loss or to pay a person a certain sum of money at the expiry of a

certain period or to pay his nominees or representatives in the event of the assured's death during the period of insurance.

The system of insurance has been so extended during recent years, that there is no form of risk that cannot be insured. But the leading kinds of Insurance are the Marine Insurance, Fire Insurance and Life Insurance.

Insurance against burglary or housebreaking is analogous to Fire insurance, as also Guarantee Insurance, that is, a form of insurance in which the Insurer undertakes to make good losses by dishonesty of servants and officials. Accident Insurance, Marriage Endowment Insurance, and Educational Endowment Insurance, are akin to Life Insurance.

Insurance therefore is the safe and sound foundation on which modern business rests. It would be difficult to estimate its ramifications, or to measure the extent of its operations. It is the justification of business enterprise, it enables expansions and developments to be carried out on a scale which would be impossible, were the risks involved forced to be borne by individuals. This truth applies equally to hazards concerning the sea, the land, and the person; it holds good with communities, with companies, and individuals.

Let us consider for a moment the giant liner that crosses the ocean. It is the completed task of an army of designers, engineers, and skilled mechanics and

workmen. Its intrinsic value amounts to many millions of sterlings. It runs the hazard of loss every time it puts to sea. It carries a crew of hundreds of men, upon whose earning power their families depend; their personal safety is involved with every voyage they take. It carries hundreds—some times thousands—of passengers, whose lives are important, not only to their families, but to their communities and to their businesses. We cannot estimate the exposure to loss here. Then there is the cargo, often representing a greater value than the ship itself—all at hazard. Such colossal risks of loss could never be undertaken by individuals; but for the Institution of Assurance, ships would be limited in size, crews would be small, passengers few, cargoes scanty. The great fabric of international trade, which essentially depends upon the facility and ease with which transportation can be effected, would be cramped and stultified.

On land we see enterprises and transactions carried out every day which but for assurance could never be undertaken. Vast buildings are erected; hazards of fire and other forms of disaster are involved—risks too great for ordinary men for even small groups of ordinary men, to assume. Corporations acquire large holdings for the purpose of expanding their business; they look around for assurance companies to indemnify them against losses which would ruin them. The humble salary earner satisfies a life's ambition by buying a house; he shoulders a mortgage which will take the labour of years to pay off. If fire should destroy his house, it destroys his equity as well

as the monument of his life's endeavour, and leaves him to labour the rest of his days to pay the mortgage on a property which he no longer possesses. He must place this great hazard with a Fire Insurance Company; but for this friendly protection he could never safely have aspired to the ownership of a home.

There are hazards, too, directly, affecting the person, such as the risk of ill-health, accident, and loss of employment, Assurance Companies have been formed to relieve individuals of the anxieties incidental to these misfortunes. Nations and states and provinces have in many instances recognized these hazards to the degree of passing compulsory compensation acts which provide allowances for injuries attributable to occupation, in some of the older countries—Great Britain for example—the whole working population has been indemnified against sickness and unemployment, as well as the poverty so often attendant upon old age. So we see that there is a universal recognition of the principle that the individual is beset with hazards which he individually, is incapable of fully providing for.

These illustrations suffice to indicate the multitudinous—ramifications of assurance, and to suggest the extent to which human progress is promoted by the adoption of the general principle of spreading risks over great numbers of people. They simply demonstrate the accepted fact of human interdependence. It may be appropriate to remark that an important effect of this principle is that the army of people who through the medium of assurance are shouldering each others

risks, become interested in reducing hazards, for the losses which occur chiefly control the amount of their individual contributions to the common fund. Thus we see constant improvements in the sea-worthiness of vessels; exacting requirements imposed on the crews that man them; coast guard services created, light houses erected, seas chartered, and other methods adopted to secure safety at sea. Public opinion, largely stirred by the spread of interest through contributions, has forced these reforms, and vast economics have resulted. We may trace the "safety" movement in industry and the public interest in fire prevention, to the same causes.

Now to come to the subject proper of this evening we can say that in this great fabric of assurance, Life Assurance is of supreme importance, for it is designed to hedge the economic losses involved in the loss of human life. A man's life, it goes without saying, is his most valuable possession. Every man must be superior to the thing he creates, so the value of human life must far exceed that of material things. Even so, the disparity between the total economic value of human life and the amount by which it is indemnified, is far greater than that of any of the classes of assurance to which I have referred.

As to the origin of Life Assurance I may say it is a device of man—some say of the devil, since Solomon made the smart remark that "There is no new thing under the Sun." It was in 1706 in England the first Life Insurance office "The Amicable" commenced business, amidst many prophecies of failure

and loud denunciations that it was flying in the face of Providence. Its plan was to insure all, the young and the old, the sick and the sound, at one uniform rate at £5 per cent per annum and £7/- per cent entrance money and it succeeded well. Other offices soon followed in England and in other parts of Europe, but the French to maintain their usual consistency of character decreed it unlawful, because it is an offence against public decency to set a price upon the life of a free man which is above all valuation.

The system of Life Insurance is now firmly established in Europe specially in England, and is rapidly growing into favour in United States and is daily becoming an essential ingredient in all the pecuniary transactions of the provident. It is the duty of every pay man whose income depends upon his own exertions to lay up a small portion of his earnings to provide for that day when his family would be deprived of his ability to support them.

Life assurance therefore like every other form of insurance is merely a contract of indemnity to indemnify the insured person for the loss sustained on the happening of the event, insured against,—in this case, death—but unlike other forms of insurance it is not possible to reduce to a monetary value the actual loss sustained. It behoves life offices therefore and ultimately if necessary the law-courts to watch that people do not assure their lives out of all proportion to their means and position in life nor gamble on the lives of others by whose death they incur no loss.

In its earliest days life assurance contract was of the simplest:—merely in consideration of payment of the premium or subscription, a fixed sum or a proportion of the accumulations was paid on the death of the assured, no surrender value or other return in the event of discontinuing the premium nor share in the profits made being allowed. In process of time however indifference to competition and from a sense of fairness all the various concessions and privileges now enjoyed were gradually evolved, the endowment assurance and other special forms of policy being later and natural developments. By means of these a life policy has now so developed from the simple death indemnity that it originally was that by a combination of different forms of assurance and annuities, it has now generally become a remunerative and attractive form of investment, which it is difficult to equal or surpass by other means, in addition to the death indemnity, more particularly for the rich man to whom the family provision is a secondary consideration and who can afford relatively large sums for investment. Practically every conceivable contingency can be met and provided for by various combinations. Only too frequently however people forget or ignore the primary or main outstanding object of life assurance and regard it too much from a personal or investment point of view. This does not so much matter for the man who takes a policy mainly as an investment and to whom family provision is a secondary consideration but how often is or should this be the case? With the rapid spread of education in these days it should hardly be necessary to have to emphasise the

extreme utility of, absolute necessity and obligation for life assurance as a death provision in the case of the very large majority of the inhabitants of any country, and while in the abstract few people would wish to deny this, when it comes to the practical personal application how many fail to act up to it ! The various poor-laws or their equivalent, the numerous charitable institutions, orphanages, private charity, the recognised necessity for state or compulsory insurance and pensions introduced in European countries and yet in spite of all these the widespread want and distress known to all is convincing and incontestible proof enough of this fact, if any proof is wanted. Yet in life assurance in some form or forms, and in life assurance alone, can a remedy for this state of affairs be found. Thus we see that life assurance has a National and Imperial aspect as well as a personal one. But men are generally under assured. There are two reasons for this viz, first if a man spends a thousand rupees on furniture, he has a very clear idea of the value of that furniture to him. He realizes completely and concisely what these thousand rupees represent in work and effort and self denial. He does not want the experience of accumulating it again ; he will run no avoidable risk of his furniture being destroyed. He finds he can protect himself against its destruction by fire by paying an assurance company a few rupees to take the risk for him. His hazard, in short is self-evident, and does not need demonstration.

Now he has not merely the same clear conception of the value of his own life, nor can he so definitely

realize the hazard which threatens it. Every man thinks he will live for ever. It is difficult to imagine oneself dead. One may accept the general principle that he will be dead some time; but he can not think of a definite time when he will be dead. When he thinks of Life Assurance he does not think of it as an immediate necessity; he may think of it as an ultimate necessity; but he can go no farther than that. Nearly every man intends to assure sometime, but to-morrow is as good as to-day. That is one reason.

The second reason is that the essential principle of Life Assurance is its protective element—that is protection of others, not of the assurer himself. A man is much more quickly appreciative of losses which threaten him than he is of the losses to which he may be exposing others. Some men are selfish, and indifferent of their moral obligations of their dependents; others are generous, have affectionate impulses, have lots of good intentions, but they are either careless or neglectful, or have not the faculty of appreciating their economic value to their families. In short, a man's value in rupees to his family has usually to be pointed out to him definitely and directly before he realizes it.

Then in addition there is some public reluctance to refer to a man's economic value, where, as the same delicacy does not apply to material things. Recently there was a devastating fire in Japan, in which two firemen lost their lives and forty dwellings were destroyed. The newspapers featured in their headlines the value of the property involved, and the extent

to which it was protected by assurance. Much concern was expressed that in one case the assurance was inadequate, and the proprietors lost some money. The two firemen had large families; but we did not see any newspaper reference to the economic loss which their deaths represented, either to their community or to their families; nor did we see any reference to the amount by which these families were indemnified against the supreme loss which had overtaken them. We did see some reference to the benevolent funds, and some suggestions for the support of the bereaved families by charity. So we see that the margin between genuine assurable interest and assurance placed is a wide one. It will be bridged by education, and that task lies with the life Insurance companies or rather with their Agents who form their point of contact with the public. A factor which has assisted substantially in securing this improving realization of assurance needs, is, the action of Government, of the many countries involved in the great war in placing an economic value on their soldiers. These values are evidenced by the compulsory assurance scheme of the United States and by the income allowances made to widows and orphans of soldiers in other countries. The fact that large numbers of people are in receipt of allowances of this nature, has assisted public comprehension of the value of Life Assurance. The advantages of Life Assurance to the state and to the individual are by no means confined to the benefits it disburses in connection with claims. A natural function of life companies is to concentrate the savings represented by the premiums paid by their

policyholders, holding the great funds so created in trust against the time when claims must be paid. These funds of course are not kept idle, they are applied to useful and productive purposes. So we see that the obvious effect of Life Insurance is that it will turn a frightful liability of ignorance, ill health and vice into an asset of sturdy, educated and informed citizenship. It will relieve taxes in the degree in which it removes the necessity of the poor house, the asylum, the hospital for the aged and the prison. It will protect self-respecting people from the stigma of receiving charity, and give to the despondent a new hope in life. It will preserve countless homes, and promote family life, a priceless asset to the nation. By its support of business, industry and prosperity will be promoted.

We see then that Life Assurance does more than protect the individual assurer, it assists substantially in promoting that general prosperity upon which the individual depends for his own material comfort and progress. Thus do the people receive dual benefit. We may well have confidence in the Institution of Life Assurance for what it is and what it does.

In no less degree may we have confidence in the ability of their legal reserve, Life Assurance companies to meet the vast obligations to which they are committed. If some prophet could have foretold away back in 1914 that the world was to be thrust into a war involving forty nations and fifty millions of people, no man would have dared to hazard the expectation that the Institution of Life Assurance,

which primarily must depend upon the continuance of human life for its prosperity could with stand so great a test. It was a calamity for which no provision had been made ; against which the limitation of liability had been imposed ; but the Life Assurance Companies faced their tremendous losses without a tremor. They survived the greatest ordeal of all history, paying out their claims in full, and in many cases continuing to pay dividends to their policy holders. This severe trial of strength was to be followed by a scourge which exceeded in the number of its Victims the mortality of the war, the influenza epidemic which laid its destroying hand equally upon all countries and all peoples. But the Life Insurance companies emerged inviolate ; the tribulations that beset them, served only to demonstrate their strength.

The war has proved, if it has proved nothing else, that the individual must sink his individuality and that all must work together for the good of the state, even if some apparent present sacrifice to themselves as only by so doing do they secure their own good in its true, highest and most permanent sense.

Fortunately in the matter of Life Assurance the process is simplified for the individual as he is only required to work for the good of his own family in order to best serve the state. If this principle is in the main conceded then it follows that no man can without sufficient private means has any more right to refuse to assure his life than he has to refuse his family bread and not only so that he has no right to assure for any smaller sum than that will maintain

his family in some such position as that in which they have been brought up and to which they have been accustomed.

Some may say that "this is excellent in theory and Life Assurance is a most excellent institution but I personally cannot afford it." The reply that is "He can and must afford it and he would find the way if he thoroughly realised his duty and acted up to it." If his wife or child gets ill, he does not sit down and cry that he cannot afford a Doctor but he simply calls in the Doctor by self denial or otherwise, so rearranges his affairs as to be able to afford the help of a Doctor, so too in other matters in which his own immediate personal interest is arround. But the man who knows that he is to die to-morrow or next month or next year or at some time, and his wife and children would be reduced to straightened circumstances, if not to actual want, what right has he to close his eyes and ears to the fact and with out making any effort be satisfied to plead that he cannot afford to assure? Remember that however poor a man may be there is always some one else who is poorer. He almost certainly has friends who have a smaller income than himself and yet they manage to pull along somehow and very often just as comfortably as he does himself. Let us emulate their example and the necessary margin for that policy will find it self. If it was the man himself who was to be reduced to poverty to-morrow or next year or even twenty years hence and he knew that he could absolutely and certainly avert it by so simple and so cheap a means

as a life policy, do you believe that he would still plead inability? I very greatly doubt it. It is not pleasant to realise it but if one looks facts straight in the face I think that one must admit that the man who goes his own way day after day knowing full well that his wife and children are wholly and insufficiently provided for and is content to silence his conscience with the old plea of inability is nothing but a selfish coward; the worst enemy of his kith and kin and a traitor to the state. Whether he so acts wilfully or thoughtlessly makes no difference in fact and little in degree. If it was the man himself who was to suffer for his neglect after his death would he ever rest until he had done everything that lay in his power to provide for it. I think not. Why then just because it is another, and that his nearest and dearest, who is to suffer, and because it is a future, not a present contingency, why, I say, should he be allowed to ignore his most obvious duty which should be at once his greatest pleasure and pride? The ease of mind unguarded by the knowledge that come what may, his dear ones are provided for, will be found in itself more than ample recompense for any sacrifice involved and would not a little strengthen him for the battle of life both morally and physically.

One thing more, having secured your assurance hold on to it. Never allow yourself to be induced to let it go unless you are satisfied that you can secure a really better policy elsewhere and even then secure the better policy first before you let the other go. It can hardly be necessary to expose the all two

common fallacy that a provident fund or a private savings are in any sense the equivalent of a life policy. They might be provided if you could guarantee that you would live 20, 25 or 30 years or so and could be certain of your ability and willingness to add your contribution or savings regularly and without a break, but not otherwise. They are both excellent in themselves, but let us make certain of the future by getting the life policy first and then by all means invest our surplus as we will.

Some one may say "All that is very true but it is not every one who can assure as Life offices always decline some risks."

That unfortunately is only too true but even there the fault lies largely with the public. Investigation into the subject have led to the conclusion that in the large majority of declinations, delay has been one of the chief factors. Many a life which has been declined today would have been surely accepted if it had been proposed yesterday. Further if every man in our ideal State proposed for assurance it is practically certain that an assurable value of some sort could be assigned to every life as Life assurance is based on the law of averages and if a sufficient number of lives was offering good, bad, and indifferent, it is almost certain that it would be found possible to calculate rates at which practically every life could be assured.

Now what am I to say of those who in spite of these warnings fail to assure their lives, rather willfully

neglect saying that they cannot afford when we actually see them going in for luxuries. If every one of us were to be true to ourselves and to our families and never put on false feathers when we actually cannot afford to do some things but always thought of keeping this money for a future contingency by paying to a life policy, oh how happy we would be in our old age and when we are at the point of death, and what about the man who had never thought of savings this way at least when his income was actually small, and when his daughters growing up to a marriageable age, sons craving for education, wife growing desperate, creditors pressing for payments.

And so when the final summons comes to this type of man and you know that death is near, what will be his last thoughts, what will be his greatest anxiety, what will be his chief apprehensions, and what will bring him in this last hour, either inexpressible grief and selfaccusation or profound joy and peace even in the face of death?

Will his last thoughts be of himself, will anxiety and apprehensions be of his own hereafter? Ask those who are called upon to watch at the bedside of the dying. Ask the faithful family doctor to whom dying men confide their innermost thoughts.

They will tell you that when in the Shadow of death, his one and his only thought, his one and only anxiety, will be for wife and children; will they continue to live as they had lived while he was their protector? or will they have to go out into the world unaided

and unprepared to fight the battle alone? Will the mother be able to do for the children all that she and he had planned together to do for them when they got married, or will these plans have to be abandoned? Will she be assured even a living income, an income that will clothe and feed and keep the family together? Or must she seek employment and the home and the family be broken up? Or as a last extreme will she be forced to rely upon the charity of relatives or others which thousands of mothers who had seen better days have had to do?

These will be his last thoughts. These will be the questions that will burden his mind and conscience, and the answer to these questions will bring him either sweet peace or the bitterest sorrow. In proof of these let me read the words of the old physician published recently in the Ohio State Journal as follows:—

A physician of long experience told us the other day, that when the time comes few men dread death itself for themselves. There seems to be some kind provision of nature which influences men to meet the inevitable calmly and almost contentedly. What they do dread he said, is leaving their families unprovided for and he told of some sad scenes where men about to die repented in bitter self-reproach their failure to assure, while yet there was time, the comfortable future of those looking to them for material support.

Commenting on the above, the Journal very apporriately adds:—

Have you all the life insurance you can safely carry? That may sound rather material, even irreverent, but the old physician's testimony shows how essential to one's spiritual peace material things may be.

One may have been respected and honoured by his followmen, he may have been a pillar in the Church, he may have been the leader of his community, he may have been a kind and generous husband and father, he may have been all these and yet, if he had sinned away the last opportunity that life and health had given him to provide for his own, his last moments, will be moments of mental anguish and remorse.

And when his time has come, when he lays his head on his pillow for the last time and the end of the road is in sight, he then will realize that the one great problem, the one supreme and over shadowing purpose and desire of life is to provide for wife and children both now and in future.

"How are we to do this"? You ask; you may not believe it, but aside from their life insurance, comparatively few men leave their families anything worthwhile, if anything at all, after the debts and bills are paid. In almost every instance, it is life insurance that keeps the widow and children from want; it is life insurance that clothes and feeds and sends the children to school and gives them a fighting chance in life; and it is life insurance that enables a man to live in peace and to die in peace, without

fear or apprehension for the future. Therefore life Insurance is the only answer. It is Philanthropy reduced to a business basis and surely in what it has accomplished we may observe all the positive advantages of Philanthropy lacking only that element of charity which is so often repugnant to dignity.

But let it also be said that the policies you only intended to take and those which you did take but thoughtlessly gave up will be of no comfort or satisfaction to you at the end of the road. They will taunt you. As an example of this take the case of a young man whom an Insurance Agent had repeatedly urged to take a Life Policy but without avail. His only excuse had been that he was not quite ready."

But one day he told the agent that if he were to call at his place on a certain Saturday he would then make an application for insurance. The agent went to his place as appointed but he had to return with his familiar excuse that he was not quite ready.

An appointment was then made that the agent should meet him on a Monday but a day before that is on Saturday however the youngman was taken ill and on Sunday was conveyed to the Hospital where he died of typhoid the following Thursday. He left no estate whatever, and no insurance, and the poor widow had to call upon friends to pay the burial expenses and the expenses of conveying herself and the little child back to her fathers. Those who were at the bed side during this young man's last hours des-

cribe the scene as one never to be forgotten. His thought of wife and little son in whom his very affection had been centered, but for whose future he had so thoughtlessly and so cruelly failed to make even the slightest provision, caused him to rave in bitterness for his neglect. His mental agony is said to have been indescribable.

So our consolation both now and in the future, will come only from the policies we actually have to-day and every day to the end. Therefore, let nothing prevent us from making this provision now while we are in health and life insurance may be had, and when once we have been accepted for life insurance and have the policies safely in our hands, let no sacrifice, no fancied hardship, no moment of discouragement ever tempt us either to give them up or to encumber them.

They will be our most precious possession and the harder pressed we are, the more precious we should hold them to be. If you do accept the experience of those who have gone before and the testimony of the physicians and others who minister to the dying, then you will realize that it is only by obeying these solemn warnings that we will be assured peace along the way and peace when we reach the end.

The Conference next Proceeded with passing of resolutions.

The first resolution moved from the Chair ran thus:—

“This Conference of the Indian Insurance Companies calls upon the Indian insuring public in general and the mercantile community in particular to place all their insurances whether life, fire, marine, accident etc. as far as possible with the Indian Insurance Companies.”

The resolution was adopted unanimously.

(2) “That the thanks of this conference be conveyed to all Insurance officials and other gentlemen who very kindly undertook to prepare able, instructive and interesting papers for the conference”.

The President in moving the resolution said he was sure that one and all in the conference were extremely interested in the subjects treated. When he was proposed to the chair by Mr. Mody, the ground adduced to justify his election was that he was connected with the Tata Company which had wide and varied activities, not the least among which being the New India Insurance of which he was the present chairman. But after listening to the able papers read before the Conference, he almost felt that he became an expert in insurance. (hear, hear).

The resolution was carried unanimously.

The third resolution also moved from the chair and passed unanimously was as follows:—"That the proceedings of this Conference be printed in a book form and a copy thereof be sent to all the members of this Conference, delegates, public bodies and other persons interested in the Insurance business and that the cost thereof shall be borne by all the Indian Insurance Companies—Members of the Conference."

Mr. R.J. Duff next moved:—

"This Conference of the Indian Insurance companies requests that the Government of India will be pleased to take necessary steps with a view to obtaining correct statistics every year in regard to the Insurance business transacted in this country by all the insurance companies (Indian and Non-Indian) under various headings such as, life, fire, marine, motor car, Work men's compensation and other classes of insurance showing premiums, losses, expenses and funds and to make such information available to the public soon thereafter. This Conference hopes that before taking action in this matter Government will be pleased to consult the various Insurance Associations as the final form in which particulars could be given."

He said, "Gentlemen, I have nothing to say about this resolution except that to-day there is no effective means of ascertaining the total premiums paid in India. We want to get at them and we also want to get the proportion of payment in Indian and non-Indian Insurance Companies,

Pandit K. Santanam, seconding the resolution, said. " Mr. President and gentlemen, I have great pleasure in seconding the resolution which has been put before you by Mr. Duff. I shall only draw your attention to the fact that in India at the present day there is only the Government account about the Insurance companies. Beyond that there is no other source of information available with the result that when we come to a Conference of this kind we find ourselves very much handicapped when concrete proposals either in the way of new legislation or in the way of new rules of procedure have to be put forth. From my own experience I can tell you that once when I asked for information concerning the working of the American insurance Companies I light heartedly wrote to some American company, in the United States. They sent me three big volumes dealing with life, fire and marine insurance. I had to pay about Rs, 100 for that. It is only from proper statistics that you can see the exact amount of work done by Companies. Here we are absolutely helpless, and further, not only are the people connected with Insurance companies handicapped for want of information regarding this, but when you go to the public also you find general ignorance among them. It is very difficult to persuade them that by their action they are not looking after the interests of the country. You have heard from the papers before you that the sums that are estimated to go out of India in the shape of premiums are estimated to range from 10 to 25 crores of rupees. You might be perhaps puzzled, but there is no help for that. It is only an estimate that you have; you have no other materials. It is for this

reason that we want to pass this resolution. We want proper statistics to be presented in the form of books in India and I feel that when you know all the defects in the existing system you will have no hesitation in accepting this proposition unanimously."

The resolution was passed unanimously.

The following resolution was moved by Mr. Lalji Naranji:—

"That in the opinion of this conference it is necessary that Government should take early steps for the introduction of the Insurance Bill before the Legislature and that when this Bill comes before such body at least two representatives of Indian Insurance Companies representing Life and general class of business respectively be nominated."

Speaking on the resolution he said, "The resolution I am moving can be divided into two parts. In the first part we call upon the Government to take early steps for the introduction of the Indian Insurance Bill in the Legislature. There is no difference of opinion between us and the Government as to the necessity of the Bill. They have been telling us so since 1923, but the measure was delayed, they allege, owing to reasons beyond their control. The only difference between us and Government on this question is in the word early."

In moving this resolution my task is very easy, because I have not to make out at this Conference a case for the introduction of this Bill. Government

themselves have recognised the necessity for it. Till October last the Indian Merchants' Chamber had been pursuing the subject since 1920. In 1923, Government recognising the need for the Bill made a start. At the same time another Bill was introduced in the Assembly by Mr. Jamnadas Mehta. These Bills were delayed for one reason or another, though Sir George Rainy says that he has no desire to delay the introduction of the Bill a day longer than is necessary.

I have written this just to tell you that the insurance question is not being over-looked and neglected.

The position, therefore, with regard to this Bill is that there is no difference of opinion between us and the Government as to its enactment; the only difference is in the pace at which we wish it to be put through. I could assure this Conference that the Government of India are as anxious as we are to introduce this Bill. They appear to be awaiting the result of the Insurance Legislation that is being introduced in England before deciding the form in which it should be introduced in India. My resolution does not, however, refer to the contents of the Bill. I am restricting the resolution to take early steps in the introduction of the Bill.

I say that early steps should be taken for the following reason: The Government of India claim that they are the trustees of this country. The Insurance companies are the trustees of the insuring public. Is it not their paramount duty not to delay any longer the passing of this Bill? I hope that the pressure of

public opinion and the proceedings of this Conference will weigh with the Commerce Member and that before long we would have a satisfactory Bill produced before the country.

In the other part of the resolution suggests that when the Bill is brought before the legislature at least two representatives of the Indian Insurance Companies representing Life and General Class of business should be nominated to the Legislature. It is essential that when considering this Bill Government should have the advantage of consulting persons who have studied the subject and are experts on the subject. The Government say that they are anxious to make a clean job of the Insurance Bill. If they are really so they should have technical men who are actively interested in the business."

Mr. Girdharlal Mallick seconding the resolution said that the demands put forward in the resolution were so modest and their reasonableness so self-evident that no further reasonings were necessary to establish their justification. He hoped the proposition would be carried unanimously.

The resolution was put to the vote and carried unanimously.

Mr. Girdharilal next Proposed :-

That a Committee consisting of the following gentlemen with power to add to their number be formed to be known as the Standing Committee of the Indian Insurance Companies' Conference to popularise and carry on the work of the Conference. This Com-

mittee shall function until such time as a new Committee is appointed at the next Conference :—

Mr. N. B. Saklatwala, C. I. E. *President.*

„ Lalji Naranji, J. P., M. L. C. *Vice President.*

MEMBERS.

Mr. H. E. Jones.

„ J. C. Setalvad.

„ C. G. Fozdar.

„ E. F. Allum.

„ H. L. Humphreys.

„ N. Datta.

„ Girdharlal Mallick.

„ Girdharilal.

„ Pandit K. Santanam.

„ J. C. Sen.

„ V. Mangayya.

„ S. Kaboor.

„ S. M. Pandharipande.

„ R. J. Duff.

„ Kanchanlal Varajdas.

„ G. S. Marathey.

„ K. S. Ramchandra Iyer. } *Secretaries,*

„ N. J. Gor. } *Ex. Officio.*

Mr. Girdharilal said they had met there in conference as practical business men and the resolution which he had the honour of moving was a business

like resolution. It would enable them to follow up the proceedings of the conference by giving effect to them. In the matter of Life Insurance it was most important that they should do intensive propaganda not only in the towns but also in the villages so as to bring the message of life insurance within the reach of every man and woman who would benefit by it, and for this purpose it was necessary to set up a Standing Committee to carry out in practice the decisions of the conference, as well as to carry out the propaganda. The speaker also referred to the proposed insurance legislation by the Government and hoped the committee will make efforts, by getting into touch with the Government, to ensure that proper safeguards are provided in the legislation in the interests of Indian insurance. He reminded them that insurance was the backbone of all civilized countries where the respective governments helped their insurance organisations and it was high time that similar efforts were made in India. He hoped the committee would see that Indian insurance was developed by the proposed legislation.

Mr. Kanchanalal Varajdas seconded the proposition which was put to vote and carried unanimously.

Mr. B. F. Madon moved the following resolution :—

“ That the thanks of this Conference be conveyed to the Indian Insurance Companies' Delegation (now Association) for the good work they have done during the last year on behalf of the Indian Insurance Companies and whose efforts in a great measure resulted in the holding of this Conference.”

In doing so he said, " There is no need to commend this resolution for the consideration of those in the insurance business, for they are familiar with the work that has been done in the past 12 months by what is called the Indian Insurance Companies' Delegation. The gentlemen who formed the Delegation worked extremely hard in carrying on propaganda in the cause of Indian Insurance by trying to induce the public to place all their business as far as possible with Indian Insurance Companies and by trying to convince them that it was not merely in the interests of the Companies that they should encourage Indian concerns but ultimately in their own interests and in the larger interests of the country's economic development and prosperity. The members of the delegation have induced the public in many other ways and I may be permitted to say that their efforts have not been in vain although I cannot claim that they have been highly successful. The reason for this was that the foreign Insurance Companies operating in this country have had a long standing and they are strongly entrenched. When you have an enemy who is strongly entrenched and you want to conquer his territory he will certainly see that getting into his trenches and conquering his territory are not made an easy job. Our friends who have been working in the Delegation have, however, not allowed themselves to be discouraged by the difficulties, serious as they are, of the situation. They have gone whole-heartedly into the work for months and to-day we are just beginning to feel that some impression has been made on the fortification of the enemy and that there will come a day

when we may hope to capture his trenches and go to his territories. (cheers). Let us hope that the day is not very far off when the Indian Insurance Companies will come into what is really their own. (cheers). The insurance business of Indians, of Indian merchants and Indian property should legitimately and rightly go to Indian companies. I am sure you will all agree on that point.

Perhaps it is not clearly understood by public that insurance is one of the forms of thrift. It is one of the most important forms in which a country builds up enormous funds which go to its industrial and other developments. You will therefore agree that we are not to give the non-Indian companies the benefit of thrift, these companies which carry away the funds that we save to their own country to be invested for the development of their own industries. (hear, hear). I hope you will agree that it is certainly wrong to do so. And it is time that we in this country tried to remedy the situation and see that the funds remain in this country. The Indian Insurance Delegation has in the last year or two succeeded in convincing the public that what they have been doing up to now was not in the best interests of the country and therefore, of their own. We hope that the delegation as it now is will carry on the good work that it has taken up and that in the next few years we shall be able to rejoice at the result that we may have then obtained. I am sure you will all join with me in thanking the Indian Insurance Delegation for the efforts they have made for the development of Indian Insurance business." (applause).

The resolution duly seconded was adopted unanimously. (President's concluding remarks.)

The President in bringing the proceedings to a close said, "We have now come to the end of the Session. I use the word session advisedly, because it is only the Session and not the Conference itself, that has come to an end. The work of the Conference has just begun. You have left that work to the Committee that has been just formed and I am pretty confident that we shall soon see the practical results of their efforts. Their efforts will be found in the number of Indian gentlemen and business firms that have brought over their business from non-Indian to Indian Insurance companies.

After all the speeches that have been made I do not wish to inflict on you any further speech. But I would like to mention that we have got good cause and our claims are just. It all depends on the response we get from the public and on what we do in order to receive that response."

The President then read a telegram from Mr. S. L. Tulli, "Managing Editor, Insurance Publicity Co. Ltd, Lahore, which ran thus: "Regret inability to attend. Wish Grand success Cooperation amongst fieldworkers and companies will go long way to achieve our common ambition, viz. advancement of Insurance in India."

"I think this telegram very aptly sums up what I want to tell you. Indian companies should work like one company helping our another and not cutting one

another's throats (applause). We shall leave that to others. As far as as Indian companies are Concerned we should co-operate with each other; the rich companies should come to the help of the small ones. If that cooperation and mutual help is forthcoming from all Indian companies the next President of this Conference will have a far better session to attend.

The only thing I have to do now is to thank the various companies and persons who have assisted in the organisation of this Conference and brought it to such a successful end. I have been asked by the organisers to say that if there has been any inconvenience or difficulties for the delegates they would kindly overlook them considering that this Conference is the first that has been held in this country. You will bear in mind that the whole organisation has been a single man's work and it has been achieved with great difficulty. I should certainly say that the officers and staff of the Jupiter General Insurance Company and the students of the Davar's College Insurance Association have been very useful, and done excellent work, in the successful conduct of the Conference.

I should next thank the Central Bank of India for kindly allowing us the use of this hall for the holding of the Conference.

I am very much gratified to see not only the number but the classes of persons who have come here. There are many distinguished men present here and I am very pleased to see the encouragement they have given us. Last, but not least, I would like to say

that the Press has taken notice of this Conference in a way, I do not say, we did not deserve, but certainly we did not expect. They have helped our cause a great deal by publishing the accounts of the proceedings of this Conference and I wish to express my thanks for that service "

Gentlemen, the first Session of our Conference is over.

Sir Lalubhai Samaldas proposed a hearty vote of thanks to the President. He said they were all very lucky in getting Mr. Saklatwala to occupy the chair because one would hardly have expected a person in the position of Mr. Saklatwala, one of the great industrialists of the city, to have found the time and the leisure to preside over their conference. Mr. Saklatwala was moreover best fitted to occupy the chair as he was one who knew best how to conduct and control a meeting. The speaker referred to the keen and patriotic interest evinced by Mr. Saklatwala in the growth of Indian insurance. In Mr. Saklatwala they had a gentleman first and everything else afterwards and he thought the greatest conquest the subjects committee had made was in securing him as their chairman of the committee to work out the aims and objects of the conference, for a whole year. He had not the slightest doubt as to the success of the committee's labours under Mr. Saklatwala's leadership

The vote of thanks was seconded by
Mr. Minocher J. S. Khrao of the Oriental.

The Conference was then dissolved.

SOME DISTINGUISHED VISITORS.

Sir Geoffrey Corbett
 Mr. Jannadas M. Mehta, M. L. A.
 " H. P. Mody
 " Mirza Ali Mohamedkhan
 " S. S. Batliwala
 " Laxmidas R. Tairsee
 " Walchand Hirachand, C.I.E.
 " S. N. Haji, M.L.A.
 " M. A. Master
 " Shanti Kumar N. Morarjee
 " Hansraj Premji
 " J. K. Mehta
 " H. E. Davis Simon
 " M. Leslie
 " L. Randall
 " J. Cochrane
 " A. S. Chadwick
 " F. C. St. Paul
 " S. D. Saklatwala
 " F. S. Graham
 " Vishwanath P. Vaidya
 " M. V. Merchant
 " A. S. Erulkar.

List of Delegates present at the Conference.

The Andhra Insurance Co. Ltd.	Mr. Y. Mangayya " C. V. Narasimham
The Argus Insurance Co. Ltd.	Mr. N. B. Dave " R. P. Correia
The Asian Assurance Co. Ltd.	Mr. C. G. Fozdar
Bharat Insurance Co. Ltd.	Mr. Lala Girdharilal Mullick. " V. B. Beherey " S. K. Trivedi

Bombay Life Assurance Co. Ltd.	Sir Lalubhai Samaldas, Kt. Mr. P. J. Billimoria " J. L. Mehta " S. B. Card Master " N. S. Pai " K. Balasubramania Iyer.
Bombay Mutual Life Assurance Society Ltd.	Mr. L. V. Vaidya " V. P. Vaidya " M. K. Desai
British India General Insurance Co. Ltd.	Mr. H. M. Mehta " Geo. Brown " Fitter " Savchak.
Crescent Insurance Co. Ltd.	Mr. R. M. Bhat
Empire of India Life Assurance Co. Ltd.	Mr. E. F. Allum " Bharucha
General Assurance Society of Ajmer.	Mr. S. Kabboor. " Sardesai
Hindustan Co-operative Insurance Society Ltd.	Mr. N. Datta
Hindu Mutual Life Insurance Co.	Mr. P. C. Ray
Hindustani Bhima Co. Ltd.	Mr. Lala Girdharilal
Ideal Democratic Assurance & Mortgage Loans Ltd.	Mr. S. M. Pandharipande " D. D. Deshpande " G. R. Pimpallaonker
Indian Mercantile Insurance Co. Ltd.	Mr. P. E. Dhalla
India Equitable Insurance Co. Ltd.	Mr. F. S. D'Souza

The Industrial & Prudential Insurance Co. Ltd.	Mr. J. C. Setalvad " K. C. Desai " V. C. Setalvad " J. P. Mehta " K. J. Dalal
The Jupiter General Insurance Co. Ltd.	Mr. Lalji Naranji " B. J. Modi " K. S. R. Iyer. " Lakshmidas Dwarkadas " D. H. Hiranandani
Lakshmi Insurance Co. Ltd.	Mr. Lala Lajpat Rai " Pandit K. Santanam
National Indian Life Insurance Co. Ltd.	" H. K. Pathare
National Insurance Co. Ltd.	Mr. Humphreys " P. D. Churi " R. K. Mundorgi
The New India Assurance Co. Ltd.	Mr. N. B. Saklatwala, C.I.E., Sir P. C. Sethna Kt. Mr. Narottam Morarji " B. F. Madan " R. J. Duff " A. D. Banker " K. J. Mehta " H. Mistry " M. M. Mundkur " K. B. Roy " G. S. Row " Patel
The Nagpur Pioneer Insurance Co. Ltd.	Mr. A. V. Mahar " D. L. Bhagwat " B. V. Bhat.
New Era Insurance Co. Ltd.	Mr. P. A. Baptist

Oriental Govt. Sec. Life Assurance Co. Ltd.	Mr. B. H. Warden Sir Purshotamdas Thakur- das
	Mr. H. E. Jones
	" D. Forrest
	" G. D. Sutherland
	" L. S. Vaidyanathan
	" Mahatre
	" M. J. S. Khras
Presidency Provident & General Insurance Co. Ltd.	Mr. N. J. Gor. " R. H. Vyas
Premier Life Assurance Co. Ltd.	Mr. L. S. Sarwadhikari.
Tropical Insurance Co. Ltd.	Mr. I. K. Yajnik
Universal Fire & General Insurance Co. Ltd.	Mr. R. D. Birla " Motilal Kanji " Raghovji Kimji " Kanchanlal Varajdas, " K. H. Setalvad " B. K. Setalvad
The Venus Assurance Bank Ltd.	Mr. Patel
The Vulcan Insurance Co. Ltd.	Mr. Velji Lukhamsey " J. C. Setalvad " K. C. Desai.
The Western India Life Assurance Co. Ltd.	Mr. K. R. Majgaonker " D. H. Pandit " W. G. Chirmule " V. M. Karandikar " V. N. Deshpande
Zenith Life Assurance Co. Ltd.	Mr. H. M. Mehta " Byramji Hormusjee
Insurance Association Calcutta.	Mr. P. V. Subramanier.
Actuary	" G. S. Marathey.

AS INDIA'S GREATEST LIFE
ASSURANCE COMPANY

ORIENTAL

LEADS THE WAY IN
SUCCESS—SECURITY—SERVICE
*Records of the Three Years' Period Ended 31st
December 1927*

SUCCESS

ANNUAL NEW ASSURANCES, ANNUAL PREMIUM INCOMES,
LIFE ASSURANCE FUNDS

Increased from

237 LAKHS	}	To	}	468 LAKHS
83 LAKHS				121 LAKHS
623 LAKHS				794 LAKHS

SECURITY SERVICE

Excess of Market Values of Investments over Book Values at 31st December 1927—over 70 Lakhs.	Claims paid to policy-holders or their Representatives during these three years—183 Lakhs.
--	--

Extract from speech by

H. M. KING GEORGE on 24th March 1928.

"By the development of this idea of Insurance the community is linked together by mutual duties and services and in this way the shock which would have overpowered an individual man, family or partnership is so widely distributed that it can be harmlessly absorbed. And as Insurance creates a bond of union between citizen and citizen and between nation and nation so it holds together the fabric of civilised society and is conducive to international peace."

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A PROSPECTUS and full information will be promptly sent you on application to the HEAD OFFICE, ORIENTAL BUILDINGS, BOMBAY or to any of the Company's Branch Offices.

Empire of India Life Assurance Co., Ltd.

(ESTABLISHED 1897.)

(For the year ending 29th February 1928.)

New business exceeds	...	Rs. 1,16,00,000
Income exceeds	...	Rs. 54,95,000
Assets exceed	...	Rs. 3,15,64,000

A REVERSIONARY BONUS DISTRIBUTION OF
Rs. 15 **Rs. 12**

per annum Rs. 1,000 Assured *per annum per Rs. 1,000 Assured*
 On Whole Life Assurances On Endowment Assurances

HAS BEEN DECLARED.

Interim bonus on policies becoming claims before the next valuation
 at the same rate.

ACTUARIAL VALUATION RESULTS

FOR THE FIVE YEARS ENDING 28th FEBRUARY 1927,

SURPLUS—Rs. 37,66,689

Bonus to Policy holders	...	Rs. 23,78,964
Amount Carried to Reserve	...	Rs. 11,23,396

(Being Almost 30% of the Surplus.)

*Full information may be obtained on application to
 any of the Branch Offices or Chief
 Agencies or from*

ALLUM
BHARUCHA & Co.
 Managers.
 Head Office :—
 Empire of India Life Building,
BOMBAY.

THE BHARAT INSURANCE CO., Ltd.

LAHORE.

Insure your Life with the "BHARAT."

A purely Indian Life Office of over 30 years standing.

(Established 1896.)

Head office: LAHORE BRANCHES.—

Amballa. Ajmer. Ahmedabad. Allahabad. Agra. Bankipore. Bareilly. Bombay. Bhagalpur. Cuttack. Calicut. Calcutta. Dacca. Delhi. D. I. Khan. Gauhati. Karachi. Lahore. Lucknow. Multan. Mandalay. Madira. Madras. Nagpur. Poona. Rangoon. Rajkot. Rawalpindi. Sukkur. Saalkote.

Chief Agencies:—

Banglore. Karwar. Nairobi (British East Africa.)

	Rs.
Total Funds exceed ...	80,00,000
Total claims paid exceed ...	56,00,000
New Policies issued during the year	
1924 exceed ...	57,33,305
1925 exceed ...	72,99,045
1926 exceed ...	125,00,000
1927 exceed ...	151,80,980

Highest Bonus 20% P. A. declared on all participating Policies whether Whole Life or Endowment.

Special features.

1. Policies reviveable at any time.
 2. Female lives also insured.
 3. Special unique non-forfeiture privilege.
 4. Premium moderate.
 5. Reduction allowed for charitable purposes.
 6. Special Schemes to suit all tastes such as Four-Fold Benefit Children Endowment and Annuity etc.
- Application for Agencies are invited from gentlemen of position and worth.

For further particulars apply to:—

MALLICK GIRDHARI LAL

JOINT GENERAL MANAGER.

Bharat Insurance Co., Ltd. LAHORE OF BRANCHES.

IV

The Lakshmi Insurance Co., Ltd. Lahore.

Chairman:—Lala Lajpat Rai.

Managing Director:—PANDIT K. SANTANAM.

BOARD OF DIRECTORS.

Lala Lajpat Rai, M. L. A., 12, Court Street, Lahore.

Pandit Moti Lal Nehru, M. L. A., Anand Bhawan, Allahabad.

Raizada Bhagat Ram, Barrister-at-Law, Jullundur.

Rai Bahadur Lala Dhanpat Rai, M. L. C. Vakil and Chairman

Board of Directors, The Punjab National Bank Ltd., Lahore.

Rai Bahadur L. Badri Dass, M.A., Advocate McLeod Road, Lahore.

Lala Dewan Chand, Merchant, Amritsar.

Mr. Jagan Nath Aggarwal, M.A., LL.B. Advocate, Lahore.

Pandit K. Santanam, Lahore (ex-officio.)

The Company which has beaten all Records.

PROGRESS IN FIRST 3 YEARS.

Year Ending.	Policies issued.	Life Fund.
30th April 1925	22,67,750	500
30th April 1926	38,84,750	64,430
30th April 1927	45,32,000	2,40,000

POLICIES ISSUED UPTO DATE 1 CRORE 57 LAKHS.

Commerce says:—"The career of the Lakshmi has been marked by high distinction in the first year of work, it did a business of 23 Lakhs. In this connection it may be mentioned that from figures available in regard to Indian Companies, started since the year 1923, only one Company did 7 Lakhs worth of business in the first year; and in the majority of cases the total business varied from 1 Lakhs to 4 Lakhs. In other words, the Lakshmi's record of work in the first year is three times the previous record. The second year of work shows an even more gratifying position. The total business underwritten for the year ended 30th April, 1926 is nearly 39 Lakhs. This constitutes another record as regards the work done by any Indian insurance company in the second year of its working. The expense ratio is 66.7 per cent which should be deemed satisfactory for a company in which most of the business underwritten is new business.

Forward says:—"Inspired by high ideals, controlled by a Directorate which contains such eminent men as Lala Lajpat Rai, Pandit Moti Lal Nehru and Rai Bahadur Lala Dhanpat Rai and managed by that selfless worker, Pandit K. Santanam this infant prodigy will continue to develop into unparalleled robustness at every stage of its life.

RATES MAY BE HAD ON APPLICATION

McLeod Road,
LAHORE

PANDIT K. SANTANAM.

Managing Director.

**THE
INDUSTRIAL AND PRUDENTIAL**

Assurance Company, Limited.

**HEAD OFFICE,
Jehangir Wadia Building,
Fort, Bombay.**

Directors

The Hon. Sir Lalubhai Samaldas, Kt., C.I.E., (Chairman.)
Sir Chimanlal H. Setalvad, K. C. I. E., Advocate.
Sir Hukam Chand Saroopchand, Kt.,
Velji Lukhamsey, Esq.,
Motilal C. Setalvad, Esq., Advocate.
Gulabchand Devchand, Esq.,
Lalji Narajji Esq., J. P., M. L. C.,
J. C. Setalvad, Esq., (Ex-Officio.)

The Company was started 14 years ago.

From small beginnings, the company is slowly emerging into a healthy and vigorous Indian Life Insurance Company.

The average annual life insurance business written by the company exceeds 20 lakhs of Rupees.

Life Insurance Companies are growing into national institutions in this country and the INDUSTRIAL and PRUDENTIAL is contributing its mite towards such growth and development.

The INDUSTRIAL and PRUDENTIAL will only be too glad to give all assistance to people who are on the lookout for taking a life insurance policy.

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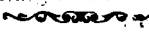
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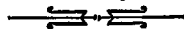
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London, 1927 49 MAY 1928
UNIVERSITIES IN 145
THE UNITED STATES

SOME IMPRESSIONS

4

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EDWIN DELLER, LL.D.

ACADEMIC REGISTRAR, UNIVERSITY OF LONDON

T4. 73

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Price *2/- net*

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UNIVERSITIES IN THE
UNITED STATES
SOME IMPRESSIONS

I

URING the months of February, March and April 1926, I was the guest of the Laura Spelman Rockefeller Memorial in the United States. The object of the Memorial, in extending their invitation, was to give me an opportunity of visiting some of the principal Universities in America, and to meet, for quiet informal discussion, men concerned with university education. I was greatly assisted by the officers of the Memorial in making my plans; and by their thoughtful economy of my time I was able to make stays of varying length not only at some of the institutions in the East, but also in the Middle West and in California. I was also able to pay a short visit to Toronto.

Everywhere I was received with the greatest consideration and friendliness. I had innumerable conversations with trustees, administrators, teachers, students and "all sorts and conditions of men," and I had the privilege, as a student, of attending lectures and discussions by some distinguished and stimulating teachers. I cannot speak too warmly of the kindness extended to a visitor, of the thought and pains taken to make my way easy and pleasant, or of the readiness with which busy men gave up their other concerns to welcome me. I hope I may number many of my temporary hosts among my permanent friends. To the Memorial whose

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kindness made possible this happy and informing experience are due, and are extended, my grateful thanks.

My journey was taken up mainly with the absorption of facts and information, though it was inevitable that I should form and modify—and discard—rapid and provisional judgements. Now that I can sort and arrange my impressions, I am attempting, while these are still relatively fresh, to place them upon record, not because they can be of much value for purposes of guidance or criticism, but in the hope that they may not be without a certain interest to those who may be curious to see how it strikes a visitor, who, conscious of his infirmities, has tried to be appreciative and candid and fair.

I have endeavoured also to avoid generalization; for to generalize about American Universities seems as futile as to generalize about the United States. There are American Universities whose fame has circumnavigated the globe and whose contributions to learning and science are beyond estimation. There are others who, with aims and resources more limited, are bending themselves manfully to the task of producing "good citizens." There are others again—I speak only on the report of faithful witnesses—whose claims to be regarded as institutions of university status can hardly be taken seriously and indeed do not seem to fill any intelligible place in an educational system.

II

However much the many Universities and Colleges of the United States may differ in aim and achievement, their very existence is a proof that America "believes in Education." * To whatever cause this passionate belief is due—it may be in part a by-product of an egali-

* All Universities in the United States are exempt from national and local taxation. This, besides testifying to the belief in the value of education, is a practical boon of great value. I have known college buildings stand unoccupied in England because the College could not afford the additional taxation that their occupation would entail.

UNIVERSITIES IN THE UNITED STATES 5

tarian tradition which, in certain sides of American life, is still powerful—there is no doubt as to its existence. A visitor cannot help being caught up in this energy of belief, and although he may feel at times some doubts whether the results are as yet commensurate with the effort, and whether too much is not being expected of that part of formal education which is called “University Education,” he cannot but experience also admiration and occasionally an expectation that something may at any time happen to justify one of the greatest of social experiments.

The composite picture left on the visitor's memory of the greater American Universities is an attractive one. The buildings are usually adequate and sometimes impressive, and often set amid surroundings of great charm. The residential accommodation, when provided, may have some very beautiful architectural features. The athletic equipment indoor as well as outdoor will be at the least generous and it may be sumptuous. Swimming baths, running tracks, stadia for the various great contests, and well-equipped gymnasias are almost universal.

The students are very pleasant, likeable and courteous folk, with a full share of the vigour and charm which belongs to youth. I was able to see them not only in the mass (and the mass is at times overwhelming) as they thronged the class-rooms or rushed out, a torrent in spate, at the conclusion of a class; I was privileged also to share their hospitality in club and fraternity house, to answer eager questions and to get something of their point of view. Their extra-curricular activities are not confined to sport: there are journals and papers (monthly, weekly, and even daily), some of them very brightly written: there are debating societies, glee clubs, societies for music and the drama—in short, societies for all the things which students all the world over are wont to do.

As the students are numbered by their thousands, the teachers are counted by their hundreds. It would be presumptuous in me to praise their work and attain-

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ments, or their devotion to the causes they serve ; but I can place on record my appreciation of their kindness and hospitality, their patience under questions and the generous way in which I was instantly made to feel at home. The well-appointed Faculty Club, the centre for social purposes and a meeting place for business, formal and informal, is a prominent feature in the composite picture and the fortunate visitor who is made free of its amenities finds there a good deal to help him in his understanding of the American University. Over a meal he will learn in informal talk much that he could not gain otherwise. The identification of the waiter as his student-host of the previous evening will bring him dramatically into contact with one of the best things in American university life. And if he is flattered by being invited to participate, at the close, in a Faculty meeting, he will recognize the one-ness of academic mankind and the common burden which teachers in both hemispheres carry.

III

Three streams of influence have gone to make up the ideals of the American University, the English, the German and the contributions of the Americans themselves, and in many of the Universities I visited it was not difficult to detect in the amalgam resulting from their fusion the ideals as well as the terminology (English, American and German) of the contributory parts. By the English influence I mean the old English tradition of "sound learning"; by the German, the passion for research; and by the distinctively American, a conception of the functions of a University wider and more comprehensive than the older European idea. These definitions are arbitrary and not mutually exclusive, but they will perhaps serve; and I find myself thinking in retrospect of one University as "English" and another as "American" because of the emphasis which it seemed to me was being laid on certain aspects of their work. But it is only a matter of emphasis. A grouping or

UNIVERSITIES IN THE UNITED STATES 7

classification of the American Universities according to their origins and ideals would cut across their geographical location and also across the distinction between State and Endowed Universities. Some differences in ideals are, of course, inevitable: a city University cannot be a great agricultural centre, and an Endowed University is precluded from performing many of the functions of a State University. On the other hand, a State University may be found to have much the same ideals and outlook as those of the Endowed University. This difference in emphasis, however, undoubtedly exists. Thus the "English" note is especially prominent in the Eastern endowed Universities which have been evolved from Colleges frankly modelled on the English plan, and, broadly speaking, the Eastern Universities still look towards England educationally, though in the development of their research work their obligations to Germany are evident. The service which the Universities of this type render to the community is in a sense indirect. It is based on the assumption that men who have undergone the discipline of a University will become fuller and completer men and so better qualified to serve their fellows. Regarding the curriculum, the older view was that the subject-matter was of less importance than the manner and thoroughness with which it was studied and accordingly the range of subjects to be covered was comparatively limited. There was also a kind of presumption in favour of some "grand old fortifying curriculum." In more modern times the curriculum has undergone changes in different directions. On the one hand the range of subjects has, in recent years, been extended and, on the whole, wisely extended, and on the other hand certain subjects, especially Latin and Greek, which were traditionally the backbone of an Arts curriculum, have definitely receded, and in some cases almost disappeared.

The provision, as part of a university curriculum, of vocational or professional training, or training which shall lay the foundation for these, is of course of European

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ancestry. The mediæval university produced teachers and theologians and lawyers and physicians, and to these have been added engineers and architects and others. It is perhaps natural that this form of more direct service to the community should have met with great success in America and that it should have been carried further than in Europe. The point to which it can advantageously be extended is hard to determine: theoretically it should stop short at those subjects which are not susceptible of scientific treatment, but the acceptance of this question-begging canon does not help. Science is extending its frontiers daily and making new professions, and the old arts and crafts of the Middle Ages, or even of the nineteenth century, have now come within its purview.

The American Universities may then be said to have inherited two of the features of the European Universities—the University as a place for a liberal education and as a place for professional education. They have modified and added to these very considerably, and some of the additions and modifications are of great importance and significance. Consider, first, the University as a place for a liberal education. Subjects were added to the curriculum (as in Europe), because they had been added to the things of the mind. But they were added also, it would seem, in consequence of a new question which American educators had asked themselves. The old Universities were less concerned with the needs of the students than with the advancement of learning. They did not ask questions. They said to the world, "Here we teach and study this and that; all who are qualified and willing to follow our discipline may do so." The question asked (and still being asked) in America is, "What, having regard to their origin and to their future, do our students need, in their cultural courses, to help them to become good citizens and to comprehend the civilization and environment in which they find themselves?" The answer to the question has often been to revise the syllabus. And it is partly by way of

UNIVERSITIES IN THE UNITED STATES 9

answer that subjects like Psychology and Geography and Economics have been included (and very materially advanced) in the curricula of American Universities, and, it may be surmised, solely in answer to the question that additions such as the notable syllabus on Contemporary Civilization of Columbia University have been made.

Unquestionably many additions of great value have thus been made to the content of the university curriculum on its cultural side. Nevertheless, doubts obtrude themselves, though they are doubts not as to the wisdom of the question but as to the answer made to it. If it be admitted that the take-it-or-leave-it attitude of some of the older European Universities * is neither desirable nor possible in America, may not something be left to the curiosity and initiative of the student himself? May not the provision of a course in a subject be at once too facile a method of meeting a student's supposed needs and a justification or excuse for his thinking that he knows what there is to be known? Is there not a real danger that the slight treatment which is all that is possible in some subjects results in the mere imparting of useful information as a substitute for an intellectual training? Not many people hold to-day that the subjects which can form the basis of such a training are few and immutable or that their unattractiveness and remoteness are their principal merits. On the other hand, there are even fewer who would maintain that a casual acquaintance with a number of topics, useful as it may be, can take the place of the stretching of the mind and sharpening of the wits which come from getting really to grips with a difficult, but not necessarily uncongenial, subject or group of subjects. And it is notable that there is already a distinct movement in a few Universities towards an intensive study of a single cultural subject and away from the discursive study of several, and that, with the

* Mr. C. E. Montague, in *Rough Justice*, speaks of "the keys that public schools and ancient Universities leave lying about, in a casual way, before the toddling feet of their nurslings, to pick up or leave, as they choose."

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valuable aid of the Classical Association, a sturdy fight is being waged for the rehabilitation of the Classics.

IV

The strongest feature of the American University is its provision for the graduate * student. It is a fairly recent development, in which Johns Hopkins University played an early and distinguished part, but it has already done more than anything else to establish the position of the greater American Universities in the world of science and scholarship, and seems destined to grow to greater power in the next few years. The Great War, in cutting off access to Europe, doubtless hastened its development, and the magnificent material resources of the Universities in laboratories, libraries and observatories have doubtless been important factors. But men and not merely material facilities are the chief attractions to young research workers, and in a great number of subjects—especially in economics and the physical and biological sciences—some of the American workers have made additions to human knowledge which are world-famous. The growing stream of English graduates to American Universities is itself evidence of this, and the migration of students within the United States from one University to another is even more impressive. It would probably be within the power of some of the Universities to limit their entry solely to graduate students if they were so minded. The notable Robert Brookings School at Washington is indeed so limited and so are many of the professional schools, whose work is of a high order, in some cases indeed of special excellence. To this side of the activities of the University the contribution of America has been considerable, not only in the application of University treatment to professions hitherto outside it but also in the evolution of a new technique of teaching in the older professions. It is difficult to over-estimate

* *I.e.* the English "postgraduate." The American terminology is, I think, preferable.

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the value of the services thus rendered to the community. How far the newer, and, to me, really impressive, architecture of America is indebted to the Universities for its inspiration I do not know, but their influence on law and medicine is obvious and profound, and in these subjects especially Harvard and Johns Hopkins have won European as well as American respect. Hardly less notable is the work and influence of the great Teachers' College in Columbia University.

In one professional subject it was interesting to observe what I have called the English and German influence subsisting together. That is the subject of Medicine. Under the English system, largely for historical reasons, medical education has been ancillary to the work of the hospitals, whose main concern was (and still is) the care of the sick. It is only in recent years that there has been in England an approach to the study of medicine for itself, and concerned primarily with a regard for the future well-being of the many rather than the present relief of the few. In Germany, on the other hand, the University has for many years been the predominant partner in the combination with the hospital. Both systems have in different ways justified themselves, and both have their glories. There are the names of Hunter and Lister among English clinicians, as there are those of Virchow and Müller among the German Professors. A rough parallel is suggested by the Mayo clinic attached to the University of Minnesota and the Rockefeller Institute in New York. To attempt to appraise either of these would be presumptuous in a layman, and I do not know which moved me the more or set me musing more keenly upon the possibilities of medicine and science—the continuous procession (like a mediæval pilgrimage) of the hopeful sick to Rochester, or the unremitting search for the secrets of life and death in the laboratories at New York. I may perhaps add that as far as I could gather the “scientific” view of medicine definitely predominates at present in the Universities, and also that the very general use of the

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hospitals by all sections of the population, which is, as yet, far more common in the United States than in England, ensures a varied as well as an abundant supply of clinical material.

Of the Law Schools I may, perhaps, say something by way of particular commendation, since they have for me a special interest, and I renewed my youth in attending several classes when opportunity offered. Of these Harvard, of course, enjoys a rightful pre-eminence, due to the illustrious teachers from Langdell's time to the present day, to its distinguished graduates, and its origination of the now famous case-law system.* But Harvard does not stand alone; at Columbia, Yale, Berkeley, Leland Stanford, Michigan (with delightfully "legal" buildings), and Chicago there are law schools which equal or excel anything in England, where, largely for historical reasons, the teaching of law has not received in the Universities the recognition it deserves and elsewhere enjoys. It was interesting to observe, too, how an American law school, such as Harvard, can easily extend its scope beyond that of a mere professional school. It does not only teach law as it is, it thinks about law as it should be, and in a country with forty-eight different jurisdictions the existence of a body of legal opinion resting on the scientific study of law is a possession of great value. I do not think it fanciful to see a parallel between the pronouncements of professors of law (expressed privately or through the Law Journals) and the *responsa prudentium* of the Roman Empire. And the questions which can, and do arise in the teaching and study of law in America (and of Constitutional Law in particular), raise in turn other questions of economic and political and social interest so fundamental that the

* The merits of the system are a battle-ground for the giants, and I need not enter it. Personally, I think the appointment of full-time teachers with an aptitude and an enthusiasm for teaching is more important than this question of technique. I should add, however, that all the law teachers I met, some of whom were conversant with the lecture-system, were convinced supporters of the case-law system, with some freedom of modification.

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professional law school has in some cases become a school which furnishes a liberal education in public life.

Another respect in which America's energy and inventiveness are clearly evident is in the extension of the use of the printed word as an instrument of teaching and research in the Universities. The great Widener library at Harvard, with its "cells" for professors and its arrangements for graduate study within the library, may well come to be the example and pattern of the use of a library for the purposes of a University. And Harvard is, of course, not unique in the possession of a wealth of well-arranged books. The Presses of the greater Universities are among their greatest achievements, and some are of high excellence. They produce very serviceable textbooks, they have maintained the honourable tradition that it behoves a University to foster the publication of learned and unremunerative works, and the steady stream of journals and bulletins, etc., which flow from them are, in some departments of learning, among the necessary things of European as well as of American scholars and scientists. Many of their publications, too, apart from any question of their content, are excellent specimens of printing and book-production.

The teaching by correspondence, a combination of the written and the printed word, offers possibilities which have not yet been properly explored. Though it can never be anything but an inadequate substitute for personal contact with a gifted teacher, to deny its possible usefulness is to shut one's eyes to the value of reading and to set up the impossible doctrine that any teacher is better than any book. Unfortunately the work of "correspondence colleges" in the United States (as in some respects in England) is not sufficiently disinterested to afford material for a judgement. For this reason I was especially sorry that time did not permit of my seeing something of the teaching by correspondence which Columbia has initiated, for it is a courageous thing in a great University to say boldly, "If you cannot come to us, let us come to you."

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Not only has America modified and extended the traditional activities of the University, those of teaching and research and the dissemination of knowledge, she has also made distinctive contributions of her own to the "idea of a University." The conception of the functions of a University which is especially evident in the State Universities in the West and Middle West is much broader than that of a learned body which is primarily concerned with the teaching of those who come under its immediate influence and with the advancement of learning and science by research. This Western extension of the idea of the University may be roughly described as the translation of the idea into action. It is at present most prominent in the realm of Agriculture and allied sciences, where the State University discharges functions which in Great Britain are discharged largely by the State itself, or by the agencies working in association with the State. Its experimental stations, its "practical" instruction to agriculturists, its system of advice and guidance to those engaged in the great industries, are planned on a comprehensive scale. I could not myself be a witness of many of these activities (it was still winter in the Middle West), and I have no title to speak of their effectiveness. But I heard appreciation of the work which was being done, and English scientists have spoken of it to me in terms of high praise.

The conception is, however, in some ways more important than the, as yet, partial fulfilment. The now famous "Wisconsin Idea" offers a stimulating picture of the dominant position which a University might attain as an informing and persuasive agency in the State, not merely working out abstract problems of social organization in the seclusion of the University, but thinking of them with reference to the special problems of the State. Already, in some respects, some of the Universities are approaching the position of being the most esteemed governmental organ of the State. This is due of course, in part, to the relatively undeveloped condition of the other state organs and the low opinion

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entertained of many state legislators and of "politics"; but the Universities have also, by virtue of their own merits, achieved the recognition which they have been accorded. The realization of this extended idea of the University may carry with it some risks, but to an outsider they seem risks worth running.

V

This seems the place to mention a question which is just now being eagerly discussed in some quarters and which may prove of great significance in the development of the American University: the question of the instruction of undergraduates in the liberal arts. There is on the one hand, in some quarters, a tendency to regard the education of the undergraduate as a task unworthy of the energies of a great University. On the other hand the success and the relatively high standard of the graduate and professional schools have led to a concentration of interest in this part of the University's work and a disposition to consider that part as its main if not its sole concern. There is, therefore, a convention in the making (or already established) * by which the claims of an institution to the title of University are measured by the extent of its graduate and professional work. In at least one university students are in future to be received for the last two years only of undergraduate work, and in others the question of the continuance of any undergraduate-instruction in the liberal arts is being seriously considered.

Into that discussion a visitor cannot, with advantage, enter, for the problems which have given rise to it are

* The working out of the convention, which is not as yet general, occasionally leads to odd results. Of two institutions I visited one was styled "College" (and conferred only a Bachelor's degree), and the other "University," with graduate schools. But as far as I could judge, the standard of attainment of the "College" was distinctly higher than that of the "University." This is but one instance of the danger of generalization.

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peculiarly American. One cannot help feeling a certain regret that the old "College," the mother of the University, should come to be regarded as a poor relation whose very seat in the household is precarious and that an institution which was the headstone should now be the stone which the builders refuse. But the question is a highly complicated one and not to be settled on sentimental grounds. There are many considerations to be borne in mind, and the pressure of numbers alone (as to which I shall say something later), may justify provision outside the University (*e.g.* in the "Junior Colleges") for those students whose attainments and purpose fall short of university ideals. An alternative to this proposal, so far as it is put forward to meet the pressure of numbers, might be found in a rigorous selection from among students desiring admission. I refer to this later, but I may say now that I realize the difficulties attending its application to the State Universities. Nevertheless, while the limitation of the University to graduate work may have much to commend it, the policy of totally excluding the undergraduate seems to be an evasion rather than a solution of the problem. The status of the University may be raised, at any rate temporarily, but the status of the undergraduate will certainly be lowered. For a large number of undergraduates the lower status may be all that they desire or deserve, but what of those who desire to proceed to the University? It is obvious that if the policy of excluding the undergraduate is applied all round all the applicants for admission to the University must be drawn from junior institutions of varying standing, and that many of these students will have been deprived during their impressionable years of that precious stimulus which comes from contact with the men who are leaders of thought and makers of new knowledge—men who, sometimes by a chance phrase, turn the thoughts of an ordinary undergraduate towards research and high scholarship. Might not such a policy have an adverse effect on the quality as well as the quantity of graduate

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students more than counterbalancing the gain which the exclusion of the undergraduate would bring?

The position would, of course, be somewhat different if the policy of concentration on graduate work were recognized as not being capable of general application and were confined to a few "Super-Universities" which will draw their students from other institutions. Probably this may be the course adopted. English experience seems to suggest two things: one is that to bear their fullest fruit undergraduate and graduate studies flourish best together. The other is that Universities having undergraduate students of promise tend to keep them within their own folds for graduate work. In the United States the conditions are different: there is a greater diversity of standard among the institutions, and the American student has acquired the habit of migration from one to another far more strongly than the English student. The experiment of limiting the activities of a University to graduate work can for these reasons be carried out under more favourable conditions. It will be interesting to observe the outcome.

VI

The government of the Universities—Endowed and State—varies in certain details, but generally speaking follows a common form. There are three main organs, the Governing Body, the President, and the Faculty.

The supreme governing body is invariably a lay body, known in the endowed Universities as "The Trustees," and in State Universities as "The Regents." The Trustees are appointed in accordance with the instrument establishing the University, and sometimes there is a later provision by which the *alumni* may nominate a proportion. The Regents are either elected directly or appointed by the Governor of the State. In no case, I believe, is the teaching staff directly represented on the Trustees or Regents.

The Chief Executive Officer (the President or Chan-

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cellor) is often, but not necessarily, a member of the Governing Body and in some cases their Chairman. He is the channel through which matters are communicated from the Faculty to the Governing Body.

The Faculty are the organized body of teachers, who exercise in many cases a considerable amount of control over strictly academic matters delegated to them by the Governing Body.

In addition to these primary organs of government—Governing Body, President, and Faculty—the growth and complexity of many Universities have necessitated the creation of others. For instance, a Professional or Graduate School in a large University has a Dean as administrative head, and the department may, in certain matters, act as a unit independently of the Faculty.

There are, legally, few if any limitations on the powers of the Governing Body. In the endowed Universities they are, of course, the trustees of the University's property and probably, in law, they *are* the University. In most cases in both Endowed and State Universities they exercise financial control—the approval of the Budget and so on—and the powers which financial control carries with it. Teachers and other officers are appointed and dismissed by them. Theirs is ultimately the responsibility for the educational programme of the University.

But a bald statement of their legal powers would not be an accurate statement of their actual functions. There is an unwritten as well as a written constitution. I have met with only one instance of a positive provision that the views of the staff must be obtained before action can be taken in academic matters, but on the other hand I met with no case in which in practice any important educational step is taken without the views of the staff (or part of them) being formally or informally ascertained. In many matters, indeed, when powers are not actually delegated to the Faculty the approval of the Governing Body is a formality and the only action taken by them is to “rubber-stamp” proposals which the

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experts below have submitted to them. The action taken by the Trustees is almost invariably taken on advice from those intimately acquainted with the working of the institution through the President, about whose office I shall say something presently. It is stated on high authority, that of a distinguished President,* that Trustees "form the most powerful, the most responsible, the most abused of all who are connected with our institutions of higher learning, and they have not the consolation of distinction or the make-weight of glory." I have myself met Trustees of some of the greater Universities and I have heard of the beneficent activities of many. The impressions I got from them were that they had very keenly at heart the welfare of the institution with which they were connected, and they were extremely reluctant to go against academic opinion. From other people I heard not only the highest praise of the help which Trustees give to the management of the business and financial work of the University, but appreciation also of the value of their criticisms, even on academic programmes. It is good at times that a breath of air from outside should refresh the academic atmosphere.

The teachers of the University take (at least formally) a very much smaller part in the general government of the University than do their English colleagues. To what extent they desire a fuller participation I do not venture to say. They would certainly think it desirable that they should be consulted in appointments and dismissals ("hiring and firing"), but I doubt whether they have at present an active desire to take a greater share in the non-academic business of the University. I have indeed been told by some that they are already so much occupied in "serving tables"—the preparation of returns, etc.—that they have not sufficient time for their proper work of teaching and research, and lack both leisure and inclination for the further attendance at committees and so on which participation in government would

* President Olds, of Amherst, cited in *The College President*, by C. F. Thwing, p. 14.

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entail. On the other hand, I have been assured by competent authority that a referendum on the question would result in a decided affirmative.*

VII

The outstanding figure in American University administration is, of course, the President. Originally the head of a College in which he stood among other teachers *primus inter pares*, the University President has become, with the vast growth in the size and activities of the Universities, one of the most powerful and conspicuous figures in American life. The University President is often the most prominent personage in the State—the Governor not excepted—and he may hold high political office.

The President is the representative of the University before the world; it is the President who states its aims and ideals, who justifies its actions, defends it from attack, and submits with varying degrees of complacency or patience to the importunities of pressmen regarding the "questions of the hour." †

Inside the University he occupies a position which is without a real parallel in an English University and which is not easy for an English visitor at first to comprehend. He is still *primus*, but the *pares* have shrunk considerably in relative importance. "The President is a general," said an eminent scholar to me, "and I am a major." In any case his position as chief executive officer of the University would necessarily be a powerful one. But he is much more than the chief executive officer responsible to the Governing Body, acting in their name and on their behalf. He leads and he is expected to lead. He initiates a policy and carries it into effect, and the fortunes of a University are in many cases so closely bound up with the qualities of the President that its rise and decline

* See also the *Bulletin of American Association of University Professors*, Vol. 10, No. 5.

† On the extra-mural activities of the President see Dean Pound in *Indiana University Bulletin*, "News Letter 13," August 8th, 1925.

synchronize with the President's appointment and departure. "It is no use your going to —," I was told; "there is nothing worth seeing there now that X. has left."

The President, as has been said, is the channel of communication between the Faculties and the Governing Body, but the acceptance of advice from the Faculty is dependent upon his endorsement, and since the responsibility for carrying into effect the educational policy of the University is *his*, it may be assumed that in the case of his differing from the staff his views and not theirs will prevail with the Governing Body.

Although some eminence in scholarship or science seems to be required of the President it appears now generally recognized that it is impossible, save in very unusual circumstances, for the President to take any active part in teaching. When the magnitude and variety of his duties are borne in mind there is nothing surprising in this. In entering upon his high office he definitely renounces the laboratory or the library, for whose calm and quiet, one surmises, his heart must sometimes yearn. And his immersion in administrative work not only cuts him off from teaching, it makes him an isolated, almost a lonely, figure in the University. In the large Universities one hears the President spoken of with respect or admiration, less often with affection, and never with the familiarity that easy intercourse brings with it. In a large University, indeed, the President may not know all the members of the Faculty, and they may know him only by sight. To the students he may be but a famous name. Other considerations apart, the mere size to which some Universities have attained is a sufficient explanation of the altered relationship, but one notes, and not without regret, the difference of atmosphere in the smaller institutions, where the President, while not taking a very active part in teaching, can be a wise—a slightly worldly-wise—and genial guide to his colleagues, and under the name of "Prexy" the valued and often-sought confidant of the students.

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The question may be asked, indeed it is being asked, whether, for this among other reasons, some limit should not be placed to the size of an American University. Already administrative necessity is compelling a considerable amount of devolution, but, as for the most part this takes the form of delegating responsibility to other administrative officials, such as the Deans and heads of Departments, it is not in any real sense of the word a step towards self-government. This expedient does not, therefore, go to the root of the question; it may, in fact, make the situation definitely worse. It is asserted, for instance, in some quarters that in addition to the one monarch, there are being set up half a dozen sub-monarchs in the shape of the Deans, and that, while they may act contrary to the President's wishes, he cannot override them unless he is prepared to go to the extreme length of recommending that their services should be dispensed with. The position may, therefore, arise in which the President, far from being the autocrat he is alleged to be, is, like a Persian king, governed by his satraps. I do not venture to say whether this is a correct description, but it does certainly appear that some break-up of the huge unitary government is, as the clinicians say, "indicated." Already there is talk of the creation of a "College" system. If this implies the replacement of the unitary by a kind of federal government with a division of functions between the "University" and the "College," the tremendous burden which the President has to carry may be relieved, but the practicability of such a solution (which to be effective must carry with it a considerable participation by the teachers themselves) is a matter on which a visitor would hardly presume to pronounce.

The debt which the Universities owe to the distinguished men who have filled and are filling the office of President is incalculable. Without their idealism, their guidance, and their arduous and continuous labours the Universities could not possibly have attained their commanding position in the esteem of Americans.

For the present therefore, at any rate, while so many of

the Universities are *im Werden*, the office of President or something like it, may be regarded as essential to their existence. "We cannot do without them yet," said Dr. Starr Jordan (quoted in *The College President*, by Dr. C. F. Thwing). Certainly it does not seem that the American public sees anything incongruous in entrusting to the head of a University such vast powers as a President may, and sometimes does, exercise. The very title has powerful connotations in America. It is not only the title of the Chief Magistrate of the Republic: it is the title of the Chief Officer of innumerable trading and public-utility corporations; and people who reason by analogies see nothing surprising in vesting a University President, like other "Presidents," with great powers, even including the power of "hiring and firing."*

If a change is made in the method of government by a President it may be hazarded that it will not be because of the seeming anomaly of an institution, traditionally regarded as self-governing, being governed from above. A student of the British Constitution hardly needs to remind himself that anomalies in government may have a long life and play a useful part, or that the formal machinery of government is not the "real" government, which may rest upon understandings and conventions hardly less potent than statutes and trust deeds. Neither logic nor first principles will, of themselves, provide the motive power for change. But "reasons of merchandise"—the very success and expansion of the Universities, and (it may be added) the difficulty of finding men with the strength and qualities necessary for carrying on the office of President—these, one may surmise, may prove more potent agencies in the "democratization" of the American Universities. In the meanwhile it would be foolish not to recognize the undoubted advantages of the present system, or to blind oneself to the fact that it is the combination of an

* See the curious utterance of a university trustee reported by Dean Pound in *Indiana University Bulletin*, "News Letter" 13, August 8th, 1925.

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“autocratic” President with a relatively small and homogeneous Governing Body which has made possible the planning and building up of the most impressive monument to the faith in university education which the world has yet seen.

VIII

After this discussion of the government of the University it is natural to ask how the freedom of the teacher is maintained.

There is nothing more necessary to the salvation of a University than the freedom of the teacher to “speak his mind,” but the nature of that freedom, the restraint, self-imposed or imposed from without, which is its complement, and the manner and time of its exercise are questions which can only be glanced at here.* Here I cannot do more than tender for what they are worth my impressions of the present position of the teacher in American Universities; and it is probably unnecessary to stress the caution that a subject like this is, from its nature, one on which it is exceedingly difficult for a visitor either to elicit the facts or to form a clear-cut judgement.

I have, however, been helped a great deal. Administrators and professors have talked to me in confidence very frankly on the subject, and by a diligent perusal of newspapers and periodicals, by taking samples of lay opinion as expressed by journalists and lawyers and the man who talks, not brilliantly but often informingly, in the smoking carriage, I have been able to get some notion of the views of what the English people call the man in the street. Of the very highest value have been some of the reports contained in the “Bulletins” of the Association of American Professors.

My opinion is, I am glad to say, that the condition of

* I may perhaps refer to a very thoughtful and balanced paper by my friend Dr. Ernest Barker in the *Proceedings of the British Association* for 1924.

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affairs is very much better than I had been led to believe. There is a long road yet to be travelled. There have been in the past, and even in recent years, some cases of dismissal and enforced resignation which, judged by any reasonable standard, are, I think, indefensible. This was especially true during the war period and immediately afterwards, the period of "100 per cent. Americanism." War hysteria and the intensified nationalism which accompanies it, though they have no national boundaries, appear to have been especially harmful in the United States. When, however, these qualifications are admitted it appears clear that there has been a gradual and very considerable improvement in the position. The right, which is also the duty, of the teacher to promote and advance his subject untrammelled by considerations other than educational, and also to exercise the functions which pertain to him as a citizen, is being increasingly recognized, though perhaps more certainly in the Endowed than in the State Universities. This is not merely my own conclusion: it is that also of those who have been closely concerned with many cases that have arisen and who have had reason to be critical.

One reason which renders it difficult for a visitor, or for that matter for an American, to form an opinion on some cases that have achieved notoriety is to be found in the fact that issues other than that of academic freedom have been raised. This has happened on several occasions, and it is hard to disentangle these various issues or to determine how far they are subsidiary to the principal one. In some cases it is alleged that they have been raised by the accuser solely for the purpose of obscuring the principle at stake, or as addition and alternative counts in the indictment for the sake of securing a conviction or justifying proceedings which would be open to censure if it were too apparent that a man was being persecuted for holding and advancing opinions displeasing to those in authority.

This may still be so, but it would not be wise to assume that it is invariably so. Most cases of "martyrdom"

are complicated: the martyr himself is often complicated, and it is advisable and perhaps necessary to perpend the martyr as well as the martyr's cause. He may sufficiently appreciate the truism that the exercise of a right should be accompanied by a certain regard for the opinions of others. The fact that he holds minority opinions may, by a familiar psychological process, tend to exalt his ego: he may be vain, or tactless, or just stupid. He may be all this, and in consequence an unmitigated nuisance to the administrator and to people who have no desire to be persecutors but who "hate a fuss"; nevertheless he may in his own person, and in his own particular cause, be a test case for the great and general cause of academic freedom.

It is not necessary or possible to indicate all the directions from which threats to academic freedom may come. Let me say at once that I met with no criticisms on this score, even from those disposed to be critical of the various great Foundations, such as the Carnegie and Rockefeller Foundations. On the contrary, I heard very warm praise of their activities. To the Foundation is due, in a large measure, the improved position of the teachers: and their far-sighted beneficence is responsible not only for the extension and development of many institutions but some interesting and fruitful experiments in research in subjects of high import not for education alone, but for the human race. The Foundations have done and are doing great things for American Universities.

The dangers to academic freedom come from other quarters entirely.

The attacks on the Universities, in respect of their "Darwinianism," come through the State Legislatures and presumably can affect, directly, the State Universities only. Hitherto this amazing crusade has been confined to the South, although it is worthy of remark that legislation on similar lines is talked of both in California and Minnesota. It is difficult to say whether or not this movement constitutes a serious menace to academic

freedom. Ludicrous as it appears, it has already achieved some measure of success, and it is certainly not to be dismissed as of no importance.* I say this, not because I think it can succeed, but because its threat may make it necessary for the teachers to turn aside from more important tasks to fight once more a battle that was fought and won half a century ago.

Of far greater interest to a visitor are the controversies that arise from time to time in consequence of the divergence of view between the Universities and some of their critics on social and politico-economic questions. In both politics and economics an English visitor to the United States has to make very considerable adjustments in his scales of excellence or turpitude. In some of the States he finds that political views which in England would be regarded, at worst, as slightly "pink" are there labelled very distinctly, "red," and what would be the American colour of the more "extreme" English Socialism can only be an interesting speculation. Again, theories regarding, for example, the legitimate sphere of the State and legislation based upon those theories which are accepted avowedly or tacitly by all English political parties are looked upon, in certain quarters, with the gravest suspicion if not with vigorous abhorrence. Whether, contemplating this attitude of mind, and recalling the Mid-Victorian schools of thought it so closely resembles, one thinks of the United States as the home of lost causes, or applauds the sturdy pioneer spirit of which the attitude is perhaps the product, is not material. There seems no doubt as to its existence.

A visitor notes also in general conversation and in the popular press a curious sensitiveness to criticism of national or state or city (even small city) institutions.

* I observe, too, that the President of the American Association of University Professors stated in 1923 that "Fundamentalism is the most sinister force that has yet attacked freedom of teaching. Attempted coercion by commerce and political institutions has never shown a tenth of the vitality and earnestness of this menace." Cited in *Tendencies in College Administration*, by R. L. Kelly.

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There are several expressive (and amusing) slang phrases which illustrate this feeling of resentment. A critic is a "crape hanger": he is warned not to "rock the boat," or exhorted, in a famous phrase, "to put away the knocker and get out the horn." Possibly such manifestations of local patriotism are not to be taken too seriously as a threat to academic freedom, certainly not by the larger Universities. They seem, however, a not wholly unimportant element in the question.

I should judge that on the whole American newspapers are proud of the Universities and are friendly to them. In a *public* controversy between a great University and, say, a great trading corporation, where no question of local patriotism was at stake, the popular press would probably take the side of the University. But there may be issues which do not reach the stage of public discussion and which may affect a university teacher in an indirect and subtle way. The realization that certain forms of teaching may incur hostile criticism and that the application of general doctrines to particular cases may be unwise must inevitably tend to induce a frame of mind which may be called prudent. And prudence in the teaching work of a University exercises a dangerous effect, the more dangerous because it is not always recognized. How far a teacher's thinking may be deflected it is impossible to say, and whether, and to what extent, his speaking may be influenced by the possibility of disapproval is almost as hard a question. It is easy, however, to understand that when a University is appealing for funds and when a great "drive" is imminent a President as well as a Professor may feel it advisable to practise economy of statement lest their University should suffer harm as the result of resentment which is none the less powerful because it is not expressed in public.

The duty of the Universities in the face of criticism of their teaching and their teachers is obvious. They must go on with their work of disseminating knowledge and forming public opinion. More knowledge alone will

prove fatal to attacks such as those on the teaching of biology. For the anti-evolution crusade, while it may rest upon sincerity, most certainly rests also upon ignorance. Unless one's reading of history is utterly at fault, attempts to stop the spread of scientific knowledge by legislative acts have always failed and are bound to fail, though, as in this case, they may meet with some temporary success.

It may be said that in all democracies, and especially in the United States, public opinion must, in the last resort, be the arbiter on the question of free speech ; and that the Universities can most effectively make their freedom secure by creating a reasonable public opinion. This statement contains a great measure of truth, but, as one of America's leading publicists has pointed out, any statement regarding the province of public opinion has to be received and applied with many reservations and qualifications. No one has shown more clearly than Mr. Walter Lippman * the difficulties of determining the issues on which the verdict of public opinion has a real validity and of bringing that opinion to bear on the issues when they have been determined. There are, or have been, for instance, two matters of prime concern for academic freedom in America : the teaching of evolution and the participation of America in the Great War. On the first, which is a question of the truth or probability of a biological hypothesis, a popular judgement is, and for many years must be, a worthless one. The only opinion of value is the opinion of experts, and the best public opinion on this issue is that it cannot have an opinion, or certainly not a positive opinion on which to base action. A different situation arises on a question of war aims. It would be rash to say that here the public opinion was an ignorant opinion ; it may have been just as sound (or unsound) as the opinion of a university professor, for, as yet, there are but few experts in international affairs, and these are recognized as such only when their subject-matter has passed into the

* See e.g. his *Phantom Public*.

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domain of history. There are no recognized experts in "Patriotism."

While, however, public opinion regarding the questions which concern academic freedom has an authority which will vary with the nature of the question, it can, nevertheless, in all of them compel and restrain. And it does so and will do so, until it has learnt that in all these matters toleration is essential if freedom, not only the freedom of Universities, but the freedom of democracy itself, is to flourish. Toleration of minority opinions is one of the rarer virtues in democracies, and it may be doubted whether the conditions of modern civilization in America and elsewhere favour its growth; but it is in the belief that education, and more education, is the foe both of ignorance and intolerance, that the Universities are going forward with their work. They realize probably that the promotion of toleration is a very much longer process than education in biology and that more, many more, stand in need of it. I think they realize, too, that while for the preservation of freedom of speech the creation of a favourable public opinion is essential, something more is wanted. Undoubtedly *veritas prevalebit*; but this is a "long run" maxim. And there may be cases where it is necessary, in the spirit of Burke's Bristol speech, for the Universities to stand for a time *against* public opinion, not only for the cause of freedom, but for the cause of the public itself.

It is hardly necessary to say that the teachers of the Universities are fully alive to the importance of preserving and extending academic freedom. They have indeed had reason to be. In this connection the activities of the Association of University Professors are of high importance. The reports of investigations conducted by its Committees are excellent in temper and tone, and convey the impression of a sincere desire to get at all the facts, even when the facts might tell against the teacher. They are in substance judicial enquiries, and though these may lack the flavour and zest of the *ex parte* attack,

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they must ultimately be more effective. The inquest of the Committee of Investigation obviously cannot prevent the dismissal of a teacher or secure his reinstatement ; and it may be doubted whether in many cases a " hiring " President would prefer the judgement of the Committee to that of his " firing " colleague. But the publicity is of itself a valuable instrument, and the very existence of the Committee has the effect of forcing the authorities to elect whether they will allow an enquiry in which they can justify their action or by refusing it prejudice their case in the eyes of the public. What is, perhaps, of more immediate significance is the realization that an adverse report of the Committee is tending, surely and certainly, to dissuade the better teachers from accepting an appointment in a University which has not yet learned that a good teacher values, above all things, freedom to speak his mind.

There are a few things which may be said in conclusion. The President of more than one University (and one especially) was spoken of in high terms for the stand he has made on behalf of academic freedom. I was assured also, on competent authority, that of a distinguished teacher, that in the greater Endowed Universities the Trustees show an increasing reluctance to interfere, even under pressure, with the freedom of the teacher. There is also the fact that a growing number of the members of State Legislatures are university men, and this is bringing about the growth of a " university outlook " in those bodies. Similarly in the State as well as in the Endowed University the inclusion of *alumni* among the Regents or Trustees is certainly tending towards the same end.

IX

The magnificence of the financial resources of some of the American Universities produces in a visitor a feeling approaching envy. In England we frequently speculate on the things we could do " if only we had the money." In the United States, while there are large

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programmes dependent for their realization upon more financial support, one also meets from time to time with financial preoccupations of another kind. The question is asked whether there are not dangers in asking for (and also in getting) so much money, or, to put it in another way, whether the United States, notwithstanding their great wealth, can "afford" (in a real sense) university education on the scale which is being attempted. The question is asked, not only with reference to the State Universities, but also with reference to the appeals by the Endowed Universities to the *alumni* and the general public. The reason for this feeling of apprehension is in a large part a realization of the possibility that the receipt of money may come, sooner or later, to dominate or at any rate influence unfavourably the development of the work of the Universities.

The State Universities have their own difficulties. The passage of the budget may be a time of real anxiety and call for the exercise of arts not usually associated with academically minded people. A State Legislature which has not acquired a "university standpoint" may be willing to provide funds for, say, agriculture, but be cold to the claims of pure science or classical scholarship. To educate the Legislature to an appreciation of the functions of the University, to meet criticisms, reasonable or otherwise, of its activities, to do the things requisite to secure the funds for its maintenance and extension—these, though necessary and wholesome works, make a great demand upon the powers and energies of the University.

To convince the *alumni* of an Endowed University of the needs of their institution and to meet their criticisms—which are mainly conservative in character—is a less arduous task than dealing with a "difficult" Legislature (and perhaps a "difficult" electorate). The generosity of the American graduate towards his University is both notable and laudable. Nevertheless, his generosity must be organized and induced to flow into the right channel, and one hears at times a doubt expressed whether the adjustment between the views of the

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graduates and those of the University may not influence unfavourably its work and policy. Reference has already been made to the effect, partly, it may be, subconscious, on the teaching work of a University when a "drive" is pending, and I need not repeat what has already been said regarding the threat to academic freedom of which some Universities are apprehensive.

The business side of the Universities struck me as exceedingly well done, and while the financial work must of necessity tend to absorb much of the thought and time of the university authorities, the impression made upon an outsider was that the energetic and capable men engaged upon it were fully able to grapple with any potential dangers which might arise. This is not to say, however, that the apprehensions I have mentioned are groundless, for it is a commonplace that financial support is apt to become financial control, and the realization that this may be so has led, and doubtless wisely led, to certain gifts being declined.

The difficulties in the way of the American Universities which mainly impressed me were, however, of another sort. They were due, paradoxically enough, to the very belief in the virtues of higher education, or (to be more accurate) in the advantages of a college career. The tens of thousands of students who resort to the Universities have created a situation of which it is not easy to see the outcome. In the Endowed Universities the difficulty is less acute, and they can and do control their admissions with great care: in some cases a most ingenious technique has been elaborated to secure that as far as possible only those students shall be admitted who show that they possess a suitable intellectual and physical equipment and show promise of obtaining real benefit from the courses they propose to follow.

In the State Universities it is not possible to establish such a rigorous form of selection or differentiation, and in consequence all students who have obtained a certain number of credits in the high school course have a quasi-right to present themselves for admission to the University.

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Hence the huge classes with which the University teachers attempt to grapple, the complaint of the teachers of the dissipation of energy in elementary teaching to ill-prepared students, and the large wastage of students during the freshman year or at its conclusion.

The situation created by numbers alone, a kind of Malthusian situation in which the growth of a student population has been out of all proportion to the growth in the teacher population, is not, however, the only difficulty with which the teachers have to contend. A difficulty at least as formidable as that of numbers is found in the intellectual quality of the undergraduate, and this, though felt most acutely in institutions where it is not possible to establish a strict scheme of admission, is not limited to them. I can express what I mean only by indulging for a moment in the ungracious act of comparing him with the English undergraduate. Both have many qualities in common, but while in some respects the American undergraduate is more of a "man of the world" than the English, in others he is strangely immature, and intellectually is (on the average) at least two years behind the English student of the same age. Some experienced teachers put the period higher, but I found no disagreement as to the existence of the "lag." Various explanations were put forward to account for it; perhaps no one is adequate, and I do not myself profess to have found the right one.

In the State Universities the absence of a strict selective process may be a contributory cause. Here the existence of a quasi-right based upon a very dubious application of "democratic" theory has certainly added to the difficulty. England is certainly not less democratic than the United States, and positions of distinction in politics and commerce, in science and literature, are frequently attained by the sons of poor men. We talk in England of the "educational ladder," using this metaphor to explain how, by the use of scholarships (State, municipal, and others), a poor boy from, say, the East End of London can become a Wrangler at Cambridge.

It is not an easy way, continued effort is needed to climb, a good many fail; but those who succeed have been continuously tested. The metaphor would not be applicable in most of the State Universities; here, instead of a ladder, there is an elevator. No effort is called for, and in the absence of an accident all arrive safely at the top. Fit and unfit survive.

There is a "lag," too, among the average undergraduates at the Endowed Universities, although owing to the selective process already referred to, it is not so pronounced as at the State Universities. Here other explanations are offered. One is the nature of the schools from which the undergraduates are drawn. It is said, for instance, that young people stay too long in the primary schools (almost entirely staffed by women teachers), and that in the system or convention regulating the age of transfer from primary to high school is to be found, partially at least, an explanation. Again, there is criticism of the methods employed in the schools (both public and preparatory), the meagre equipment of the teachers, and so on. These are matters upon which I cannot, of course, express an opinion of my own, but I heard and read enough to lead me to suppose that an inquest on some, at least, of the difficulties of the Universities ought to take, as its starting-point, the instruction provided in the schools. Nor can a visitor do more than speculate on the extent to which non-scholastic influences are responsible for the relative unpreparedness of the undergraduate, although in one matter, and that one most important—his acquaintance with English speech and literature—there are certain obvious considerations to be borne in mind. A very large proportion of the white population—roughly one half—are immigrants or the children of immigrants—the great majority from non-English-speaking lands. The first generation acquires a highly interesting and often amusing kind of English, sufficient for the ordinary affairs of life. The second generation is taught English in the schools, but cannot from the nature of the case obtain from his home the reinforcement

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of formal education derived from conversation or books or other means of culture. His English may be at best colourless and lacking any literary associations; at its worst it may be barely literate.

It might, perhaps, be expected that the undergraduate of the second generation would derive some advantage from his acquaintance with the language and culture of his parents' native land. But this, I am assured, is not the case. Sometimes there is conflict, silent and undeclared, between college and home, the new civilization and the old. The new is the victor, and the traditions and language of the old country often completely disappear with the first generation or remain only as a faint tinge in the new civilization.

It is not, however, only the child of the immigrant who shows an imperfect acquaintance with the language which is the medium of instruction and the medium of thought. The American boy or girl is, I am told, on the whole considerably less well read than the English, and I certainly gained the impression that books do not form so outstanding a part of the household equipment as in England. Whatever the cause, there is, I think, little doubt of the result. I have seen some English written by university students and even by graduate students which would have been severely criticised in an English elementary school.

It is difficult, I think, to over-estimate the importance of this shortcoming in the equipment of the American undergraduate. It is not merely that many students, by reason of their faulty English, are seriously handicapped both in their thought and in their expression of thought and unprepared for serious study by a lack of rigorous discipline in the use and value of words. The absence of the habit of wide and varied reading, the cause as certainly as the product of intellectual curiosity, has important consequences in determining both curriculum and method in the Universities. For to this is largely due the absence of "background" and the lack of acquaintance with events and ideas which should constitute

part of the mental furniture of the student, but which the teacher is not justified in assuming that the student has acquired or will acquire by private reading.

The immaturity of the average undergraduate (to whatever cause or causes this may be due), in combination with the great numbers of the student population, is then, I think, the greatest problem at present confronting the American Universities. This of itself is sufficient to explain the atmosphere of some of them, the atmosphere of school rather than of University. It explains, too, the complaint of many teachers that they are called upon to do work much below that of university quality. And it makes intelligible the grievance of the gifted and ambitious student that much of his work at the University is merely a repetition in method and substance of what he has already covered at school.

I have perhaps said enough of the intellectual shortcomings of the undergraduate. I had it in mind to say something of his apparent excessive addiction to sport, but all that I could say has been said with far greater effectiveness by American critics; and in fact play has become such a serious and formidable business as to cause concern. I have heard it suggested that the disproportionate amount of attention expended on sport and other extra-curricular activities is partly explicable on the grounds of its being an outlet for an ambitious youth whose abilities cannot obtain recognition in the uniform routine of studies of the ordinary American College. Whether this is probable I cannot say, but it seems true that there is in America no purely academic distinction open to an undergraduate which can solace a "double first" for not being in the University Eight.

There is, however, one more difficulty in the path of the teacher which may be mentioned, and that is due not to any shortcomings on the part of the student. Nothing strikes a visitor more than the number of students who "work their way through" College or University, and nothing is more creditable or honourable to the institutions or the students. Here, surely, is the demo-

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cratic spirit at its best. But a price has to be paid. It is paid sometimes by the student, who, fatigued and strained by attempting too much, meets with failure and even breakdown. And it is paid also by the teacher, who has to deal with tired and jaded minds, and who finds that the long "vacation," during which the student has devoted his strength to earning his year's keep, has erased from his mind much of the painfully acquired knowledge of the previous session. Much is, of course, being done by *alumni* and other agencies to provide the means whereby the burden of worthy students shall be lightened; and possibly with the continued material prosperity of the country the "working through" student may, as in Scotland, become a less conspicuous figure of university life. This may be possible, and may perhaps for some reasons be desirable, but the improvement in purely educational progress will again be bought at a price—the disappearance of a spirit of self-discipline and independence which is wholly admirable and savours and strengthens a man's life.

X

If I have appeared critical of some aspects of American Universities, it is because I think it would be unfriendly and insincere to convey the impression that their achievements, great as they are, were wholly admirable or that those concerned with their maintenance and advance are complacent regarding what has been done and what remains to do. Complacency indeed is the last thing that could be urged against the university administrator or teacher. Criticism, acuter (because better informed), and more pungent than a visitor would presume to offer; cynicism, rare but occasional, of the kind with which every true optimist tempers his faith; the humorous self-depreciation which I had thought was peculiarly English; the consciousness, perfectly justified, of success in the teeth of difficulties—with all these I met, but with complacency never.

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Indeed, I have been more than once embarrassed at the readiness of my friends to show me their griefs, and at the prevalence of a belief, not always justified, that they order these things better in England. It may have been the greater perspicuity of my hosts which enabled them to discern certain English virtues which (I confess) had not obtruded themselves prominently on my consciousness; it may, on the other hand, have been their politeness.

Of criticism, then, American criticism, of American Universities there is plenty and to spare. Much of it is worthless, though the jibes of the self-styled *intelligentsia* are sometimes amusing reading. The criticism of the young man who asserts that his Alma Mater has wrecked his career is often a criticism of the young man. The criticism of the propagandist is wearisome. But apart from this there is plenty of that informed criticism, based on experience and understanding, which forms the basis of remedial action. It is from criticism of this kind that the visitor can obtain a knowledge which his own observations could not furnish. From teachers themselves he will learn that the courses may be even more scrappy or snippety (judged by English standards), than his inspection of the catalogue has led him to believe, and from them he will learn of the thin diffusiveness and lack of concentration which may be the result. It is from university teachers, too, that he will learn that one of the most serious problems confronting the Universities is the meagre equipment of so many university teachers.*

The teachers, again, are the main authority for saying that much of the undergraduate work of the University is (at present for good and adequate cause) work of a High School character both in content and form. The apparatus of "credits" and "electives" which compli-

* This seems to be due in the main to two causes: (1) the rapid growth of student population, as compared with teacher population, (2) the greater financial and other attractions to able men in the world of business.

Few American teachers are highly paid. Some are badly paid, and in general the remuneration compares unfavourably with the English rates if regard be paid to the relatively high cost of living in the United States.

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cates the lives of administrators, teachers, and students; the lack of provision for the gifted student *; the scope and quality of a good deal of "research," the persistence of formal "courses" up to and even beyond graduation—† these and the devastating amount of "student mortality" which seems at present inevitable in some Universities find ample and sufficient censure from within. True criticism, like charity, begins at home. There is no need for a visitor to add his small voice to the chorus.

These matters and others are tackled with the vigour that one expects—and not in vain—of American educators. Elaborate reports of investigations † replete with the apparatus of statistics and graphs are compiled and presented and published. Life is too short for the reading of all these "thoughts on present discontents," but some are contributions of value not limited to American conditions. They reveal an anxiety to know the causes of things and an eagerness to profit by the experience (and the mistakes) of Universities in other countries which argue anything but complacency or self-satisfaction. The students themselves may take a part in the quest, § and their findings are certainly not lacking in painstaking thought.

As with the diagnosis, so with the prescription. The

* "If one of us is born brilliant we have nothing for him but an elaborate educational chain-gang where we lock-step him with mediocrity" (Professor J. Russell Smith, of Columbia University in *North America*, p. 808).

† The habit of attending courses becomes, in time, an insatiable craving. Some American students who have come to London to do research work have at first been disappointed and apparently nonplussed at the absence of formal lectures in the subject of their research. It should be added that when they realize that a plunge is a necessary prelude to the business of swimming they take to the water very creditably.

‡ A by-product is a distinctive technical terminology. See an amusing article in the interesting publication *American Speech*, Vol. I, No. 6.

§ I have in mind the interesting contributions of the students of Harvard and of Dartmouth College. The admirable *Study of the Liberal College*, by Professor Richardson, of Dartmouth, stands in no need of commendation.

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criticisms of the American Universities are no mere denunciation of shortcomings. The same energy and thoroughness which have been employed in analysis are carried over to the infinitely more difficult business of inventing remedies. Here, again, it is not necessary to do more than merely refer to the voluminous literature and to the plans and schemes and reforms put forward for consideration or already put into operation. Surely there can be no body of people in the world thinking harder and more strenuously about "this business of education" than are the men and women concerned with the American Universities.

Though, as has been said, a good deal of the product of this thinking has a general value, it is of course primarily concerned with the particular problems of American Universities, and those problems are in the main peculiar to them. Among suggestions of more than local significance and importance may be mentioned Dr. Flexner's report on Medical Education and the publications of the Carnegie Foundation on the Teaching of Law. Under this heading, too, one might include the syllabus on Contemporary Civilization (Columbia University), which, though primarily drawn up with reference to the needs of American students who, as has been surmised, have not as much general reading as their English fellows, might well be consulted for stimulation and suggestion by English educators.

It is impossible to enumerate here many other publications, but a few may be mentioned.* Reference has been made already to the *Bulletins of the American Association of University Professors*, these and many Annual Reports of Presidents and the publications of the American Council on Education are full of information and suggestion. I should refer, also, to the publications of the Classical Association which is striving gallantly, and with good cause, for a proper recognition of the place of the classics in the Universities.

* I may, perhaps, say that I have found some very interesting reading in *College*, by J. P. Gavitt.

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In the translating of proposals into action one observes a commendable blending of freedom and caution in experiment, whether it be in the introduction of "honours courses" * to make provision for the gifted student, in the employment of the resources of the psychologist in examination or in ministering to the students' mental needs—his physical needs are magnificently cared for—or in supplementing (or even replacing) formal lectures by tutorial methods. Neither in respect of these nor of the dozens of other promising experiments now being carried out is it necessary to stress the truisms that new remedies should be applied with caution, and that transplantation of systems without regard to their history and environment is an especially hazardous enterprise.

One such experiment, urged in more than one quarter, and (I believe) actually in operation at one institution, is connected with the examinations on which the degree is conferred. The results should be interesting and possibly far-reaching. I hope that it is not merely because my own University had its beginnings as an examining body and that it has during its whole existence set an exacting standard for its degree requirements that I attach great importance to a searching and comprehensive examination. I do not wish to over-estimate that importance, and I am aware of the criticisms that can easily be made of examinations. If they be regarded as a necessary evil, I think it can be said with fairness that the examination system in many American Universities has one or two private and particular evils of its own, without, as far as one can see, any countervailing advantages. † Their frequency adds to the worries of teachers

* I have heard the curious objection that honours courses were not democratic. I suspected irony, but I do not think any was intended.

† The "Yes" or "No" system in some Universities has certain points of interest, and permits of examination in a large number of questions. But it has several obvious limitations: it is inapplicable to several subjects, and I am not sure that the elements of a lucky guessing can be eliminated. It does not test the student's ability to present his views in an orderly or graceful fashion, or give him sufficient opportunity of a qualified answer which is more true than a "Yes" or "No."

and student alike, and results (I am assured) in the student not infrequently dismissing the subject from his mind at the earliest possible moment. On the other hand, they have not the significance or the importance of the "Final" for the English student, for whom this is the culminating point in his university career, the Day of Judgement which will reveal the secrets of his mind.

The English Final Examination postulates two or three things. It assumes that the student wants to work, that he can be trusted to work, that his subjects of study are relatively few, and that they are more or less interrelated.* Given these pre-requisites, certain obvious advantages result. The student is undisturbed by frequent examinations for two or three years; and, freed from the tyranny of over-many courses (often a greater tyranny than examinations), he is free to proceed under guidance to his goal in the most effective way. I am not sure, indeed, whether such an examination system is not almost an inevitable corollary to an honours system which aims at breaking up the "chain-step" and allows the talented student reasonable freedom.

The English Final Examination usually extends over a week, and often longer. There may be twelve or more papers, each of three hours' duration, in addition to an oral examination, and in the science subjects a formidable practical examination, the passing of which is usually a *sine qua non*. Such an examination involves a great deal of care and thought. The "Finals" in England are a serious business for all concerned—teachers as well as taught. The papers are drafted by one or more of the teachers, scrutinized and amended by an external examiner, considered by a Board including the teachers and the external examiner, and subsequently printed and published. The presence of the external examiner ensures the maintenance of a reasonable standard, and injects an element of objectivity. The subsequent

* One student who aspired to a Rhodes Scholarship told me that his courses included, among other things, English, ancient and modern Philosophy, and Plant Nutrition.

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publication of the papers, while giving an idea of the scope of the examination, is a useful means of preventing the same question being set again.

As I have said, such Final Examinations have their critics. But the charge that they permit of "cramming" is not, I am sure, to be taken too seriously. "Cramming" may have different meanings. It may mean the commendable practice of revision and intense concentration, or it may mean merely "tipping the winners." The latter process may enable a dull student to scrape through, but it will never of itself gain him distinction in an examination. And the skilled examiner will say that he has no difficulty in detecting such a "crammed" candidate and dealing with him according to his merits.

How far the adoption of such a scheme is advisable or practicable in the American Universities I do not venture an opinion. I do suggest, however, that it, or some modification, is worthy of consideration.

XI

There are a few words which I should like to say in conclusion, as I feel that, despite my intentions, I have failed to set down clearly my dominant impressions. Let me make these plain. They are, first, an appreciation of the great task the American Universities have set themselves to do—the handing on of the torch of scholarship and learning, the provision of higher education, not for the fortunate few, but for the tens and hundreds of thousands: the broad view of what a University can and should accomplish for the community. Second, the difficulties that have to be overcome—the almost appalling numbers of students often with no clear objective in mind, often with a very meagre equipment and inadequate preparation; the difficulties of promulgating a standard of what a university education should be; the arduous work of exalting the things of the mind in a land where material success is too prone to be accepted as the ultimate good. Third, the admirable way in

which so many men and women are bending themselves to the great task ; are thinking, planning and working. In their great task they have great allies in the universal faith in education and the magnificent gifts and endowments which owe their origin to that faith.

If it be urged that as yet the results are hardly commensurate with the magnitude of the effort and the resources employed, and if it be urged—and it is freely admitted—that the general standard of undergraduate attainment falls short of the European standard, there is much to be said by way of explanation and extenuation. Of Universities, as of mankind, it may be said that if you would love them you must not expect too much, and I have wondered now and again whether the occasional note of pessimism which is heard from Americans may not be attributable to some extent to their “expecting too much.” And contemplating the extent and the nature of the task the American Universities have set themselves, the disadvantages under which they labour, and the relatively short time in which the majority of them have been in existence, I at any rate am struck by their accomplishment rather than by their shortcomings, by their strength rather than by their weakness.

The able men under whose guidance the American Universities have reached their present position have few illusions about either their own Universities or those of Great Britain. We, like them, have our shortcomings, and we have our critics, though the shortcomings and the criticisms may be on different or even opposite lines. The stimulating faith in American Universities, the splendid support of rich men, and the enthusiastic and generous help of their *alumni* have but a pale counterpart in Great Britain. If the American curriculum is charged with variety at the expense of solidity, there are English critics who impugn the English honours system as being too narrow. The American schoolboy may not be sufficiently in earnest, but there are those who say that the English (and the French) boy of promise is strained too much at a critical age. The tuitional system, towards

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which many Americans are now turning their minds, has in England critics, and weighty critics, who view its effects on the tutors and not solely on the tutored.

"Education," says Newman, "is a high word." What it is and what it should be, what are the functions of the Universities, what their aims and what their methods of accomplishment, are the themes of many volumes. There are answers to the questions, new and old. On these as on other things "our new thoughts have thrilled dead bosoms." But the questions still stay for answers; "on no subject do we talk with less positive knowledge than education," says President Lowell. Perhaps no answers will ever be adequate or satisfying: perhaps also it is well that this should be so. And in the meanwhile the American answers merit a respectful and earnest attention.

Liberal Principles and Aims.

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**LIBERALISM
AND
THE EMPIRE.**

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**LIBERAL PUBLICATION DEPARTMENT,
42, PARLIAMENT STREET, LONDON, S.W. 1.**

1925.

PRICE TWOPENCE.

Extract from the Declaration of Liberal Principles and Aims, adopted by the National Convention of Liberals, January 29th-30th, 1925, and by the Council of the National Liberal Federation, May 14th-16th, 1925.

IMPERIAL POLICY.

We proclaim our pride and belief in the commonwealth of free peoples which constitutes the British Empire. Its modern character and its freedom are due to Liberal statesmanship, and it is the continued aim of Liberals so to direct Imperial policy as to lead ultimately to self-government in all our Dependencies. We desire to strengthen the ties which bind the members of the Empire together :—

(a) by regular consultation in determining the lines of our foreign policy and defence ;

(b) by a systematic effort, including the use of public credit, to improve communications and develop Imperial resources ;

(c) by co-operative measures to facilitate migration within the Empire for those who want to settle in new lands.

We are opposed to the establishment in this country of any system of fiscal preference :—

(a) because, basing unity upon a cash nexus, it would lead to friction rather than to friendship ;

(b) because any effective system of Imperial preference would impose grave burdens upon the mass of our people, and cause them to associate loyalty to the Empire with increased prices for the necessaries of life.

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Liberalism and the Empire.

IF the question be asked: "What has Liberalism done for the Empire?" the simplest answer is that Liberalism made the Empire. It is no exaggeration to say that the strength and loyalty of the British Commonwealth of Nations as it now exists is due to the successful application of Liberal principles.

When Toryism has been in the ascendant, the Colonies have suffered material impoverishment, and their attachment to Great Britain has been weakened. To-day, Conservatives are in the habit of implying that their Party takes more pride in the Empire than does the Liberal Party, and that they alone are anxious to assist the Dominions and to foster friendship between them and the Mother Country. In so doing, they forget that their policy lost the First British Empire in the eighteenth century, and that as late as 1852, Disraeli and most Tories regarded the Colonies as "millstones round our necks." The Second British Empire, built up during the past century on an entirely different, and Liberal, policy, is not only of far greater magnitude than the former one, but also far more closely bound together, as was proved beyond dispute by the spontaneous and generous aid given by our countrymen Overseas during the Great War.

Nowadays all Parties, except perhaps the Communists, aim at strengthening the bonds between the different parts of the Empire, at increasing the prosperity of each of the units in this great Commonwealth, and at peopling the Dominions with British subjects in order to develop the resources of the distant lands and to provide better opportunities for a congested home population; but, as the following pages will show, there is material and serious difference in regard to the methods of achieving these aims.

THE TORY ATTITUDE.

The Tories always opposed the grant of self-government to the Dependencies, under the belief that a Colony that controlled its own administration would break away from the Empire. They denied that the principles that produced good government at home were applicable to the Colonies. They considered that the administration of a Colony should be carried on by persons nominated by the home Government, without reference to the wishes of the people. Even where a legislature existed, they were loth to allow it to appoint its own officials, and retained the power of appointing administrators in the hands of the British Government. In short, they believed in an Empire bound together by force.

The Tories also placed great faith—as they do now—in the ties of trade. Under the old Mercantile system, dating from 1660, it was provided, with a view to fostering Imperial trade, that all trade between the different parts of the Empire should be carried in British ships, that the Colonies should obtain all their imports through Britain, that certain of their exports should be sent only to Britain, and in return that Britain should give a strong tariff preference to Colonial products. This system was maintained in the interests of both the Colonies and the Mother Country, and it was as well devised as a system of Preference can be. It was, however, imposed solely by the British Parliament—by force, and not by consent.

The result of the Tory policy of a rigid home control of government and trade, however well-meaning and however well administered, was the disruption of the Empire. These ties which were thought to be so strong availed nothing when tension arose, and the quarrel with the American Colonies concerning taxation led to their complete secession from the Empire. The ties proved so irksome that they caused the very division they were intended to prevent.

British subjects did not cease to be Britons and to cherish British ideals when they went overseas; they demanded the same freedom and the same responsibility in the new lands as they had been accustomed to in the old. The demand for power grew in all the Colonies, the popular Assemblies were constantly in conflict with the Government, and being deprived of authority, these Assemblies naturally became irresponsible. Ambitious men, deprived of power, became leaders of popular discontent.

On July 4th, 1776, the American Colonists issued the

Declaration of Independence; and after a long struggle, the Independence of the United States of America was recognised in 1782. At the same time we were at war with France, Spain, and Holland, and on the conclusion of peace in 1783, we ceded Minorca and Florida to Spain, and St. Lucia, Tobago, Senegal and Goree to France. Britain was then weaker than she had been at any time since the fifteenth century. The Empire built upon force was broken asunder; and henceforth the English-speaking people lived under two different flags.

It remained to show that, by a complete reversal of policy, Britain could build up another Empire, bound together (to use Burke's phrase) by "*ties which, though light as air, are as strong as links of iron*"; an Empire in which tension and disruption were replaced by mutual affection and a real sense of unity.

THE LIBERAL ATTITUDE.

The Liberal attitude towards the Colonies was well expressed in the following words of Edmund Burke:—

"As long as you have the wisdom to keep the sovereign authority of this country as the sanctuary of liberty, the sacred temple consecrated to our common faith, wherever the chosen race and the sons of England worship freedom, they will turn their faces towards you. . . . Deny them this participation of freedom and you break that sole bond, which originally made and must still preserve the unity of the Empire. . . . It is the spirit of the English constitution, which, infused through the mighty mass, pervades, feeds, unites, invigorates, vivifies every part of the Empire, even down to its minutest member."

Burke's appeal in his own time was not heeded—if it had been, America would not have been lost. But in 1832, after the great Reform Act, when a Liberal Government first came into power, these principles were translated into practice, and within twenty years an entirely new Colonial Policy was established.

The Liberals believed that the control of the home Government should be limited to questions of purely Imperial interest, and that in all other matters the Colonies should be left free to develop their own customs and institutions. If they made bad laws, the Colonists would be the greatest sufferers; if they appointed incompetent officials, they would have only themselves to blame; but in fact they were far more likely to make good laws, and to appoint able and well-informed administrators, than a remote Colonial Office in London. It was the Liberal view that Colonial Governors, appointed by the Crown, should govern

through ministers responsible to the popular Assemblies, and that a sense of power and responsibility should thus be given to the Colonists, making them real partners in the Empire.

Liberals also desired to give the Colonists freedom in the regulation of their trade. The ties of Trade had been the foundation of the old Colonial system, but Liberals saw in them a source of weakness rather than of strength. Adam Smith showed that a monopoly of colonial trade was not the way to true wealth, and even asserted that "Great Britain derives nothing but loss from the dominion which she exercises over her colonies." The trade regulations were repugnant to Liberals not only because they were incompatible with Free Trade, but also on political grounds. They were made and enforced necessarily by the home Government, they involved much interference with the internal life of the Colonies, and attempts by the Colonists to evade them were frequent. Liberals preferred to allow the Colonies to trade with the whole world on equal terms, a policy that they also advocated for the home country.

THE FIRST STEPS.

The Liberal belief in the virtues of self-government was propounded with great force by a remarkable group of statesmen, forming the Colonisation Society, founded in 1830 by Edward Wakefield, and supported by Lord Durham, Sir William Molesworth, Lord John Russell, Earl Grey, and others. Wakefield was interested not only in the self-government of the Colonies, but also in their development upon wise lines; and he urged that Colonial land should be sold at a good price in order that it might be valued and not wasted, and that the proceeds from the sales should be devoted to assisting further emigration. By these means, he believed, Britain and her Colonies would become "partners in a new industry, the creation of happy human beings"—the Colonies supplying the land, and the Mother Country the men and women to develop it. Though never fully carried out, these ideals have deeply affected British Colonial policy ever since.

The story of the gradual extension of self-government to all the advanced and civilized communities in the British Empire is briefly told below. The removal of the old Colonial trade regulations was begun in the Free Trade Budgets of 1842-6, when many duties on foreign goods were swept away; and in 1849 the Liberals repealed the Navigation Acts, allowing the Colonies to direct their commerce into any channels that they desired.

Parallel with the problems of the more advanced countries, there were many diverse questions concerning backward peoples in British lands who were not yet ripe for responsible self-government. Our West Indian and African possessions presented a particularly difficult problem, for the white settlers and the coloured natives in these countries had obviously conflicting interests. Here the principle of self-government for the colonists had to be reconciled with an equally fundamental principle of protection for the natives.

The abolition of the slave trade by Charles James Fox in 1807 had opened a new era in the treatment of backward peoples. Henceforth there was a growing sense of responsibility towards native races, and these early Liberals held that they should no longer be exploited, but should be governed and developed for their own benefit. Regulations for the proper treatment of slaves were gradually introduced, but the home Government were unable to enforce them in self-governing Colonies like Jamaica, and so the complete abolition of slavery itself was decided upon. With the support of the nation, the Liberal Government abolished slavery throughout the Empire in 1833, and paid £20,000,000 in compensation to the owners.

The emancipation of the slaves was naturally opposed by the Colonists; but the Liberals, while so strongly believing in political liberty, could not allow the Colonists to trample upon the rights of the natives. Justice was due to all, and to ensure it, Crown Colony government was maintained in places where there was a great predominance of backward peoples. Self-government had to be withheld until native and settler alike could participate in it.

In brief, then, the new Liberal Colonial policy was based upon three fundamental principles: first, that advanced peoples have a right to full self-government, and that the Empire should be bound together by freedom, comradeship and trust, and not by force or trade restrictions; secondly, that backward peoples should be governed in their own interests, and should be protected and developed, not exploited; and thirdly, that, while fiscal freedom was to be given to the Dominions, Free Trade should be maintained in Great Britain and the Crown Colonies as the best foundation of prosperity and good relations.

A rapid survey of the recent history of the Empire will show how these Liberal principles have been carried out—for the most part by Liberal Governments, but sometimes inevitably by Conservative Administrations also.

CANADA.

The new Colonial policy was introduced first in Canada. At the beginning of the nineteenth century each of the Canadian provinces—Upper and Lower Canada, New Brunswick, Nova Scotia, Newfoundland and Prince Edward's Island—had an elected Assembly with control over taxation and legislation, and a Governor and Council nominated by the Crown. The Council was independent of the Assembly and could carry on the government of the country without its consent.

In every province the Assembly came into conflict with the Council; and in Lower Canada, where in 1837 450,000 of the 600,000 inhabitants were French, the situation was complicated by racial and religious feeling. The French and the British inhabitants and the Council were all hostile to each other and to the British Government. In 1837 a deadlock was reached: the Assembly refused to pass necessary laws or to vote funds, and when it was announced that its action would have to be overridden, rebellions broke out in both Lower and Upper Canada. The former was the more serious, but was easily suppressed by Sir John Colborne. In Upper Canada loyalist feeling was too strong to allow the rising to develop. The Liberal Government at home, however, was not satisfied with merely suppressing the outbreaks, but determined, if possible, to remove the causes of friction, as the result of which Canada was becoming impoverished and her population was dwindling.

Lord Durham, one of the authors of the great Reform Bill, was sent out in 1838 as Governor of Lower Canada, with the additional title of High Commissioner, to inquire into the problems of the future government of the Provinces of Lower and Upper Canada. After a six months' close survey of the conditions, Lord Durham made his famous Report, which not only led to a solution of the Canadian difficulties, but expressed for all time the wise principles of Colonial government. Like Burke, Lord Durham believed in the extension of the British system of government to Canada as a remedy for the existing evils, and here he agreed with the Canadian reformers, whose cry was for 'an exact transcript' of the British Constitution. He said:

"It is not by weakening, but strengthening the influence of the people on its Government, by confining within much narrower bounds than those hitherto allotted to it, and not by extending the interference of the Imperial authorities in the details of colonial affairs, that I believe that harmony is to be restored, where dissension has so long prevailed; and a regularity and vigour, hitherto unknown, introduced into the administration of these Provinces.

"It needs no change in the principles of government, no invention of a new constitutional theory, to supply the remedy which would, in my opinion, completely remove the existing political disorders. It needs but to follow out consistently the principles of the British constitution, and introduce into the government of these great Colonies those wise provisions, by which alone the working of the representative system can in any country be rendered harmonious and efficient."

If, Lord Durham said, the principles so efficacious in Great Britain were applied in Canada, they would not only restore political harmony, but also remove all the abuses that had crept into the system of administration.

In order to prevent the British in Lower Canada from being outnumbered, he recommended that Lower and Upper Canada should be joined together, with a United Legislature. All the officers of the Government were to be responsible to this Legislature, except the Governor and his Secretary; and the Governor was to be instructed to carry on the government by means of those who had the confidence of the Legislature, and to expect no support from the home government if he came into conflict with the Legislature, except upon matters concerning purely Imperial interests.

"Perfectly aware," said Lord Durham, "of the value of our colonial possessions, and strongly impressed with the necessity of maintaining our connection with them, I know not in what respect it can be desirable that we should interfere with their internal legislation in matters which do not affect their relations with the mother country. The matters, which so concern us, are very few. The constitution of the form of government,—the regulation of foreign relations, and of trade with the mother country, the other British Colonies, and foreign nations,—and the disposal of the public lands, are the only points on which the mother country requires a control."

Lord Durham further recommended that the constitution of Canada should be framed with a view to the ultimate entry of the other Provinces into the same Dominion, though it should be left to them to do so voluntarily. The Report also contained many detailed recommendations concerning the land system, municipal government, railway construction, immigration, and other matters. Its greatest value lay, however, in the emphasis that it placed upon the need for conferring freedom and responsibility upon the Colonies as the surest foundation of loyalty and progress. In Lord Durham's words—

"It is not in the terrors of the law, or in the might of our armies, that the secure and honourable bond of connection is to be found. It exists in the beneficial operation of those British institutions which link the utmost development of freedom and civilisation with the staple authority of an hereditary monarchy, and which, if rightly organized and fairly administered in the Colonies, as in Great Britain,

would render a change of institutions only an additional evil to the loss of the protection and commerce of the British Empire."

This Liberal view was hotly contested by the Tories of the time. The *Quarterly Review* was unsparing in its denunciation of the Report, as were innumerable Tory writers and speakers. As an example, a book published in 1839 by Dr. Harvey, a staff surgeon, contained the following comment:—

"I believe I am authorised to say that Sir John Colborne and the great majority of intelligent and influential people here, even including a member of two of Lord Durham's Executive Council, designate this far-famed Report as a most imprudent, unpatriotic, erroneous, and inflammatory document, lament its publication, and while they believe that some good will result from it, are of opinion that the evil will greatly predominate."

Fortunately the Liberal Government had the wisdom and courage to accept Lord Durham's Report, and his main recommendation was carried out immediately. An Act was passed in 1840, uniting the legislatures of Lower and Upper Canada, with a Legislative Council, the members of which sat for life, and an Assembly, half the members of which were elected by each Province; and in 1841 the first Parliament of the United Provinces was opened. As Lord Durham had hoped, parties were formed irrespective of race, and French and British worked together amicably in the Opposition.

After a short Tory interval, another Liberal Government in 1846 put into operation the principle of responsible government. Lord Grey, then Colonial Secretary, appointed Lord Elgin, Durham's son-in-law, as Governor of Canada, and the practice grew up of choosing Ministries in accordance with the majority in the Assembly. As Lord Durham had foreseen, these changes led to great developments in every sphere. The population, which had been stationary, more than doubled itself in the next thirty years; new centres of activity grew up in hitherto deserted lands; thousands of miles of roadways, railways and canals were constructed. New Provinces were formed, and in 1864 a conference was held of all parties in Canada proper and in the maritime Provinces to devise a scheme of federation. This led to the passing of the Act of 1867 by which Canada became a united Dominion.

AUSTRALIA.

The events in Canada have been described at some length because they were first in order of time, and were

typical of the Liberal policy towards all the Colonies. No less important changes took place in other parts of the Empire, but they must here be more briefly reviewed.

In Australia the situation was in many respects simpler than in Canada. There was no racial problem, and the aborigines were few in number. On the other hand, the British inhabitants up to 1830 were mostly convicts and their descendants. In 1831, Wakefield (the Liberal founder of the Colonisation Society) induced the Colonial Office to adopt his system of selling the land at a good price and of assisting emigration with the proceeds; and this innovation led to a considerable increase in the number of free immigrants, most of whom settled in the newly formed Colonies, Victoria and South Australia. The latter was established by a company formed by Wakefield as an experiment in scientific colonisation; but in 1842, under a Tory Government, it was taken over as a Crown Colony. A great impetus to immigration had been given, however, and in 1840 the Liberal Government had abolished the system of transporting convicts to New South Wales. Australia was no longer a penal settlement, and the colonists naturally began to demand responsible self-government.

The Liberals came into power again in 1846 under Lord John Russell, and at once proceeded to follow the course already adopted in regard to Canada. In 1847, Lord Grey, the Colonial Secretary, proposed a scheme of federation of the Australian colonies, but he was ahead of his time, and the proposal was not accepted. In 1850, however, an Act was passed separating the colonies and empowering each to draft its own constitution—one of the most striking examples in history of the Liberal spirit.

The result of thus conferring political liberty upon the Australian colonies was that they modelled their constitutions upon that of Britain, and have since become second to none in their loyalty to the Mother Country. Russell's prophecy in 1855 that they would combine "their independent course of progress and prosperity" with "the jealous maintenance of ties thus cemented at once by feeling and principle" was abundantly justified. With the discovery of gold in the 'fifties and 'sixties there came a great increase in wealth and prosperity. During the next thirty or forty years, a most democratic form of government was developed. The widest possible franchise was introduced, and Australia gave the lead to the world in experiments in developing national resources by State help. At length, in 1900, the union provided for in 1855 came about, and the people of the Australian Commonwealth became a single nation.

NEW ZEALAND.

In many respects, New Zealand presents the most perfect example of the success of the Liberal colonial policy. Though Captain Cook had annexed the Islands when he discovered them in 1769, nothing was done to secure the claim until Wakefield's Colonisation Society formed a New Zealand Company in 1839, of which Lord Durham was the chairman. Impelled by this action, the Liberal Government annexed New Zealand officially in 1840, and concluded a Treaty with the Maori chiefs guaranteeing to them the possession of their lands and the rights of British subjects. Sir George Grey, one of the greatest of Liberal administrators, was appointed Governor; he studied the Maori customs, and particularly their land laws, and brought all friction on this subject to an end; and, in 1850, the Maoris petitioned the Queen to make him Governor for life. The New Zealand Company carried out its work so well that by 1852 the new Colony was fit for self-government. The Company resigned its charter, and Lord Grey drew up a Constitution, which was revised by Sir George Grey, giving a Provincial Council to each of the six settlements that had grown up and creating a General Assembly to deal with matters affecting the Islands as a whole. But, in order to uphold the principle of protecting the natives while granting self-government to the colonists, the Crown reserved the power to buy land from the Maoris, and to preserve native institutions.

As in the other Colonies, the new policy led to a remarkable era of development. There were prolonged quarrels with the Maoris, but they were of a comparatively bloodless character, and at the end of them the colonists offered the Maoris representation in the Assembly. Within twenty-four years of the grant of the Constitution, the local Legislatures were abolished, and New Zealand became a single prosperous State.

The subsequent history of the Dominion is remarkable for the successful social developments made under the New Zealand Liberal Party, particularly under the premiership of Richard Seddon (1893-1906), who had left Lancashire as a working lad in his teens. The Seddon Ministry introduced many important industrial reforms, including the encouragement of the growth of trade unions, together with the establishment of Conciliation Boards, and a national Arbitration Court with statutory powers. They established Old Age Pensions and State Insurance, they reformed the land system in order to foster small ownership, and vigorously undertook the construction of railways and public works.

These progressive achievements, which ensured the welfare of New Zealand, more than justified the Liberal faith in responsible self-government, and frequent demonstrations of the loyalty of New Zealand, no less pronounced than that of Canada and Australia, have proved that trust and comradeship are far stronger ties than force and tariff-bargainings.

SOUTH AFRICA.

The history of South Africa has been complicated by a double racial problem, for there was not only a large native population, but also a considerable number of Dutch as well as British settlers. The unfortunate disputes between the British and Dutch were caused mainly by the difference in their attitude towards the natives, the British alone regarding the latter as entitled to equal rights with themselves. This difference led in 1836 to the Boer trek from Cape Colony to what afterwards became the Orange Free State and the Transvaal, while the British settled chiefly in Cape Colony and Natal. Friction between the two communities was healed by the recognition of the independence of the Dutch provinces by the Liberal Government in 1854. In the same year Cape Colony received a popularly elected Legislative Council, equal political rights being given to blacks and whites. The new constitution was a complete success, and all races lived in amity and growing prosperity. In 1872 Gladstone extended the system by granting full self-government.

The Dutch refused, however, to adopt a similarly liberal policy. Their provinces were the scene of frequent strife, especially the Transvaal; and in 1877 Lord Beaconsfield's Government decided to annex this province. This step outraged Boer feeling not only in the province, but throughout South Africa; and, after an outbreak which was marked by a Boer success at Majuba, Gladstone, who desired peace and freedom for Dutch as well as British, restored the autonomy of the Transvaal. Under President Kruger, the Transvaal adopted a policy of antipathy to the British, which was disliked by even the majority of the Boers in the Transvaal as well as in the Orange Free State and the south. Friendly co-operation would probably have produced the unity of South Africa, a project that had already received much support; but in 1896, the filibustering Jameson Raid on the Transvaal, at which Cecil Rhodes connived, brought an end to these hopes. In the Transvaal, British subjects were still deprived of political rights, and in 1899 Joseph Chamberlain and the Conservative Government demanded that they should receive the franchise

Kruger demanded an arbitration, but the Government refused thus to acknowledge the sovereignty of the Transvaal, and troops were sent to South Africa. War then broke out and lasted until May, 1902. At its conclusion, British and Boers received equal political rights. Great bitterness was engendered between the white races throughout South Africa, which, it was believed, it would take a generation to heal.

Fortunately, however, the Liberals came into power in 1906, and they immediately took the courageous and magnanimous decision to confer full responsible self-government on the Transvaal. As always, this demonstration of trust and love of liberty was fully justified; and in the next year a National Convention of Dutch and British was held to draft a scheme of union. The Convention worked in a friendly atmosphere, and agreed to form a single State, the separate colonies becoming provinces, retaining only provincial councils with minor powers. The new constitution was ratified by Parliament in 1909, and the Union of South Africa became a member of the British Commonwealth. Where there had previously been strife, unity and friendship were achieved, and South Africa, like the other Dominions, brought spontaneous and invaluable aid to Great Britain in her hour of need five years later.

IRELAND.

In Ireland, the gift of self-government was long delayed with tragic results that are within recent memory. For a short time, Ireland had an independent Parliament, conferred by the Whigs in 1782 in response to Grattan's demand for "liberty according to the frame of the British constitution"; but in 1801, by means of the most disgraceful bribery, and with a promise of Catholic emancipation which was not honoured, the Tories brought about the Act of Union.

A demand grew up in Ireland for both political and economic reforms—agitation, more or less violent especially under Conservative Governments, was continuous; but all efforts to pass remedial measures by the Liberals, and once even by the Conservatives under the progressive Sir Robert Peel, were thwarted by the House of Lords. Gladstone succeeded in passing a number of beneficial land laws, and he disestablished the Anglican Church in Ireland; but the Conservatives and the House of Lords prevented him from giving Ireland Home Rule. From 1895 to 1905, the Conservatives were continuously in office, and all hope of gaining self-government by constitutional means disappeared.

During these years, Sinn Fein was born. The Liberals endeavoured to save the situation in 1912-13-14, when Home Rule Bills were passed by the House of Commons, while the Conservatives were fomenting strife in Ulster. But the House of Lords and then the Great War prevented the inauguration of a policy of conciliation and peace; and it was not until after the Sinn Fein rebellion of 1916, and the horrors of 1920 and 1921, that the Conservatives learned their lesson. A treaty was then signed recognising the Irish Free State.

Ireland and Canada—the histories of the two countries culminating in their respective attitudes during the War—form a striking contrast. They demonstrate, for all to see, the difference between the policies of force and of freedom, between the results of Toryism and of Liberalism.

INDIA.

In India, there was until some fifty years ago no demand for responsible self-government, and the Liberal policy showed itself in two ways: first, in a reluctance to force dominion upon those who disliked it, and, secondly, in replacing the old idea of exploitation by that of trusteeship, and in endeavouring to govern solely for the good of the governed. In 1880 Lord Ripon was sent out by Gladstone to inaugurate a more advanced policy. His viceroyalty, which was the most popular India has ever had, saw the establishment of a free Press, the inauguration of a real educational policy, and the beginning of self-government, by the formation of elected Municipal and District Boards. In 1885, the first Indian National Congress was held, and a sense of unity and an aspiration for political liberty came into being. Lord Curzon's administration, though able and well-meaning, disregarded public sentiment, and his partition of Bengal in 1905 led to a bitterness of feeling that became very widespread.

The Liberal Government decided to meet this agitation by the widest concessions that were then practicable. By the Morley-Minto reforms (1909), an elected Indian majority was introduced in the Provincial Councils, a representative element was brought into the Imperial Legislative Council, and Indian members were added to the Viceroy's Executive Council and to the Indian Secretary's Council in London. In 1911, the King personally visited India, an action that deeply impressed the people and did much to enhance the value of the reforms.

India, though under no compulsion, was united and loyal

in support of Great Britain in the War ; but, none the less, there was a continuous growth of the demand for self-government similar to that enjoyed by the Dominions. A further advance was made by Mr. Montagu, the Liberal Secretary for India in the Coalition Government in 1918, which gave definite promise of responsible government as soon as sufficient experience had been gained. The Montagu reforms have been to a large extent neutralised by Conservative administration ; and there is unfortunately a large measure of discontent in India to-day. It is beyond dispute that the only way in which that discontent can be assuaged and India kept loyal to the British connection lies in a really progressive administration leading to full self-government at the earliest opportunity.

THE BRITISH COMMONWEALTH.

If the eye of the imagination wanders over those vast places of the earth whose story has been briefly told—Canada, Australia, New Zealand, South Africa, India, and Ireland, and many smaller parts of the Empire—it can but see with pride a vast free community, such as the world has never contained before and cannot now parallel elsewhere. If some discontent and unrest still exist, it is in places where the full application of Liberalism has been delayed ; where welfare is greatest and loyalty is strongest, Liberalism has been longest in operation.

Imperialism of the militarist kind has contributed nothing to the success of the British Empire, and it is among the first duties of Liberalism to emphasise this truth. Conservatism thinks otherwise, and even in 1874 Disraeli would complain : “ Self-government in distant colonies, when it was conceded, ought to have been conceded as part of a great policy of imperial consolidation. It ought to have been accompanied by an imperial tariff . . . and by a military code.” The modern Conservative who holds this view may be asked whether any such conditions could have produced greater loyalty and strength than did the gift of self-government as a right and without conditions? Can it be supposed that Great Britain could have obtained compulsorily such help as she has lately received voluntarily? Does not that phrase The British Commonwealth of Nations—first used by Campbell-Bannerman—imply a greater unity and a greater sum of freedom and happiness than the word Empire with its association of militarist dominion? Are not the

Imperial Conferences—first initiated by Lord Oxford during his Premiership—a better symbol of a united partnership than the old conception of a foreign policy regulated from home without regard to the opinions of the Britons in distant lands?

Toryism is still dubious, still distrustful of idealism, still sceptical of a loyalty based on voluntary ties alone. Imperial Preference, it is said, is needed to hold the Empire together; the bonds of kinship, mutual affection, and common aspirations, must be strengthened by the inducement of tariff preferences, the bribery of pecuniary advantage. Such a view would be insulting were it not so petty. Its sole importance lies in the danger lest, through this pretext, Great Britain becomes subject to tariffs, and her people come to associate the Empire with the resulting high prices and bad trade. But so long as Liberals are vigilant, this will never happen, for this aspect of Toryism has only to be exposed to be defeated.

Little need be said concerning the Socialists and the Dominions. The Socialists as such have no Imperial policy. As Mr. George Lansbury wrote in the *Daily Herald* on July 5th, 1924:—

“Among the many questions which, now it is in office, baffle and perplex the Labour Party, none is more difficult of solution than those which concern the present and future relationships which should exist between Great Britain and the component parts of the British Empire . . . We are not yet in a position to put a true Socialist policy into practice, even if any of us are quite sure what that policy should be.”

The majority of the members of the Labour Party, however, follow the Liberal tradition; and for the most part are believers in political and commercial freedom. But this is the whole extent of their policy, and, as in many other fields, one looks to them in vain for wise constructive proposals.

THE FUTURE.

The policy of the Liberal Party in regard to the future is threefold.

First, there is the consolidation of the work of the past. The freedom that has already been won must be maintained, and the bonds of the Imperial partnership must not be impaired by any Tory scheme of restrictions on liberty or trade.

Secondly, the more backward parts of the Empire must be developed so that they may be rendered capable of governing themselves as soon as possible. Liberalism has no desire either for militarist aggression or for forced

dominion, and it hopes to see every British subject contented, responsible, and free.

Thirdly, British Liberals desire to assure their kinsmen throughout the Commonwealth that they are as enthusiastic as the citizens of the Dominions themselves concerning both the maintenance of their comradeship and the wise development of Imperial resources. Liberals made the Empire free, and they want above all things to keep it free.

It should be observed that this is not a negative policy: the maintenance of freedom is a very definitely positive aim. But, in addition to this, the Liberal policy includes many constructive proposals, which would produce, by wise administration rather than by political interference, an increase in the wealth and prosperity of the Commonwealth. The following are some of the schemes of this kind which Liberals propose:

(1) *Transport and Communications.*—An active policy should be pursued of increasing, improving, and cheapening transport between the various parts of the Commonwealth, and all forms of inter-Imperial communications.

(2) *Development of Resources.*—Development of the various kinds of natural wealth, not only in Great Britain, but also in the Dominions, should be encouraged, and, where necessary, assisted by financial aid from the State.

(3) *Financial Facilities.*—In order to enable the Dominions to raise capital for their enterprises, they should be supported by the public credit of the whole Empire.

(4) *Overseas Settlement.*—Co-operative measures must be undertaken by Great Britain and the Dominions to enable those who desire to leave the crowded homeland to settle in the overseas parts of the Empire.

(5) *Imperial Consultation.*—There should be regular and close consultation among all the members of the British Commonwealth on all matters of common interest, particularly foreign policy and Imperial defence.

Such measures as these—evolutions from the policy pursued in the past by Liberal Governments throughout the Empire—constitute a true Imperial policy, by which alone can be developed the happiness, prosperity, and unity of all the partners in the British Commonwealth.

A TORY TRIBUTE.

Time has invariably proved the wisdom and foresight of the Liberal policy; and it is pleasant to recall that sometimes even its strongest opponents have been sufficiently just

to acknowledge its beneficent results. As an example, Mr. Austen Chamberlain's words, spoken at a National Unionist Conference on November 17th, 1921, may be quoted :—

" I have been in Parliament for very nearly thirty years, and have given goodness knows how many votes. There are some that I would not repeat with my later knowledge and experience. There are only one or two that I would undo. I will tell you one of them.

" The South African war was a just and necessary war. But for the issues then fought out and settled, there could have been no lasting peace in the country. But though peace was signed, though allegiance was sworn, reconciliation lagged behind.

" Then came a change of Government, and with the new Government a new policy. By a great act of daring faith, they conferred upon our recent enemies in the Transvaal and Orange Free State on the morrow of our victory full self-government. I voted against them. I thought it a rash and wicked thing to do. Ah! If we could have seen further into the future. If I could have voted in that division with the knowledge I have to-day, I should have known that that great act of faith was not, as I thought it, the destruction of our policy, but its completion and its fulfilment.

" That is the vote that I would undo if I could undo a vote once given. That great act, that daring act of faith, led directly to the reconciliation of the races in South Africa. It led to the Union of South Africa. It brought South Africa into the war with us. It added German East Africa and German South-West Africa to the British territory.

" Now and again in the affairs of men there comes a moment when courage is safer than prudence, when some great act of faith touching the hearts and stirring the emotions of men achieves the miracle that no arts of statesmanship can compass."

This very notable utterance, moving throughout by its sincerity, is a shining tribute to the practical trustworthiness of the policy and ideals of Liberalism.

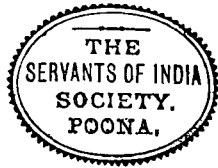
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Printed by Strangeways & Sons, Tower Street, Cambridge Circus, W.C. 2, and Published by the
LIBERAL PUBLICATION DEPARTMENT, 42, Parliament Street, Westminster, S.W. 1.

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Liberal Principles and Aims.



FREE TRADE.

X:533.3

LIBERAL PUBLICATION DEPARTMENT,

42, PARLIAMENT STREET, LONDON, S.W. 1.

1925.

PRICE TWOPENCE.

Extract from the Declaration of Liberal Principles and Aims, adopted by the National Convention of Liberals, January 29th-30th, 1925, and by the Council of the National Liberal Federation, May 14th-16th, 1925:—

INTERNATIONAL TRADE.

We maintain unqualified adherence to the policy of Free Trade.

Unrestricted intercourse between nations is the best guarantee of peace. A departure from Free Trade by Great Britain would be regarded not only as a confession of failure, but as an abandonment of this Cause. The fact that other nations are attempting to make themselves self-sufficing by means of Protection affords no reason for a reversal of our policy. We depend for our existence upon being able to sell our goods abroad, and we can only sell if we are ready to take in payment what other peoples are able to send us.

FREE TRADE.

THE Liberal Party advocates complete, unqualified Freedom of Trade, and desires to abolish all the existing measures of Protection.

Free Trade means freedom to buy where one likes, and is the ordinary common-sense way in which most people carry on their business. The first advantage of this system is that *it promotes trade*. People who do business know what suits them best, and the maximum amount of business is likely to be done when they are free to do it in their own way. Restrictions and taxes imposed by Governments with a view to discouraging trade in one place and encouraging it in another are admittedly inconvenient; but they are something more; they are wasteful, for they force people to do what is not naturally economical and advantageous.

Secondly, *Free Trade is democratic*. Tariffs add something to the price of foreign goods. They therefore enable home producers to increase their prices also, and to enrich themselves at the expense of their fellow-countrymen. Free trade means abundance and cheapness from which the whole country gains the benefit. The Liberal Party is the special defender of Free Trade because it cares for the welfare of the whole nation above the interests of any section.

Thirdly, *Free Trade provides most employment* for British workers. Employment is created by the manufacture of the goods exported to foreigners in exchange for the goods they send here. If tariffs decrease imports, they must also decrease exports, and this will cause unemployment. If tariffs raise prices, they will cause a decrease in the purchasing power of the people, and this again leads to unemployment.

All civilised countries allow freedom of trade within their own borders, and the tendency is to make the area of freedom continually wider. A Londoner would be very much surprised if he were expected to pay a tax for buying goods in Sheffield. An American in Washington is free to buy goods in New York, although these two cities are in different American

States. In fact, most of the buying that is done in the world is free buying. Why, then, are tariffs on imports ever proposed? People are not penalised for making purchases outside their own town. Why should they be penalised when the purchase is made outside their own country?

Imports and Home Production.

The central motive for taxing imports, without which no such proposal would make much headway, is *the belief that buying foreign goods takes trade away from our own country*. And of course this seems to be true if one only looks at one side of the transaction; but there is necessarily another side. During the year 1924, we sold to people in foreign countries £935,000,000 worth of goods. The value of the exports of British manufactured goods alone was £618,000,000. Foreigners cannot go on buying all these goods from us unless we also buy from them. When we buy foreign goods we are not in reality depriving ourselves of employment or taking work away from our own country. On the contrary, we are expanding the trade of our country, we are opening up connections and enlarging our markets. Every time we eat bread that is made of foreign corn we can say: "Here is another bill paid by our foreign customers"; for it is quite certain that the corn comes here in exchange for British merchandise which has been sold abroad.

It is important to realise that nowadays the whole world is one great market. If we were to deal only with our own countrymen we should be acting like some little town that tried to cut itself off from the rest of England, or like a man who resolved never to buy or sell outside his own street. It is not in this way that big and prosperous businesses are made. A great trade needs a great market. And the British people are to-day great producers of wealth because they have been willing to buy and to sell either at home or abroad, wherever they could do good business. The point on which we should fix our minds is not whether this article or that article has been produced in England or in some foreign country, but whether on the whole—with our own people as well as with foreign peoples—we are doing as much profitable trade as we can.

The Most Profitable Trade.

In order to obtain as much profitable trade as possible, our chief products ought to be those for which we have the most suitable conditions and the greatest capacity.

This applies both to individuals and to countries. If a skilled mechanic were to spend half his time lifting goods into the factory, it would be wasting labour. There are other men who are better lifters; and the mechanic would be more productive at his own job. Unless people are doing the things which they can do best, there is waste of labour and loss of production. And countries have their individual characteristics as well as persons. For instance, few things could be more wasteful than to try to grow raw cotton in the English climate instead of importing it from Egypt and America. It would be wasteful because, compared with production in America and Egypt, it would cost more labour and capital, and would result in a smaller product. In a less extreme degree the same thing may be said of corn. We can grow a certain limited amount of corn in this country as economically as it can be grown anywhere. And it is desirable to do so. Up to this point we are employing ourselves and our land to the best advantage. But in order to produce anything like the vast quantities of corn that we consume we should have to bring into use much less suitable land, where nature will only yield what we want at a high cost of capital and labour. In point of fact, we do something much wiser. Having grown as much corn as we can on land that produces it economically, we import the remainder of our annual supply from those ample and prolific countries which can furnish us with it at small cost, thus leaving much British labour and capital free for more profitable forms of production.

Economic Advantages.

It is true that the British people have both the capacity and the necessary conditions for producing a great variety of goods. It is on this fact that our wealth rests. But it is also true of us, as it is of other countries, that we are not perfectly adapted to every kind of production. And the principle here advanced is that the country ought not to expend its energies on unsuitable and unprofitable employment. To do so means waste of labour and loss of wealth. In order, therefore, to obtain as much profitable trade as possible, we should be chiefly occupied along the lines where we are most productive. It is at this point that the value of Free Trade emerges. Free Trade is a natural and effective instrument for keeping us on these lines.

To draw up a list of trades suitable to any given country would be an impossibly complicated task; and it is not necessary. The problem solves itself when producers and

consumers are left free to follow their own interests. Speaking broadly, the consumer buys what he wants at the lowest price for which he can get it. The producers who can offer their goods at the lowest price are those who produce them in the most favourable conditions. It is these, therefore, who get the customers; and, as no producer can long continue without customers, it is thus that goods tend to be produced in the places where the conditions are most favourable. The people of a Free Trade country are free to buy what suits them best, whether home-made goods or foreign goods, and it is this freedom of the buyer which automatically directs the producers of such a country into the trades for which they possess the greatest advantages.

A tariff is designed to make people buy home-products when they would not naturally do so. In other words, it is designed to direct the home trade into forms of production which it does not naturally follow. In doing so it wastes the labour and capital of the country, and thus deprives the people as a whole of that full amount of profitable trade which they could obtain under conditions of freedom. Free Trade rests securely on this central truth: *the people of any country will be most prosperous when they follow the trades for which they have the greatest advantages, and they will do this naturally and in their own interests if the consumers of that country are free buyers.*

Free Trade is beneficial to every country that practises it, but it is particularly so to Great Britain, which is absolutely dependent upon foreign trade. It enlarges our capacity and our opportunities for a vast ocean-borne commerce. It benefits us both as producers and consumers. It automatically directs our home production into the most profitable channels; it brings us food and the raw materials of industry without unnecessary cost; and it facilitates the sale of our products in all the markets of the world.

IMPERIAL PREFERENCE.

Imperial Preference, in the general case, does not mean taking Tariffs off; it means putting them on. Tariffs are to be imposed on imports from foreign countries, with lower tariffs or none on imports from the Colonies. To give any real preference, Tariffs would have to be placed on Food and Raw Materials. Therefore, so far as this country is concerned, Imperial Preference would be a highly dangerous form of Protection. It would raise the price of food to the poorest, and it would raise the cost of production to our industries.

One of the chief arguments advanced in favour of Imperial Preference is that it would make the Empire self-sufficient and self-contained. This is impossible. To be self-sufficient does not mean to produce sufficient wealth for one's needs, but to produce every different kind of thing and thus avoid making exchanges with other countries. Great Britain is a crowded country in a temperate northern climate; and it is therefore an indisputable economy to import to this country a large part of our necessary food and raw materials, and to pay for them by exporting manufactures, for the production of which many special and natural advantages exist.

In 1924, the total imports into Britain amounted to £1,280,000,000. Of this, only £388,000,000 came from the Empire. If, therefore, the British Empire is to become self-contained, the quantity of goods sent to Britain by the Colonies should immediately be multiplied by three. Nothing of the kind can take place. The white population of the Colonies is about 17,000,000—one-half of that of France—and it would be several generations before the Colonies could supply the whole needs of Great Britain.

Protectionists also argue that even if it is impracticable to make the Empire self-sufficing, it is at least desirable to introduce Imperial Preference in order to encourage trade within the Empire. Liberals are anxious to foster trade with the Empire; but there are other ways of doing this than by erecting tariffs, which would lead the people of this country to associate the Dominions with the resulting high prices and bad trade. Moreover, a measure of Imperial Preference was introduced in 1919, but our trade with the Dominions has not increased more than it has with other prosperous countries such as America. This fact is quite inconsistent with Protectionist claims, and shows the uselessness of relying upon the manipulation of tariffs to increase Imperial trade.

Statistical tables will be found in the Appendix showing the value of our trade with the various parts of the Empire; and the value of the principal articles imported from and exported to British Possessions and Foreign Countries, before and since the War.

Preference on Existing Duties.

The present policy of the Conservative Party is to concentrate upon giving a measure of preference involving only a reduction of duties. Since Mr. Chamberlain's Budget of 1919, the tariff on Empire products has been only five-sixths of the tariff on foreign goods; and in Mr. Churchill's

Budget of 1925, further Imperial Preference was given as follows :—

Dried Fruits.—Duty abolished on Empire goods.

Tobacco.—Duty reduced to $\frac{2}{3}$ of the foreign rate.

Sugar.—Preference extended to about $\frac{1}{2}d.$ per lb.

Wines.—Ordinary duty reduced from $\frac{2}{3}$ to $\frac{1}{3}$ of the full rate; and the additional duty on sparkling wines reduced from $\frac{1}{10}$ to $\frac{1}{2}$ of the full rate.

In these cases, there are no new import duties; on the contrary, there is a reduction of existing duties. Why, then, are Liberals opposed to these extensions of Preference?

Let it be said at once that Free Traders advocate the reduction or abolition of revenue-duties on imports whenever the national exchequer can stand it, provided that the reduction applies in any given case to *all* the imports—Imperial and Foreign alike. They do more than advocate this policy; they have repeatedly brought it into actual practice by their votes in the House of Commons. It was a Liberal Government that effected substantial reductions in the tea tax in 1906, and in the sugar tax in 1908; and in the year 1924 the Liberal Party gave full support to the reductions of the taxes on tea, sugar, cocoa, coffee, and dried fruits, which were prominent features of the Labour Government's Budget. In all these cases the reduction applied to both Foreign and Imperial products, and was therefore a straightforward relief of taxation, not complicated by hidden motives or indirect consequences.

As soon as a distinction is made between Foreign and Imperial goods, and it is proposed to levy higher taxes on the one than on the other, we get an entirely different situation. This is no longer a simple proposal for the relief of taxation; it is the introduction of a fiscal method which has important effects apart from its direct relation to the revenue; it is not a change only in the *amount* of certain import-duties, but a change in the whole *scheme* upon which import-duties are based.

Free Traders are opposed to this change of fiscal method for the following reasons :—

The Creation of Vested Interests.

(1) The reduction of revenue-duties on imports from the Dominions, without a similar reduction on imports from foreign countries, is *not a step in the direction of Free Trade.*

It is a step in the opposite direction. It sets up an obstacle to Free Trade.

It does this by creating in the privileged Dominions a vested interest in maintaining the British tariff against foreign countries. This was clearly realised by the Free Traders of all Parties when the fiscal controversy was first revived in the early days of the century. In 1902 Sir Michael Hicks-Beach sought to balance his war-budget by a shilling duty (a "registration duty," he called it) on imported corn and flour. A demand at once sprang up for the remission of this duty to Canada. Mr. Joseph Chamberlain was particularly insistent that this should be done. Full use was made of the plausible plea that it was a reduction, and not an increase, of taxation that was asked for. But Sir Michael Hicks-Beach and Mr. Ritchie (who succeeded him), although Unionists, were far from being Protectionists, and they successfully resisted the demand for a Canadian preference. It is significant that they did so on the ground that a preferential tariff would create a vested interest in maintaining the British tax against foreign goods.

This is still true. The revenue-duties which are imposed on articles that are not produced in this country are not "protective," and so long as they are uniform duties, levied on the products of all countries alike, it is to no one's interest to maintain them unless they are needed for revenue. They can be reduced at any time without either inflicting injury or stimulating intrigue. But the moment we give an Imperial preference on these duties, we set up protection—protection for certain groups of Dominion producers; we create a powerful interest in the maintenance of the tax against foreign countries, and our fiscal freedom is gone.

The Demand for New Taxes

(2) Imperial preference on existing revenue-duties promotes a continual agitation for the imposition of new taxes on foreign goods, in order to extend the privilege to other classes of producers and to other Dominions and Colonies which do not produce the goods already taxed.

This tendency was plainly illustrated in the Conservative proposals of 1923. The existing preference on currants, raisins, and figs was of no use to Canada, since these articles are not produced there; but a tax on foreign apples and tinned salmon, with an Imperial preferential rate, would give Canada a small advantage. Thus the Conservatives found it impossible then to formulate even an elementary and introductory scheme of Imperial Preference without pro-

posing to tax new classes of foreign imports; and they will always find themselves in the same difficulty.

Taxpayers' Subsidy to Dominion Producers.

(3) Imperial preference on existing revenue-duties is *not without cost to the British public.*

The quantity of tobacco, wine, currants, dried figs, &c., imported from Empire countries is extremely small in comparison with the total quantity imported. The price of the article to the consumer in this country is determined by the bulk of the supply—that is to say, by the *foreign* supply on which the full tax is paid. It is therefore extremely improbable that these preferential reductions would cause any reduction of prices in Great Britain. The chief consequences would be a subsidy to certain individual exporters in the Dominions, representing a loss of British revenue which the taxpayers would be required to make up.

The Real Object of Preference.

(4) In addition to these detailed blemishes, which are in themselves more than enough to condemn it, the proposal for Imperial Preference on existing revenue duties is also open to the serious objection that it is not made for its own sake. *The object of those who advocate this sort of infantile Imperial Preference is to keep the system in existence until a chance comes to make it real and effective.*

In itself, a scheme of preferences on dried fruits is of no use either to the Dominions or to our own Protectionists. This is not what they want. They want a preferential rate on *foodstuffs* and *raw materials*. As Mr. Bruce, the Australian Prime Minister, said at the Imperial Conference on October 9th, 1923: "That is what the Dominions produce; and it is no good our passing pious resolutions talking about better preference to the Dominions, and for ever dodging what is the great issue." As much as 62 per cent of the goods sent from the Dominions into this country is in these seven classes alone—corn, flour, meat, butter, cheese, raw wool, oil seeds. No system of preference can be worth much to the Dominions unless it includes preferential rates on these articles—which means a stiff tax on the still larger supplies of them that we get from foreign countries.

It would be folly to close our eyes to the fact that Imperial Preference on dried fruits, &c., is chiefly designed to keep the road open for the larger and far more injurious system. The preferences on existing duties are the first

little steps on the road. We make objection to these steps for what they are in themselves, on the several grounds that have been stated ; but our antagonism is justly increased when we know that these are the first steps on a road that leads to industrial disaster and the impoverishment of the people.

THE SAFEGUARDING OF INDUSTRIES.

“Safeguarding” or “Protection”—there is no difference in the definition of the two words, and the schemes that they denote differ only in degree. Safeguarding is simply Protection writ small.

Under the present Safeguarding scheme (unlike the former Act), a duty is to be imposed on articles of a given class imported from *all* countries, if there is “unfair” competition from any country in respect of that class of goods. That is to say, there will be a “general duty” on that class of goods ; and this is precisely the old “scientific tariff” advocated by Protectionists in the past.

Previous experience under the Safeguarding of Industries Act and the new Import Duties shows that Safeguarding not only fails to achieve its professed objects, but injures trade and causes great inconvenience to traders and consumers.

Previous Experiences.

When the Safeguarding of Industries Act came into operation on October 1st, 1921, a schedule was issued of articles liable to duty under Part I. This extraordinary list contained over 6000 articles, and spread consternation among importers, traders, and manufacturers.

Infants' food, dolls' eyes, face powder, toy compasses, toy paints, and the like, were declared Key Industries and held up for trivial sums of duty.

Harassed business men were compelled to line up in queues and wait hours for their turn to show invoices and fill up forms, and then to pay the duties, with several shillings expenses. Huge sums of money were demanded as deposits, whilst the authorities, with exasperating slowness, considered whether tiny parts of articles were dutiable. Cheques were refused, even from firms of standing, and cash or bankers' drafts had to be given. In many cases heavy demurrage costs were incurred. The delays involved considerable losses to traders, and frequently caused them to lose orders.

A typical case concerned a consignment of electric lamps

in which the tungsten was dutiable. The man who went to the docks to arrange for the clearance was kept nearly the whole day, had to pay 5s. clearance, and to leave a deposit of £1. The tax was eventually fixed at one penny.

One of the trades which has been put to the greatest annoyance by the operations of the Safeguarding of Industries Act is the chemical industry. No fewer than 2000 chemicals which were never produced in this country were scheduled for duty. Expensive proceedings had to be conducted before Referees on demands for inclusion and exclusion from the list, and the consequent delays and conflicting decisions caused serious inconvenience.

On May 12th, 1925, Sir John Simon stated in the House of Commons that 60 per cent. of the consignment of chemicals held up, pending the result of the test by dock officers, were ultimately found to be not liable to duty under the Act.

Fabric Glove Trade injured by Safeguarding.

Under Part II. of the Safeguarding of Industries Act a duty of 33½ per cent. was imposed on fabric gloves on August 23rd, 1922. The result was not only to injure those in Bolton who made the fabric which was exported to Germany for manufacture into gloves, but also to harm the fabric glove trade in this country. The advantage of fabric gloves was their cheapness, and when the prices were raised people preferred to buy cheap kid and skin gloves.

On May 15th, 1923, Major Mackenzie Wood took occasion to ask the President of the Board of Trade in the House of Commons whether his attention had been called to a "statement made by Mr. Leslie Pinkham, of the National Glove Company, Limited, to the effect that the present position in the fabric glove trade is probably worse than has ever been experienced before; whether he is aware that it was on the application of this gentleman, with others, that the duty . . . was imposed on imported fabric gloves; and whether, in view of the present situation, he will take steps to have the duty abolished?" The Minister replied to the first two parts of the question in the affirmative.

Subsequently two interesting letters on the subject were published in the *Drapers' Record* :—

A London glove merchant wrote on August 4th, 1923, that the duty instead of helping manufacturers, had a contrary effect, and that one manufacturer who fought strenuously for the Bill had to sell leather gloves for an existence. He added, "I formerly paid thousands to cotton spinners (for material), now only hundreds."

A retail glove buyer wrote on August 25th, 1923, "With the mark at 20 to the £ and the duty at 66½ per cent., the Germans would still beat us. With the advance in price, demand lessened. Cheap skin gloves are preferred to dear fabric gloves, English or German."

No Dumping.

One of the pretexts under which the Safeguarding of Industries Act was passed was that goods were being "dumped" into this country—*i.e.*, sold here below the cost of production. On April 15th, 1924, Mr. Hogge asked the President of the Board of Trade how many complaints had been received under the Dumping provisions of the Act (Part II., (1) a). Mr. Webb's answer was as follows:—

"During the three years since the passing of the Act five complaints of the nature indicated by the hon. Member have been received. Of these, two were referred to committees constituted in accordance with the provisions of the Act, but the committees' reports were in each case adverse to the complainants. In the other three instances the Board of Trade were of opinion that the evidence submitted was not such as to warrant reference to a committee."

It still remains true that not a single case of "dumping" in this country has been demonstrated.

"McKenna" Duties.

The New Import Duties, introduced in 1915 by Mr. McKenna to save shipping space during the War, and repealed by the Labour Government in 1924, were imposed at the rate of 33½ per cent. upon imported motor cars, bicycles and parts, clocks, watches and parts, musical instruments, and upon cinematograph films. Liberals opposed Mr. Churchill's proposal to reintroduce the duties in the Budget of 1925 because experience had shown that they were harmful to trade, and that there had been a great improvement in sales and in employment since the duties were removed.

Neither the McKenna Duties nor the Safeguarding duties diminished imports to any appreciable extent. British consumers needed the goods, and therefore in most cases bought them, even though they had to pay the tariffs. Thus the tariffs inflicted higher prices, inconvenience, and delays on home traders, without achieving their object of excluding foreign goods. (Statistical tables in the Appendix illustrate these facts).

Trade improved after Repeal.

The Protectionists prophesied that the removal of the duties under Part II. of the Safeguarding of Industries Act

and of the New Import Duties in 1924 would ruin the trades concerned and throw thousands (if not millions) out of work, because they would be "swamped by goods dumped from abroad." The reverse proved to be the case. The effect of removing the tariffs was to lower prices, and this in turn both increased the home demand and enabled our manufacturers to increase their export trade. Hence there has been an improvement in the condition of even the trades previously protected (in addition, of course, to the benefit accruing to industry in general).

It is true that when the duties were removed there was an immediate increase in the imports of the articles concerned. This was largely due to the fact that for some months imports had been held up in expectation of the impending removal of the tariffs. As the statistics (see Appendix) show, however, the *exports* also increased. In most cases, exports have increased far more than imports; and there has been a marked improvement in *employment*.

Separate statistics are not available for the industries covered by the Safeguarding of Industries Act; and Parliamentary answers have stated that no estimate can be made. Approximate figures are available for the motor industry (though aircraft workers are included), for clocks and watches (though plate and jewellery workers are included), and for musical instrument making. No figures are published for the cinematograph film industry, but the remarkable increase in exports provides evidence that this industry did not suffer from the removal of the duty.

The following table shows the percentages unemployed before and after the removal of the duties. It will be observed that the percentages for the previously protected industries decreased, and that they even fall below that for the average of all trades.

PERCENTAGES OF UNEMPLOYMENT.				
	Construction and repair of motor vehicles, &c.	Watches, clocks, plate, &c., manufacture.	Musical instrument making.	Average of all insured industries.
At the end of—				
June, 1924 ...	7.0	13.0	11.7	9.4
July ...	8.3	11.9	11.6	9.9
August (month of removal...)	10.2	12.0	8.5	10.6
September ...	11.1	11.5	6.8	10.8
October ...	9.6	10.7	5.7	11.1
November ...	8.7	9.8	5.4	11.0
December ...	7.5	10.6	5.5	10.9

The number unemployed in the motor group in December,

1924 (with the duties off) was 15,319, compared with 19,433 in December, 1923 (with the duties on)—eloquent testimony to the truth that employment is most plentiful under Free Trade.

Summary of Objections to Safeguarding.

The principal objections to Safeguarding, which are exemplified above, and borne out by the tables of statistics in the Appendix, may be briefly summarised as follows:—

Increased prices. The fundamental object of imposing a Safeguarding duty is to raise prices. If it does not raise prices, it is useless to the home manufacturer; and under the new Conservative scheme the rate of the tariffs is not fixed because it is desired to impose in each case a tariff high enough to raise the prices of imported goods. This will in turn enable home manufacturers to raise their prices.

Hardship to the consumer. The effect of raising prices—whether or not they are increased by the whole amount of the duty—is to cause hardship to British consumers of the goods. The reason why foreign goods are purchased is because they are cheaper or better. The tariff results in compelling the consumer to pay more, or to buy inferior articles.

Reduction of purchasing power. The rise in prices means decreased purchasing power, which is equivalent to a lowering of wages. This particularly affects those not in the protected industries—*e.g.*, miners, agriculturists, textile workers, builders, engineers, shipbuilders, transport workers and those engaged in the commercial, distributive, and public services.

Increased cost of production. The rise in the prices of a number of commodities, including many articles that are raw materials in other industries, and the consequent fall in the value of money, entails an increase in the cost of production. This handicaps our manufacturers in competition abroad, and leads to a serious decline in our already depressed export trade.

Loss of Employment. The decrease in the home trade (due to decreased purchasing power) and in foreign trade (due to increased cost of production) causes further unemployment. Examples of this have already occurred under the previous Safeguarding measures—*e.g.*, in the fabric glove trade—and, conversely, employment improved when Free Trade was restored to the trades previously under the McKenna Duties.

Inefficiency. The artificial advantage given by Safeguarding renders it unnecessary for manufacturers to produce cheaper and better articles by improving their machinery and methods, and therefore tends to inefficiency. It also diverts capital and labour towards industries that are not naturally profitable, at the expense of those that are the most productive economically.

Inconvenience to traders. As the result of Safeguarding duties, goods must inevitably be delayed at the docks for Customs inspection. This loss of time means loss of money—which is passed on to the consumer. Business men are compelled to waste much time, and often to reveal trade secrets to satisfy the officials. Uncertainty and all kinds of anomalous decisions result.

Business losses. The cost of a Safeguarding scheme cannot be measured merely in terms of the expenses directly involved to the State—*i.e.*, the taxpayer—for collection. Traders frequently have to meet expenses also, and these sometimes exceed the amount of the duty. Again, while goods are held up heavy charges are being incurred for demurrage; and finally the delays sometimes result in the loss of orders.

THE SILK DUTIES.

The Silk Duties proposed in the 1925 Budget are a new and specially objectionable kind of tariffs. They are not only to some extent Protective, but also are a tax upon raw materials. The import duties upon real and artificial silk are accompanied by excise duties, but the excise duties are lower than the customs duties, and the latter are therefore Protective. This, however, is not the whole measure of the evil, for both the customs and the excise duties act as a serious burden upon trade.

The excuse that silk is a "luxury" is without foundation—even real silk is an important raw material in the manufacture, for example, of electrical goods. The case of artificial silk—in which there is no real silk at all—is even stronger, for it is used in large quantities in the manufacture of cotton and woollen fabrics. Rather than beg for Protection, Lancashire has solved her difficulties by seeking new raw materials, and the admixture of artificial silk with cotton has proved very successful. Similarly, the West Riding of Yorkshire has blended artificial silk with wool to make new and brighter materials that have captured new markets in many parts of the world. In consequence, the demand for

artificial silk has grown with remarkable, and constantly accelerating, rapidity. Where there were but 1500 looms engaged in the weaving of silk before the War, there are now 30,000, of which 20,000 are weaving for the export trades.

The heavy burden of the duties will inevitably raise prices and lessen the demand for the silk, and so cause directly an increase in unemployment in this growing, though still adolescent, industry. Furthermore, by increasing the cost of the raw materials of the cotton, woollen, hosiery, etc. trades, it will severely injure the great staple industries of the country.

CONCLUSION.

Although the case for Free Trade is no less convincing to-day than it was before the War, it is not so interesting, and the statement of it has less breadth and symmetry. The reason for this is that the attack made on Free Trade is not the open and direct challenge flung down by Mr. Joseph Chamberlain, but a ragged mob of little squeaking infidelities. Avoiding the broad issue, the opponents of Free Trade proceed now-a-days by piecemeal pleas for the exceptional treatment of special cases. Each of these narrow fallacies demands an answer. In the preceding pages they have been dealt with one by one, at some risk of obscuring the fact that in every case it is the large and simple issue of Free Trade that is at stake. Imperial Preference on revenue duties, "Safeguardings" old and new, import duties partially but imperfectly balanced by excise duties—all these are timid attempts to establish a tentative, if precarious, footing for Protection in our fiscal system. The answer to them all is the plain declaration that there is no form or degree of tariff-protection that can be of any use to Great Britain in any circumstances or at any time. The case against all these petty, stammering, bashful tariffs is the same as the case against Joseph Chamberlain's more courageous proposals. Protectionist tariffs, in whatever disguises, are an addition to the cost of national maintenance, a self-imposed burden. Protection has been advocated by clever politicians from oblique political motives, and by sections of clever business men from motives of greed; but no one who is free to have regard only to the broad national interests of Great Britain can advocate Protection unless he is muddle-headed. Protection—in the circumstances of this country, at all events—is a form of stupidity. It cannot live for an hour in the clear light of common sense.

STATISTICAL APPENDIX.

SUMMARY OF BRITISH IMPORTS
AND EXPORTS.

The following tables give the value of articles imported into the United Kingdom, and of the Exports of the produce and manufactures of the United Kingdom, and of the Exports of foreign and colonial merchandise:—

IMPORTS (GROSS).

	1913.	1923.	1924.
	£	£	£
Food, Drink, and Tobacco	295,149,630	508,864,731	572,869,308
Raw Materials and Articles mainly unmanufactured	269,930,720	321,961,738	400,501,373
Articles wholly or mainly manufactured	201,038,872	256,978,844	299,865,978
Animals, not for food	488,411	1,543,418	2,577,837
Parcel Post, non-dutiable articles	2,118,106	3,877,428	3,900,101
TOTAL	768,734,739	1,098,226,214	1,279,844,597

EXPORTS, BRITISH.

	1913.	1923.	1924.
	£	£	£
Food, Drink, and Tobacco	33,875,845	44,343,549	56,928,112
Raw Materials and Articles mainly unmanufactured	66,173,319	130,815,847	106,488,676
Articles wholly or mainly manufactured	113,820,431	579,949,671	618,270,515
Animals, not for food	2,228,368	1,400,177	2,285,849
Parcel Post, non-dutiable articles	9,154,129	10,748,924	11,301,309
TOTAL	525,253,095	767,257,771	796,384,561

EXPORTS, FOREIGN AND COLONIAL.

	1913.	1923.	1924.
	£	£	£
Food, Drink, and Tobacco	16,246,082	21,543,406	29,818,139
Raw Materials and Articles mainly unmanufactured	63,969,568	66,751,911	76,324,516
Articles wholly or mainly manufactured	29,804,973	27,164,069	33,854,787
Animals, not for food	106,111	81,389	151,535
Parcel Post	—	—	—
TOTAL	109,966,731	115,543,805	140,148,967

NOTE.—The values of the Imports represent cost, insurance, and freight; the values of the Exports, cost and charge for delivering on board the ship.

STATISTICAL APPENDIX.

TRADE WITH CERTAIN COUNTRIES,
1913 AND 1924.

[Note.—In making comparisons, allowance should be made for increased prices in 1924.

COUNTRY.	Imports into U.K. for the Year.		Exports of British Goods from U.K. for the Year.		Exports of Foreign and Colonial Merchandise from U.K.	
	1913. millions. £	1924. millions. £	1913. millions. £	1924. millions. £	1913. millions. £	1924. millions. £
Australia ...	33.1	59.2	34.5	60.8	3.4	5.2
Canada ...	30.5	66.1	23.8	28.1	3.5	2.5
S. Africa ...	12.3	18.0	22.0	30.3	1.9	1.6
Newfoundland ...	1.0	1.9	0.9	2.0	0.1	0.2
New Zealand ...	20.3	47.0	10.8	20.3	1.0	1.0
Irish Free State ...	—	51.2	—	42.4	—	11.2
Dominions	102.2	243.4	92.2	183.9	9.9	21.7
British India ...	48.4	79.0	70.3	90.6	1.4	1.1
Ceylon ...	7.8	13.6	4.2	4.3	0.1	0.1
Straits Settlements	15.8	10.6	5.8	8.3	0.2	0.2
West Indies ...	2.1	4.8	2.3	3.8	0.4	0.3
Other British Possessions	36.6	37.2	30.3	41.7	1.6	3.1
British Empire	212.9	388.6	205.1	332.6	13.8	26.5
U.S.A. ...	141.6	242.0	29.3	53.2	30.2	24.6
Germany ...	80.4	36.9	40.7	42.6	19.8	28.9
France ...	46.4	66.5	28.9	41.8	11.9	17.8
Belgium ...	23.4	36.4	13.3	22.6	7.4	10.2
Italy ...	8.1	18.2	14.6	17.7	1.0	2.4
Spain ...	14.4	19.7	7.9	10.5	0.8	0.9
Switzerland ...	11.1	19.4	4.2	11.3	0.9	1.4
Netherlands ...	23.6	42.8	15.4	25.1	5.1	7.3
Sweden ...	14.2	22.5	8.2	13.9	1.0	1.8
Russia ...	40.3	20.0	18.1	3.8	9.6	7.4
Secession States	—	23.4	—	7.7	—	1.6
Poland ...	—	8.4	—	3.5	—	1.5
Japan ...	4.4	7.5	14.5	26.8	0.3	0.3
China ...	4.7	13.8	14.8	20.4	0.2	0.2
Argentina ...	42.5	79.1	22.6	27.2	0.8	0.5
Brazil ...	10.0	4.8	12.5	13.7	0.6	0.5
Other Foreign	20.7	229.8	75.1	121.0	6.2	6.3
Foreign	555.8	891.9	320.1	462.8	95.8	113.6
Total	768.7	1279.8	525.2	795.4	109.6	140.1

STATISTICAL APPENDIX.

BRITISH TRADE WITH THE EMPIRE AND WITH
FOREIGN COUNTRIES.

TOTAL IMPORTS AND EXPORTS.

	British Possessions.		Foreign Countries.	
	1913.	1923.	1913.	1923.
	£ millions	£ millions	£ millions	£ millions
Total Imports into U.K. ...	191.5	325.9	577.2	770.3
Total Exports (British Produce) ...	195.3	300.6	329.9	466.7

IMPORTS OF FOOD, DRINK AND TOBACCO.

Grain and Flour ...	29.5	40.4	54.8	56.2
Meat and Poultry ...	13.9	27.2	42.4	84.2
Living Animals for Food ...	0.1	13.5	0.2	0.5
Butter and Margarine ...	4.5	19.1	23.4	29.6
Cheese ...	5.7	13.1	1.2	2.2
Eggs (in shell) ...	—	2.5	9.5	11.3
Fish ...	1.7	1.8	3.1	6.4
Fruit—Raw, Preserved and Dried... 1.8	1.8	9.0	14.5	36.5
Preserved Milk ...	—	0.7	2.1	6.1
Edible Oils and Fats ...	0.3	1.0	8.4	10.0
Vegetables ...	1.0	2.5	4.1	8.0
Sugar ...	0.9	11.0	22.1	30.2
Glucose ...	—	—	0.7	0.6
Feeding Stuffs for Animals ...	1.6	2.1	3.1	3.7
Cocoa (including preparations) ...	1.2	2.6	3.0	2.0
Coffee ...	0.3	1.0	2.5	1.0
Tea ...	12.0	29.3	1.7	4.2
Wine ...	0.1	0.3	3.9	5.5
Beer (Irish Free State in 1923) ...	—	5.0	0.2	—
Miscellaneous Food and Drink ...	2.7	3.3	8.8	8.8
Tobacco ...	0.1	0.9	7.9	15.5
TOTAL: FOOD, DRINK, & TOBACCO ...	77.4	186.3	217.6	322.5

IMPORTS OF RAW MATERIALS.

Non-Metallic Mining Products ...	0.5	1.3	2.5	4.3
Iron Ore and Scrap ...	0.1	0.2	7.3	7.6
Non-Ferrous Ores and Scrap ...	3.5	3.7	9.0	9.7
Wood and Timber ...	5.4	5.5	28.2	42.3
Cotton, Raw ...	1.9	9.1	68.6	84.3
Wool, Raw ...	28.4	42.0	9.3	8.3
Other Textile Materials ...	10.5	4.7	9.1	7.1
Oil Seeds, Fats, Resins and Gums ...	15.1	20.6	14.2	23.9
Hides and Skins ...	8.0	8.8	7.0	8.0
Paper-making Materials ...	0.3	1.4	5.5	10.1
Rubber ...	12.4	9.9	9.4	2.5
Miscellaneous Items ...	5.0	2.7	8.6	8.0
TOTAL: RAW MATERIALS ...	91.1	109.8	178.7	215.1

STATISTICAL APPENDIX.

TRADE WITH EMPIRE AND FOREIGN COUNTRIES—*contd.*

IMPORTS OF MANUFACTURED ARTICLES.

	British Possessions.		Foreign Countries.	
	1912.	1923.	1912.	1923.
	£ millions	£ millions	£ millions	£ millions
Earthenware, Glass, &c. ...	0·3	0·1	5·1	7·5
Iron and Steel Manufactures ...	—	0·2	15·9	13·6
Other Metal Manufactures ...	12·0	6·4	17·6	19·2
Cutlery, Hardware, &c. ...	—	0·6	6·7	6·5
Machinery ...	0·2	0·4	7·1	8·9
Cotton Manufactures ...	0·1	0·3	9·1	8·4
Woolen Manufactures ...	0·3	1·0	9·8	10·8
Other Textiles ...	2·9	3·8	22·0	23·3
Apparel... ..	—	0·5	11·1	16·1
Chemicals, Dyes, and Colours ...	0·7	1·6	13·6	11·9
Oils, Fats, and Resins ...	1·0	2·9	12·8	31·6
Leather (including manufactures) ...	3·8	3·8	7·8	8·1
Paper and Cardboard ...	0·6	1·5	7·1	12·1
Other Manufactures ...	0·4	4·0	24·1	41·9
TOTAL MANUFACTURES ...	22·3	27·1	178·8	239·9

PRINCIPAL EXPORTS (BRITISH PRODUCE).

RAW MATERIALS:—

Coal	1·8	4·8	48·9	95·1
Other Classes	1·3	3·0	13·9	27·9
TOTAL, RAW MATERIALS ...	3·3	7·8	62·8	123·0

MANUFACTURED ARTICLES:—

Iron and Steel Manufactures...	26·9	36·7	28·4	39·4
Other Metal Manufactures ...	4·5	5·6	7·6	8·9
Cutlery, Hardware, &c. ...	3·4	4·3	3·8	3·1
Electrical Goods	3·3	5·5	2·0	4·7
Machinery	10·9	22·7	22·7	21·6
Cotton Manufactures	57·8	77·3	68·7	100·1
Woolen Manufactures... ..	10·1	19·6	25·6	43·1
Other Textiles	4·3	8·1	13·9	17·7
Apparel	14·4	19·1	6·6	7·3
Chemicals, Dyes, and Colours	5·7	9·5	13·9	16·2
Vehicles (including Loco- motives and Ships) ...	9·4	12·5	15·1	15·2
Other Manufactures	23·6	39·4	31·1	42·1
TOTAL MANUFACTURES ...	174·3	260·3	239·4	319·6

STATISTICAL APPENDIX.

McKENNA DUTIES.

IMPORTS.

(The Duties were imposed in 1915.)

ARTICLE IMPORTED.	1918	1923	1924
Motor cars, touring (No.)	6,820*	16,428	13,707
Motor cycles & tricars (No.)	1,728	1,045	543
Clocks (thousands)	2,414	3,748	4,065
Watches (thousands)	4,499	3,493	4,504
Pianos (No.)	24,482	12,380	10,707
Other musical instruments (No.)	150,863	287,190	309,887
Cinematograph films (thousand feet)	Not given	124,836	114,624

* Including commercial cars in 1918. The corresponding number in 1924 was 1,311 not included above.

EXPORTS.

(The Duties were repealed in August, 1924.)

	September 1923	September 1924	January 1925
Motor cars, touring (No.)	369	907	641
Motor cycles (No.)	1,281	2,679	2,336
Clocks (No.)	936	1,578	663
Watches (No.)	35	1,036	47
Musical Instruments (No.)	10,712	13,054	11,111
Cinematograph films } (Million feet) }	1.5	9.4	6.0

REVENUE.

	1915-16	1916-17	1917-18	1918-19	1919-20
	thds. \$	thds. \$	thds. \$	thds. \$	thds. \$
Motors, &c., and parts	541	214	120	191	1,996
Clocks, watches, &c.	244	457	452	604	919
Musical instruments & parts	74	66	55	59	237
Cinematograph films	184	169	146	170	209
Total	1,042	906	773	1,064	3,362
	1920-21	1921-22	1922-23	1923-24	
	thds. \$	thds. \$	thds. \$	thds. \$	
Motors, &c., and parts	4,050	764	1,238	1,436	
Clocks, watches and parts	781	450	524	542	
Musical instruments & parts	435	230	347	323	
Cinematograph films	213	254	252	289	
Total	5,480	1,698	2,357	2,590	

* Approximate figures.

Revenue from Safeguarding Duties.

(Part I. of the Safeguarding of Industries Act was imposed in 1921 ; Part II. in 1922.)

	1921-22	1922-23	1923-24
	\$	\$	\$
Part I.—Key Industry Duty	140,299	333,950	383,000
Part II.—Depreciated Currency Duty	—	231,286	248,000

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Printed by Strangeways & Sons, Tower Street, Cambridge Circus, W.C. 2, and Published by the LIBERAL PUBLICATION DEPARTMENT, 42, Parliament Street Westminster, S.W. 1.



THE BUDGET

7

A Speech delivered at the
National Liberal Club
On May the 8th, 1925.

By the

RIGHT HON. D. LLOYD GEORGE, O.M., M.P.

X71.3

LIBERAL PUBLICATION DEPARTMENT,
42, Parliament Street, London.

Price One Penny.

THE BUDGET.

I HAVE first of all to thank the Committee of the Club for affording the opportunity to Sir John Simon and myself to make a statement about the Budget.

I have given a good deal of thought to those financial provisions, and I have done my best to think well of them. There was a good deal in the Budget statement that appealed to me personally.

As the originator of National Insurance in this country, I was very glad to see this bold extension of that principle, and incidentally I am looking forward to the satisfaction of seeing the Grand Dames of the Primrose League advising employers to lick stamps, because I have some recollection of their attitude in 1911. I wonder whether Tory stamps will be more palatable than Radical stamps were?

I am very glad to see the death duties resorted to as a means of increasing revenue. I have always been an advocate of that expedient.

I do not mind admitting that I have a personal prejudice in favour of the Chancellor of the Exchequer. I like him. He is one of those challenging personalities whom some people like very much and some people hate very much. I belong, quite frankly, to the former class. I admire his brilliant mind, so brilliant as to dazzle his judgment. In fact, one of his troubles is that his headlights are rather blinding; and he finds it difficult to drive a straight course on the road, and to avoid smashing into the traffic. I am also prepared to make some allowances for his difficulties. We have all experienced them. The McKenna duties and the Safeguarding of Industries, and other incidents of recent political experience prove it. He is now the Chancellor of the Exchequer of the party of amassed wealth, and the party which is suffering a good deal from a thwarted affection for the cause of Protection, and has therefore to walk very warily. He has been wandering in a far country where he has mixed with Radicals and Free Traders, and animals of that kind that are very obnoxious to his present associates, and therefore they probably suspect him of having acquired very bad tastes under those circumstances.

Having taken all that into account I will tell you the conclusion I have come to about the Budget. It is rather like the English weather—very mixed, a good deal of variety

in it. There is a little to please everybody, a vast deal that pleases nobody, and, taken as a whole, it requires a very strong constitution to stand it. It is also very uncertain, and you are never quite sure whether it is going to rot or to ripen the crops. That describes quite fairly this Budget.

The Gold Standard.

For instance, take the restoration of the gold standard. I am greatly daring in mentioning this. But there is a genuine and growing uneasiness undoubtedly about it. There are high authorities who are undoubtedly for it; there are other high authorities who are backing their hopes against their fears concerning it with diminishing odds; and there are high authorities who condemn it unreservedly. I notice that everybody who talks about it prefaces his observations by saying that he does not really understand it, but he always ends with a very dogmatic declaration on the subject. I am not going to be out of the fashion. I am going to do both.

My view generally about it is this: that a good deal of the merit attributed to the gold standard really belongs to other causes. The stability and appreciation of our credit which we have seen in the course of the last few years since the war is attributable, in my judgment, to the fact that we are the only European country that took part in the war that has paid its way. Our Budgets have balanced, and we have always, in addition, set aside something substantial for the payment of debt. We have paid our foreign creditors or made arrangements to pay them. We were not afraid to face our liabilities frankly, concealing nothing, and we were about the only belligerent country in Europe that has done that. What is the result? That on realities our credit appreciated year by year, and now the gold standard will step in and take the credit for the whole of this achievement.

As to the Gold Standard—it always strikes me that it is most helpful when it is least needed. It comes in when the job is done, and claims the credit, but when you have the strain of a great emergency as we had some years ago then we had to abandon it; that is one of the reasons why I am not one of the worshippers of the Golden Calf. I do not believe in an idol that does not see you through your troubles. In the war its altars were deserted and the image was locked up. Now Mr. Winston Churchill has come and opened the cupboard with an American key. He has polished it up with his burnishing rhetoric. He has replaced it on its pedestal, and when they heard in the Valhalla of Wall Street of this restoration they started twanging their golden harps with joy. But British trade is not quite easy or happy about it. There is a feeling

that it helps the lender rather than the producer. It is undoubtedly at this moment something of a gamble, and those who are engaged most deeply in British industry are those who are most anxious and least happy about it. That is frankly my view upon that subject.

Income Tax.

Now I come to others. I rejoice that Mr. Winston Churchill has avoided many pitfalls and heresies which await Chancellors of the Exchequer. He has not funded the pensions, which was a great temptation. He has not raided the sinking fund for annual expenditure. That is to his credit. There is undoubtedly one advantage in the Churchill temperament, it does not succumb to commonplace temptations. It always needs something a little more sensational.

I like his remission for small incomes. That is sound and good and wise. It is kindly wisdom, and the highest wisdom is always kindly. So I unreservedly rejoice in that. But I think he has spent his spare sixpence badly. He might have used that in a way which would have relieved the undoubted pressure upon industry. If he had used that in such a way as to promote development, to encourage the renewal of machinery and generally to help and stimulate industry, he would have done something to increase employment in the country. I do not think that the way he has applied the sixpence is going to have any influence on the grave problem of unemployment. The reduction of the super-tax at a time when he is imposing fresh burdens on industry I think quite indefensible. Super-tax could wait. It is a realised profit after all, and those who can pay super-tax ought to be very glad of having that official recognition of their luck.

Death Duties.

Now I come to death duties. I am glad that when he needed an increase of revenue he resorted to the death duties. I am an out-and-out Harcourtian on this question. There is a good deal of nonsense talked about estate duties annihilating capital. It depends entirely upon the use you make of the money you raise. If you spend your revenue, whether it comes by income tax or indirect taxes or death duties, upon armaments and upon war—that, to use the theological phrase, is worse than annihilation, it is damnation. But if you use your money for the reduction of debt, for housing, for improving the health, the education of the people, for enhancing the efficiency of the race, making us better equipped people because we are more efficient, because we are more contented—then you are building up capital and not annihilating it. There is therefore nothing in

the argument about the dissipation of capital which is suggested to be involved in death duties.

I have always been a believer, like Sir William Harcourt, in making these huge fortunes, built up by an industrious parent, passed on to a less industrious son and from him to probably a idle grandson—making them contribute towards the life of the nation. After all, in my judgment, luck ought to be called upon to do more to help industry to carry its burdens. The latest available report of the fortunes left at death is a very interesting study. Five-sixths of the people who died left nothing for which it was worth going to take out a cheap letter of administration for its recovery. Four-fifths of the money was left by 11,000 people—one-fiftieth of those who died. Half the fortunes were left by 1,800 people out of 560,000; one-third of the fortunes passing at death were left by less than 400 people. I think the fortunate inheritors ought to pay for their luck to the country which enabled their fortune to be built up and shielded it for them and they ought to be very glad to pay handsomely.

The defect, in my judgment, of the present Budget is that the higher the fortune, the less the increase of scale it proposes, until at last, when it reaches the million, there is no increase at all. The Chancellor says, "Poor fellow, he is paying too much already," and from his tender heart he sends this cup of cold water for Dives.

Protection.

Now I come to the protective duties. Frankly, I do not like the resurrection of McKenna. Mr. Philip Snowden tomahawked him last year and he has worn his scalp with great pride in his belt ever since, and here Mr. Winston Churchill calls him forth again. But I am going to leave the protective duties to the tender mercies of Sir John Simon. I am against them.

The silk duties are foolish. They have all the worst vices, not merely of a protective tariff, but of a bad protective tariff. They tax the raw material of an industry, and of a nascent industry. You cannot conceive more vices in a tariff than those which Mr. Winston Churchill has applied his genius in order to find and crowd them into one single proposal most successfully. But he is not finding it as easy as he anticipated. I should not be a bit surprised if his financial proposals have the high honour of being strangled by a silken cord.

Insurance.

Now I come to insurance, in which I take a special interest. I am unfeignedly glad that something is to be done. Mr. Philip Snowden said that it was no part of the Budget. I do not

agree with him. I think it is an essential part of the Budget, a vital part of the Budget, and I am very glad Mr. Winston Churchill did not sketch out a fine scheme of benevolences without making some provision for payment—some of it good, some of it bad, a good deal of it popular, most of it unpopular—but still a real effort to face the problem. I am against the postponement of these provisions. I hope they will go through this year with amendments, with improvements. But I hope before this year is out that provision will be made for some of the most cruel and torturing anxieties of life for hundreds of thousands of poor people. No man who knows a household where the breadwinner was stricken down prematurely and the widow had to struggle to maintain young children on a small pittance will ever vote for postponement. Do you know such a household? Once upon a time I knew such a household well, and I am not going to vote for postponing relief for a single hour. I think we ought to help to put a scheme of this kind through with improvements. It was due: it was overdue.

We worked hard in the Liberal Party last year to formulate a plan of this kind, but we had no opportunity of bringing it to the attention of Parliament. It was one of the greatest failures of the Labour Government that they did not deal with this problem. They could have done so. They ought to have done so.

Why did they not do it? I will tell you why. I ventured to say at the beginning of last year when they came into office that I was not in the least afraid of the wild things they would do. I was far more afraid of their nervousness. I predicted they would fail more through timidity than termerity. So they did. There is nothing more entertaining and less edifying than a Socialist Government labouring to prove it is not revolutionary—excepting a Tory Government striving to demonstrate it is not reactionary. The first clings desperately with both hands to tradition in order to show how steady it is, and it does nothing. The second splashes about upsetting everything in order to show how progressive it is. That is their idea of progress, I think the Labour Party realise now what an opportunity their Government missed.

But although I have said quite frankly what I believe about the beneficence of this scheme, about its urgency, about my hope that it will go through—a hope which I believe I share with every Liberal in the country—I am bound to criticise two or three aspects of it. The first is the fact that it does not make the use it ought to of the Approved Societies of this country for the purposes of the administration of the scheme. The Approved Societies have been exceedingly helpful in the working out of the great scheme of National Insurance. I do not believe we could have brought it successfully into operation

without their assistance. The plan of the Government is too bureaucratic. It does not make use of the organisation and experience of the great Approved Societies for the purposes of administration. I sincerely trust that they will follow the precedent—which has been a successful one in every respect—which was set up by the Liberal Government in 1911, and use the experience, the skill, the training, the confidence of these great Approved Societies in carrying out their scheme.

What is the next criticism? I think they are wasting a good deal of money in the benefits they are giving to young widows without children. It would be far better if they were to utilise that sum for the purpose of increasing the benefits for those who need them.

My third criticism is that the two fourpences are more than industry can stand under present conditions, and they are quite unnecessary. You have trades in this country competing for foreign orders, leaving profit out, often halving their overhead charges in order to be able to get something to do for their workmen to carry on until trade improves, and still losing orders. This is not the time to put this exceptional burden on them. It ought to be borne by the general community during this period of exceptional stress.

What Should Have Been Done.

There is really no justification for letting off the man with an income of £10,000 to £15,000 a year—realised income, an income which is made and actually received. You may depend upon it that a man with an income of £10,000 or £15,000 a year can command people who will see that he is not overcharged. It is a realised income. There is no justification for letting him off over four hundred pounds a year when you are putting charges of a thousand, two thousand, three thousand upon industries that can barely carry on at the present moment and find work. There is no justification for it: £459 is the maximum which a super-taxer can get. I don't know whether he could keep a motor-car on that, barely; so it is tempting the poor fellow to extravagance he cannot afford. At the present moment, as you know, there is a very substantial extra charge which was put on—I rather think it was put on by my Government upon the employer and upon the workman—to meet the very exceptional unemployment from which the country is suffering. I think it is fourpence for the employer and threepence for the workman. That special impost comes to an end when the exceptional circumstances terminate.

I think the Government ought to take upon itself the burden of carrying its scheme through until the exceptional strain of unemployment is over. Then the fourpence and threepence extra would be available to finance the new proposals. That

they could easily do, meanwhile keeping the super-tax where it is. The super-tax man can wait. I am very hopeful that they will not put this exceptional burden on. It is a dangerous thing to do. British trade is causing great anxiety to those who are making a real study of it. There are very many anxious symptoms which one can see. People to whom I have talked, and who thoroughly understand trade, and who have been watching the prospects, are very anxious about them. Whatever the effect of the precipitate restoration of the gold standard may be, I hope it may be all right ; but at any rate, this is not the time to add to that risk the imposition of a very exceptional burden on struggling industry.

It is just the sort of thing that happens sometimes in a garden, when a hailstorm beats down the blossoms before they settle. When they have really settled and they begin to hold firmly on to the branches and fruit begins to develop, then you can put your extra charge on. But do not put it on now, otherwise you will ruin your springtime and you will never garner your harvest.

Printed by Strangeways & Sons, Tower Street, Upper St. Martin's Lane, London, W.C.,
and published by THE LIBERAL PUBLICATION DEPARTMENT,
42 Parliament Street, London, S.W. 1.

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MANCHESTER STATISTICAL SOCIETY.

THE DISTRIBUTION OF CAPITAL IN
ENGLAND AND WALES.

By Professor HENRY CLAY, M.A., M.Com.
President.

Read February 18th, 1925.

THE difficulties of the post-war economic situation have given a new interest to investigations into the amount and the distribution of the nation's wealth. These have, as is natural, been directed mainly to investigations of the distribution of income; capital accumulations have been estimated with great care in the aggregate, but less attention has been given to their distribution. It may be of interest, therefore, to attempt to ascertain the distribution of capital. Certain difficulties at once suggest themselves, particularly difficulties of definition and measurement. For the purposes of this paper I propose to use the term capital to cover all accumulations of wealth in the possession of individuals, expressed in terms of money. Now the only possessions of, perhaps, a majority of people are bits of furniture and personal effects, on which it is very difficult to set any money value. In the case of large estates, on the other hand, the chief possessions are investments and real estate, the capital value of which is constantly changing and will depend, in particular, on the prevailing rate of interest. These difficulties are not, however, important for our present restricted purpose of studying the distribution of capital; so long as we know that the method and basis of valuation are the same for all estates that we wish to compare, we can get the proportionate distribution of capital even if we are not certain of the absolute amount of the aggregate of

capital. So far as the method of valuation is different for different categories of capital, and these different categories enter into estates of different sizes in different proportions, we shall have to examine critically methods of valuation. But for the greater part of the wealth of a country it is not difficult to arrive at a value at any moment; it is only when we wish to compare capital at one period with capital at another that the difficulties become serious.

The chief source of our information about capital and its distribution is contained in the tables published by the Commissioners of Inland Revenue of estates paying Estate Duty each year. All estates above £100 value are liable to Estate Duty, a return has to be made before Probate or Letters of Administration can be obtained, and all forms of property have been liable since 1894. Capital returned for this purpose is classified according to the size of the estate, with the number of estates and amount of capital in each range; according to the category of wealth (Personalty, Realty, Stock Exchange Securities, Cash, Land, etc.), with the amount in each range; for the year 1921-2 according to the sex of the decedents; and for four pre-war years and the post-war year 1920-1921, according to the age of the decedents with the number of estates and amount of capital in each range and in each age group.

The proportion of the total capital in individual hands that passes by death or by gifts *inter vivos* within three years of death, and is returned each year, is slightly over 3 per cent,* and the capital in the hands of the living, may be estimated by multiplying by 30 the capital left in any year. As the method by which it is calculated clearly shows, however, this multiplier cannot be applied to the amount of Estate Duty capital in any range to give the amount of capital held by the living in estates within that range; e.g., we cannot infer from the fact that £14,000,000 paid Estate Duty in 1912-1913 on

* Cf. Mallet and Strut, *Statistical Journal*, July, 1915.

estates of £75,000 to £100,000 value that there was £14,000,000 $\times 30 = £420,000,000$ capital held in estates of £75,000 to £100,000 by the living in that year. Estates tend to grow in size with each year, or at any rate decade, of the holder's life; in the three pre-war years, for example, of 21 estates of over a million notified to the Inland Revenue Department, not one was left by a decedent under 55. On the other hand, the death-rate grows and the ratio of living to decedents diminishes as age advances; for every person dying in 1911 between the ages of 20 and 25, there were 286 living, for every person dying above the age of 85 there were four persons living. Large estates, therefore, will form a smaller proportion of all estates among the living than they do among the estates left in any year by decedents and entered in the Estate Duty returns; smaller estates will form a larger proportion.

In order to get the probable distribution of estates among the living, it is necessary to take the number and aggregate value of the estates of decedents *in each range in each age group* and multiply them by the ratio of living to decedents in that age group, *i.e.*, by the reciprocal of the death-rate for that age group.

The results of the lengthy calculations involved in this process are summarised in my first Table. The figures refer to England and Wales only. They are based on averages of the three years 1911-12, 1912-13 and 1913-14. The death-rates taken to calculate the ratio of living to decedents by Sir Bernard Mallet, from whom I have taken this method, are the death-rates, not of the population as a whole (except in the case of the age group 15-19), but of males in certain occupations of a clerical and professional character, adopted on the ground that the death-rate is likely to be lower (and therefore the ratio of living to decedents higher) among property owners than in the population generally, and this "class" death-rate was the nearest figure available to a property owners' death-rate. I have adopted this class death-

rate for estates over £500 value, but for estates under that figure I have used the average of the general death-rate for each age group in the three pre-war years. I have left out of the tables estates of decedents under the age of 15: the number in 1913-14 was only 20 out of 60,000 and their aggregate value £13,500 out of £345,000,000. I give similar figures, later, for a post-war year; but these are less reliable because the necessary data are available for only a single year. Since my object, however, is to get at the proportional distribution, rather than the absolute amounts, of capital, these pre-war figures will serve.

TABLE I.—ESTIMATED DISTRIBUTION OF CAPITAL ABOVE ESTATE DUTY LIMIT.
ENGLAND AND WALES, 1912.

Range.	Number.	Amount. £000
£		
Under 500	1,401,114	381,517
500-1000	453,954	285,135
1000-5000	439,012	1,046,014
5000-10000	80,913	622,195
10000-20000	49,401	719,468
20000-25000	8,780	212,362
25000-40000	14,051	470,079
40000-50000	4,051	294,858
50000-70000	6,667	308,374
70000-75000	777	48,954
75000-100000	2,447	227,345
100000-150000	2,530	361,069
150000-200000	1,231	191,711
200000-250000	322	92,434
250000-400000	485	217,961
400000-500000	265	127,289
500000-600000	149	46,145
600000-750000	213	163,204
750000-800000	22	14,054
800000-1000000	47	80,373
Over 1000000	124	215,871
Total	2,467,035	6,126,412

Note: An estate may be classified as falling within a given range in the year in which it is notified, and then, in a subsequent year, when a more careful valuation has been completed, the capital in it be transferred to a different range. For this and other reasons there is not an exact correspondence between the numbers and amounts in each range in each year and it is necessary before using the figures to aggregate them into a smaller number of larger ranges, in which transfers of this kind may be expected to compensate for one another.

This table, though giving as precise an indication as is possible of the distribution of capital, must not be taken too literally. The number of estates in the higher ranges passing at death is too small to provide a reliable sample. Twenty-one estates of over a million fell in the three years taken, or 7 a year, as against an average of 7.3 in the preceding 10 years and of 10.3 in the nine succeeding years. Again, if the death-rate is appreciably lower among the very rich than the rates taken, the multiplier should be larger; and millionaires seem to be long-lived. Gifts *inter vivos*, made to avoid payment of Estate Duty, are popularly supposed to make the returns for Estate Duty purposes an unreliable index of capital accumulations; to the extent, however, that these deplete the estates in the higher age groups, they must swell the estates in the lower age groups, and the latter, if they appear less frequently in the Estate Duty tables, are, when they do appear, multiplied by a correspondingly larger multiplier, since the ratio of living to decedents is higher. Comparing one year with another, range by range and age group by age group, variations are not great; and the numbers and amounts in each range of estates probably represent pretty accurately the proportions in which capital is distributed in estates liable to Estate Duty.

Estate Duty, however, is payable only on estates of a net value of £100. We have, therefore, so far estimated only the numbers and property of persons above this limit. It may well be doubted whether the statistics represent all above this limit. Several possibilities, by which capital accumulations of £100 or a little more may escape record, suggest themselves. The chief constituent elements of small estates—furniture tools, personal effects—are difficult to value and may be under-valued for probate; small estates, even when liable, may easily evade taxation, and such evasion is of little fiscal importance; distribution *inter vivos*, which, in this case, will have the effect, not of transferring an estate from a higher to a lower category, but of removing it from the statistics

altogether, is likely to be common ; and a large and important part of the accumulations of the wage-earning class is in the form of Friendly Society, Trade Union and other collective funds, which are not attributable to any individual estate. We may reasonably hesitate, therefore, to accept the figure of two-and-a-half million as the maximum number of persons possessed of wealth in England and Wales to the value of as much as £100 before the war.

At the same time, I do not think the actual figure can be much larger. A home might have cost more than £100 to furnish, but how many working-class homes would have fetched more than £20, if sold up, before the war ? And although the number of accounts and aggregate amounts in Savings Banks and similar institutions were, as I shall show in a moment, large, the average deposit in P.O. Savings Banks was only £20, and I suspect that the " saving " men in the wage-earning class were most of them included in our figure of two-and-a-half million.

We have then to estimate the amount of accumulated wealth in the hands of persons with less than £100 and the numbers of such persons, in order to complete our estimate of the distribution of capital. What is involved is (a) an estimate, necessarily very rough, of the value of the furniture, tools and personal effects of the persons who do not, when they die, leave £100 or more, and of those whose estates escape assessment, although they reach that figure ; and (b) a summing-up of the collective savings in savings bank and provident societies of the non-propertied classes, with some consideration of the amount that should be deducted, as already reckoned in the Estate Duty statistics.

Some guide as to the value of the furniture may be found in the probate valuation of furniture, etc., in the small estates over £100 ; the averages per estate for the three classes under £500 were £38, £22 and £14 respectively. Again, some correspondence may be assumed between value of furniture

and rental of house ; the 612,000 estates over £1,000 may be taken to correspond with the 558,000 premises assessed to House Duty in 1912-13 over £40, the owners of the small estates between £100 and £1,000 would occupy all the £21-£40 premises and a half of the £15-£20 houses ; therefore, the estates under £100 probate value correspond with the remaining 350,000 houses of £15-£20 rental, 1,993,000 houses of £10-£15 rental, 2,667,000 houses of under £10 rental and 81,000 " separate dwellings " under £20 rental. Allowing £22 of furniture each to the £15-£20 houses, £14 to the £10-£15 houses, and £10 to the rest, we get a total in round figures of £65,000,000. In addition, we can attribute tools etc., to a value of £10 apiece to something under a million mechanics and persons working on their own account who are not likely to come into the probate statistics.

The collective savings of the poor I give summarily in the following Table II. It is a matter of opinion what should be included, and I have aimed at being comprehensive rather than exclusive. Roughly, the funds are arranged in order of their approximation to the character of the capital previously considered. Savings banks deposits are property held individually with complete freedom of disposal. Building Society liabilities belong to the same category. Friendly Society funds are property held for the use and benefit of individuals, but not held individually. If Friendly Society funds should be included in the total of working-class savings then other insurance funds cannot be excluded ; equally these represent the savings of the working-classes, and, if not held individually, give individuals a right to certain benefits on which a capital value can be placed. What this capital value should actually be is difficult to measure ; but the figures given will serve as a rough measure. The Life Fund of Industrial Insurance societies was only three years purchase of the premium income ; but considerably more than half the premium income was absorbed in commission, expenses and

dividends, and considerably more than half the policies taken out lapsed without surrender value. The figures refer to the end of 1912, unless otherwise stated, and to the United Kingdom.

TABLE II.
WORKING-CLASS SAVINGS, 1912.

No. of Acc. or Members.		Amount £m.
12,751,000	Savings Banks Deposits: Post Office	182
1,870,000	Trustees	54
4,000	Railway	7
	Savings Banks National Debt Stock held for Depositors	29
	Building Societies: total of liabilities to Share- holders, Depositors and other Creditors, reserve and profit	82.5
2,919,000	Industrial Co-operative Societies: total of Share and Loan Capital and Reserve	56.5
	Industrial Co-operative Societies: profit and interest for year	13.8
15,681,000	Registered Friendly Societies	67
4,191,000	Including Ordinary Friendly Societies	23
3,005,000	Orders and Branches	29.8
7,753,000	Collecting Societies	11
4,000,000	Trade Unions' Funds at £2 10s. a member	10
	National Health Insurance Fund: balance	15.5
	Unemployment Insurance Fund: balance	1.5
35,475,000	Industrial Life Insurance Co.: Life Fund (1911)	48
	Total for United Kingdom	546
	England and Wales: (5/6)	455

This aggregate of collective savings of £540,000,000 is subject to reduction; (1) it relates to the United Kingdom, while our other figures relate to England and Wales; (2) it includes some savings and interests of middle-class persons represented in the probate statistics. I have corrected it under the first head by allocating to England and Wales the items in relation to which the divisions of the United Kingdom are obtainable separately, and the same proportion of items not differentiated, viz., five-sixths. The second correction can be only rough. Included in our class of Small Estates are estates of less than £200 gross; by the method we have used these should amount among living persons to £155,000,000. In the probate returns two-fifths of this smallest

class consists of cash in house and at bank and policies of insurance ; two-fifths of £155,000,000 is £62,000,000, and this sum I propose to deduct from the aggregate of collective savings for England and Wales.

Adding together our estimates for furniture and tools and this aggregate of collective savings, we get a total of £470,000,000 in round numbers as the capital in estates of less than £100 probate value in England and Wales.

Our next question is, to how many persons is this aggregate attributable ? What is the total number of persons capable of owning property, with which we can compare the number indicated by the probate statistics as owning more than £100 ? It has been customary to take the number of persons over 25 years of age, on the ground that the number of persons under that age owning property is unimportant. We have excluded from consideration the few estates belonging to persons under 15 ; I do not think we should exclude persons between 15 and 25. The majority of the population enter the economic system as active agents, earning incomes, at 14 or 15. Our decision will depend on the purpose we have in view ; for some purposes the best figure to take would be the number of households, but this we cannot get. I propose to take the number of incomes which is not very different from the number of occupied persons over the age of 15, but considerably less than the number of persons, occupied and unoccupied, over 25. The number of persons over 15 who returned themselves at the 1911 census for England and Wales as occupied was 15,781,911 ; to whom should be added those who returned themselves as unoccupied and living on private means 348,146, and pensioners (other than Old Age Pensioners) 78,331 ; giving a total of 16,208,388 incomes. This, it seems to me, is the number with which our estimate of about two-and-a-half million owners of £100 or more should be compared ; and the difference between the two, 13,741,353, or thirteen-and-three-quarter millions, is the number to whom our aggregate of

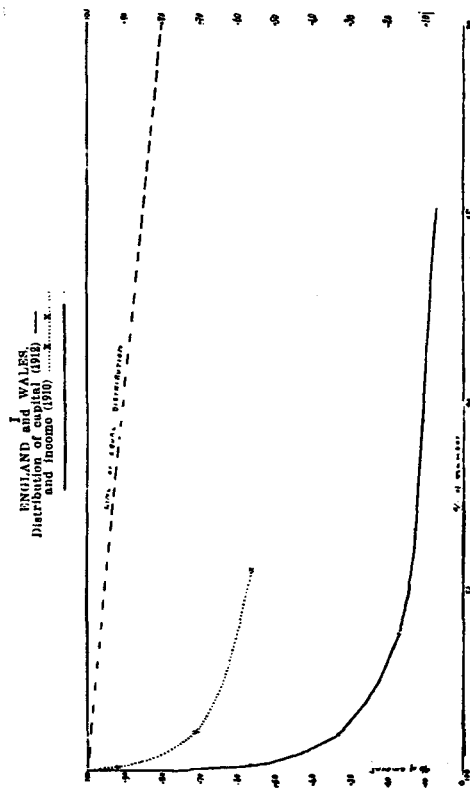
capital under Estate Duty level, £472,000,000, should be attributed. It should be remembered that an income does not represent a household; on Professor Bowley's sample investigation of five towns in 1913, there were 1·9 incomes and 2·4 dependants per household.

I wish now to bring together the results of this tedious discussion, in a form in which they can be used for purposes of comparison and then to make certain comparisons. First, in Table III., I bring together the distribution of capital.

I show also the cumulative percentages of numbers and amounts of capital, reckoning from the lowest estates upwards. These are plotted against each other in my first diagram; the percentage of persons is measured on the horizontal scale from the right, the percentage of the total capital possessed by each percentage of persons on the vertical scale upwards. A very large horizontal scale—10 times the vertical scale—is used in order to render possible the representation of the very small percentages of rich persons.

TABLE III.—ESTIMATED DISTRIBUTION OF CAPITAL.
ENGLAND AND WALES, 1912.

Range £	No.	Amount £m.	Cumulative Percentages.	
			No.	Amount.
Under 100	13,741,000	470	84·8	7·1
100-500	1,401,000	382	93·4	12·9
500-1000	454,000	285	96·2	17·22
1000-5000	439,000	1,046	98·9	33·12
5000-25000	139,000	1,554	99	56·67
25000-100000	28,000	1,349	100·0	100·00
100000-500000	5,330	990		
Over 500000	550	520		
Total	16208400	6600		



It will be seen that an equal distribution of capital among persons would give the distribution curve the form of a straight line, 10 per cent of persons would own 10 per cent of the capital, 20 per cent would own 20 per cent, and so on. Therefore, the degree of divergence from the straight line joining the extreme points of the two scales is a measure and graphic representation of the degree of inequality of distribution. Moreover, having reduced persons and amounts to percentages, we can now make comparisons with other distributions, irrespective of the absolute numbers and amounts involved.

Let us first compare the distribution of capital with the distribution of income. We have not the data for an accurate estimate of the National Income of England and Wales as distinct from the United Kingdom; but the proportional distribution is not likely to be materially different. Professor Bowley's estimate for 1910 is as follows:—

TABLE IV.

	No.	Amount.	No.		Amount	
			Per cent.	Cumulative per cent.	Per cent.	Cumulative per cent.
		£ Millions				
Wages	14,500,000	720	74.2	..	39	..
Intermediate Income (not wages, but under £160)	4,050,000	335	20.3	94.5	18	56
Incomes assessed to Income Tax.—						
£160-£700	880,000	250	4.4	98.9	15	71
£700-£5000	200,000	415	1.0	99.9	22	92
Over £5000	12,000	150	0.6	100.0	8	100

This income distribution table is not quite comparable with our capital distribution table, since there is no means of placing the incomes in the intermediate and wage classes in order of magnitude. We can, however, deduce the rough relationship of the two distributions: 94.5 per cent of persons have 56 per cent of the national income, while 96.2 per cent

of persons have only 17.22 per cent of the national capital ; 98.9 per cent of persons have 71 per cent of income, while the same percentage of persons have only 33 per cent of capital. The relation may be carried a little further. Allowing for the difference in the area covered and the slightly earlier date of the income figures, the number of incomes above the old Income Tax exemption limit corresponds fairly closely with our estimated number of estates over £500 ; incomes between £160 and £700 are about as numerous as estates between £500 and £5,000 ; super-tax incomes (over £5,000) correspond with estates of £50,000 and upwards, which suggests that a considerable proportion of super-tax incomes are " earned " ; while our class of Small Estates of £100-£500 may be taken to correspond with certain incomes in the Intermediate Class, incomes below the old exemption limit, but not wages—the income, namely, of small farmers, shop-keepers, artisans and dealers working on their own account, who numbered 1,905,000 (including 500,000 small farmers in Ireland) out of the 4,000,000 in the class.

Before attempting any international comparisons, it may be interesting to look at the composition of estates in the different ranges. For this purpose the sample of estates offered by the probate statistics may be relied on. The composition varies with the range. In the smallest range, estates not exceeding £300 gross, the most important component is Cash, followed closely by House and Business Premises. In the other two ranges of Small Estates, £300-£500 gross and £100-£500 net, House and Business Premises is the most important component, as it is in all estates up to £5,000 in all three pre-war years. In all estates above that magnitude, Stocks and Shares are the most important component. Mortgages are an important item in the same ranges of estates as Stocks and Shares, except the highest ranges above £750,000 ; Policies of Insurance in all ranges of estates between £100 net and £70,000. House and Business

Premises are important in all ranges under a million; Agricultural Land does not seem to be predominant in any particular range.

Comparisons with other countries are difficult to make, because, incomplete as are our data, they are more complete than those afforded by most countries for an estimate of the distribution of capital. A direct comparison can, however, be made with Prussia, where the distribution of capital can be inferred from the Property Tax, and with Australia, where a Census of Capital was taken in 1915. The Prussian figures, taken from King, and the Australian figures, from Knibbs, are given in the following Tables, V. and VI., and the distribution compared with ours by a cumulative percentage graph in Diagram II.

TABLE V.—DISTRIBUTION OF CAPITAL.
PRUSSIA, 1908.

Range.	No.	Capital.	Cumulative Percentage.	
			Persons.	Capital.
Marks.		Million Marks.		
Under 6000	10,994,000	15	85.88	13.76
6000-20000	871,000	9	92.684	22.02
20000-52000	827,000	18	97.581	38.53
52000-100000	169,000	12	98.901	49.54
100000-200000	77,900	11	99.509	59.63
200000-500000	42,200	13	99.839	71.56
500000-1000000	12,749	9	99.939	79.82
1000000-5000000	7,213	14	99.995	92.66
Over 5000000	662	8	100.000	100.00

II
 DISTRIBUTION OF CAPITAL.
 England (1913).
 Australia (1913).
 Australia (1916).

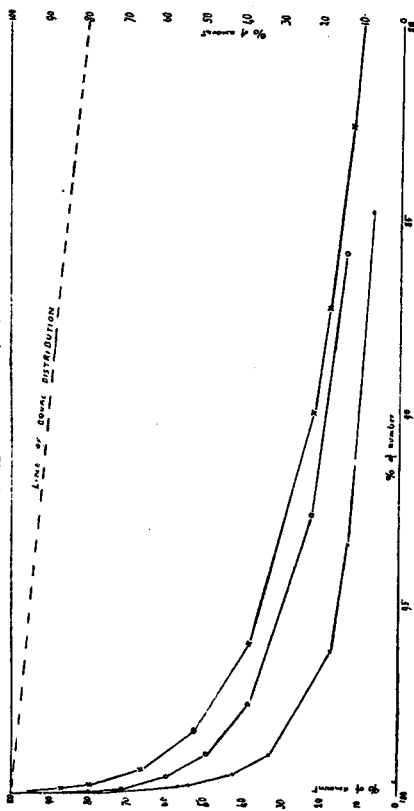


TABLE VI.—DISTRIBUTION OF CAPITAL.
AUSTRALIA, 1915.

Range.	No.	Capital in Million Pounds.	Cumulative Percentage.	
			Persons.	Capital.
Nil and in debt.	360,000	Nil.	16.4	60.00
Under 100	925,000	28	58.7	2.3
100-250	315,000	50	73.0	6.1
250-500	212,000	75	82.6	12.3
500-750	102,000	62	87.28	17.4
750-1000	60,000	51	90.03	21.6
1000-2500	129,000	201	95.18	38.3
2500-5000	50,000	175	98.28	52.6
5000-10000	23,000	161	99.33	65.8
10000-25000	11,200	166	99.7621	79.55
25000-50000	2,600	88	99.8355	86.8
50000-100000	975	68	99.8865	92.4
Over 100000	466	92	100.0000	100.0
All	2,192,000	1216		

Dr. King, in his pioneer study of the distribution of wealth,* compared the distribution of British estates at death as shown by probate statistics with a similar Massachusetts distribution and with the Prussian distribution shown by the Property Tax. He attributed the greater inequality of distribution in Britain to the law of primogeniture. By our method of comparing the distribution of estates among the living with the Prussian distribution, the contrast is heightened. The law of primogeniture, however, probably has no influence, and the custom of primogeniture a diminishing influence, on distribution. Dr. King's comparison of Britain and Massachusetts was valid, since estates *at death* were compared with estates *at death*. A similar comparison can be made with France, where legally all estates are liable to pay succession duty and therefore to be recorded. The Massachusetts and French figures are given in King, and need not be reproduced here: they must not be taken as representing distribution among the living, but only as a basis for comparison with similar statistics in other countries. The comparison is subject to error in so far as either the distribution of capital among the different age

*Wealth and Income of the United States.

groups, or the ratio of living to decedents, varies from country to country. In the case of France what evidence there is points to the fact that estates do not continue to increase in size as the average age of the holder increases, but reach their maximum in the age group 50-60 and then decline; this would make the inequality in the distribution of capital even less, as compared with Britain, than the probate figures suggest.

The number, though not the amount, of living holders of property can be estimated for France, because in 1906 the number of decedents at each age was given. Using the method adopted before, we get the high proportion of 12,849,000 owners of property in a population of 21,878,000 persons aged 25 and upwards, or nearly 60 per cent. In the higher age groups the proportion is higher, 74 per cent in the age group 60 to 70. But the majority of these properties are extremely small and are revealed to us only because the Estate Duty is levied on all estates above the value of one franc! An interesting point is brought out by a comparison between the number of decedents and the number of successors, which are given separately; the latter is greater, and the disparity is greater the smaller the estate. This is due to the combined effect of the law compelling the division of estates among children and the larger number of children in the families of the poor; it tends to make the disparity of fortunes greater.

TABLE VII.—DISTRIBUTION OF CAPITAL AT DEATH.
ENGLAND AND WALES AND IRELAND; THREE YEARS, 1911-1913.
CUMULATIVE PERCENTAGES.

Range.	England and Wales.		Ireland.	
	Persons.	Capital.	Persons.	Capital.
£				
Under 100	83	3	86-00	7-2
.. 300 gross	87	4-4	91-80	11-2
.. 500	90	5-7	93-81	14-2
.. 500 net	91	6-6	94-92	16-0
.. 1000	94	9-8	96-58	21-0
.. 5000	98	23-25	98-30	39-4
.. 25000	99-57	48-0	98-86	68-4
.. 100000	99-97	78-6	99-97	89-8
All	100-00	100-0	100-00	100-0

A similar difference between England and Ireland is brought out in Table VII., in which the percentage distribution of estates returned for probate in the three years 1911-1914, with an allowance, based on Table III., for estates below the Estate Duty limit, is shown. It is clear that Ireland is more like France and Massachusetts than England. Some of the larger Irish estates will be proved and taxed in England. An explanation of the contrast may be found in the less importance of agriculture and smaller number of agricultural land owners in England and Wales. The following Table, VIII., brings together some figures illustrating this difference. The difference between England and Ireland, is of course, directly due to the Land Purchase Acts, and is greater to-day than in 1914, since purchase has come nearer to completion.

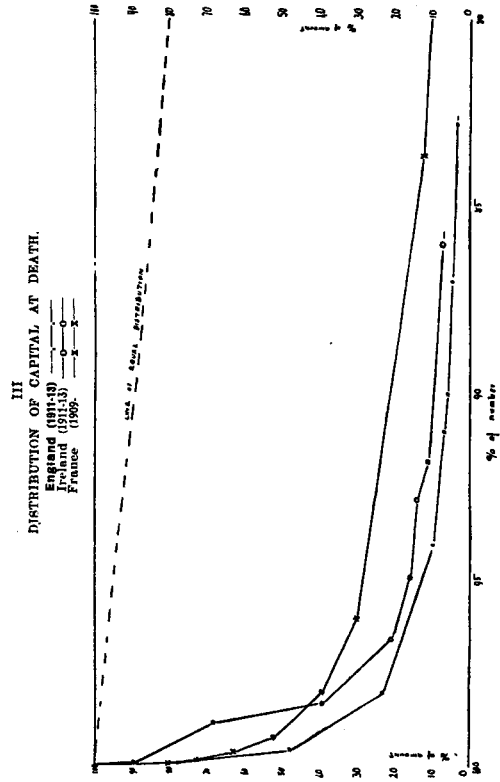
TABLE VIII.
AGRICULTURE AND OWNERSHIP.

	No. of Agricultural Holdings.	No. of Occupying Owners.	Total No. Engaged in Agriculture.	Total Population.
England and Wales, 1913	436,000	49,000	1,260,000	37,338,000
" " 1921	415,000	70,000	1,254,000	37,895,000
Scotland 1913	77,000	5,600	227,000	4,760,000
Ireland 1913	566,000*	349,000	876,000	4,390,000
France 1908	5,505,000	2,200,000†	8,777,000	39,250,000
Germany 1907	5,736,000	5,250,000	15,000,000	67,000,000
U.S.A. 1920	6,445,000	3,925,000	10,953,000	107,438,000

* 102,000 under one acre. † not including 3,058,000 part owners.

There remains one further comparison I should like to make, a comparison of the distribution of capital at different periods. Unfortunately, the data are lacking, and I am restricted to comparison with a single post-war year. In the following table the distribution for 1920-1921 is compared with that for the three pre-war years. In calculating the 1920-1921 estimate, I have used the death-rates of the whole population in the different age groups, not the special class death-rate, used in the pre-war calculation, which is not

available for a post-war year and I have assumed a distribution of estates between the sexes similar to that given for the year 1921-1922 in the Sixty-fifth Report of the Inland Revenue Commissioners.



I give separately the details of the collective savings of the working-class.

TABLE IX.—WORKING-CLASS SAVINGS, 1921.		
No. of Members or Accounts.		Million Pounds.
16,000,000	Savings Banks Deposits: P.O.	264
1,425,000	Trustee	73
	Special Investment Dept. (1920) ...	16
124,800	Railway	11
	Savings Banks Stock held for Depositors....	29
789,000	Building Societies (England and Wales): liabilities in shares, deposits, reserve and profit	93
551,600	Industrial Co-operative Societies in Great Britain: share and loan capital and reserve (1922)	127
	National Societies Co-operative in Great Britain: profit	15
21,200,000	Registered Friendly Societies (Great Britain) Including Ordinary Friendly Societies 34.75	92
4,401,000	Orders and Branches	35.5
3,057,000	Collecting Societies	20.0
13,512,000	Trade Unions: funds at end of year.....	16
6,613,000	National Health Insurance Fund (England and Wales): balance	83
	Unemployment Insurance Fund: balance (deficit)	-7.6
	Industrial Life Insurance: Life Fund.....	89.5
	Savings Certificates: one-half net subscriptions outstanding March, 1922	171.1
	Total	1072
	Proportion to England & Wales	940

One new item of importance presents a difficulty, that of Savings Certificates. We cannot assume that the whole, or anything like the whole, is held by persons below the Estate Duty, or even the Income Tax, exemption limit. I have followed the Montagu Committee, who estimate that at least half the Certificates outstanding were subscribed by "small investors" who do not invest in the ordinary channels. Certificates for £25 and less form well over half the amount outstanding. This form of saving, whatever it amounts to, is a very significant development. For the first time we have an extensive holding of securities by wage-earners; the securities are specially adapted to them, but other securities might also be adapted.

DISTRIBUTION OF CAPITAL IN ENGLAND AND WALES. 73

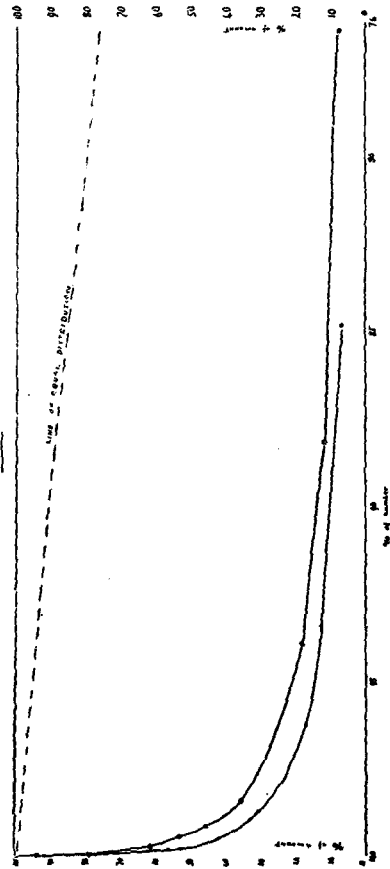
The sales of War Loan, Exchequer Bonds, Victory and Funding Loan through the Post Office and Trustee Savings Banks amounted to £222,000,000. In the United States a campaign similar to our War Savings campaign was organised during the war, and was so successful that dealers in Stock Exchange securities carried it on, for the sale of other than Government securities, after the war. A careful estimate places the increase of holders of securities in the U.S.A. at from 4,400,000 in 1900 to 14,400,000 in 1924. Deposits in Savings Banks and policies of insurance increased in number and amount in the period, so that the increase of stock-holding is not a mere transfer from one form of saving to another.

From the £940,000,000, which is the aggregate for England and Wales, I have deducted £198,000,000 as the estimated amount of savings in small estates under £500, already allowed for in our estimate of estates over the Estate Duty limit; I have added £170,000,000, or double the pre-war estimate as the value of furniture, personal effects and tools; getting a total of £912,000,000 as the post-war aggregate of capitals under the Estate Duty limit. The post-war number of Incomes, calculated in the same way as our pre-war total, is 17,702,000; of these, 4,203,000 are already accounted for in our estimate of capital over £100; thus 13,500,000 is the number of persons to whom the £912,000,000 is to be attributed.

TABLE X.—ASSUMED DISTRIBUTION OF CAPITAL.
ENGLAND AND WALES, 1920-1921.

Range.	No.	Amount.	Cumulative Percentages.	
			No.	Amount.
		Millions of £'s.		
Under 100	13,500,000	912	76.26	7.6
100-500 gross	2,099,700	546	88.12	12.2
100-1000 net	1,026,200	746	93.91	18.5
1000-5000	791,500	2,046	98.38	35.7
5000-25000	236,900	3,078	99.72	61.5
25000-100000	41,180	2,079	100.00	100.0
100000-500000	7,100	1,786		
Over 500000	537	670		
All	17,702,000	11,860		

IV
DISTRIBUTION OF CAPITAL
1812
AND 1821



In Table X., the estimated post-war distribution of capital is given, and in the following diagram it is compared with the pre-war distribution. The change revealed is, to me at any rate, striking and unexpected. The number of estates over £100 probate value has gone up roughly in proportion to the rise in prices; this we might expect, and likewise the corresponding increase in aggregate capital shown. What surprises me is the slight fall in numbers and the considerable fall in the percentage of total capital, in the highest range, over £500,000. This may be an accident of the figures for the particular year; though, comparing the two tables as a whole, we notice a distinct change, in the direction of a lessening of inequality, in the distribution. On the other hand, the returns of incomes for purposes of Super-Tax suggest a movement in the opposite direction, and certainly seem to negate any inference of greater equality.

The change is not to be explained by the slight difference in the method used to make the post-war estimate; the multipliers used were slightly increased by distinguishing estates left by women from estates left by men; but the influence of this difference was counteracted by the use of ordinary death-rates instead of a selected class death-rate. A comparison of the two tables suggests certain possible explanations. First, the estimated number of persons below the Estate Duty exemption limit is both absolutely and relatively smaller than before the war, but the proportion of the national capital held by them is larger, but this estimate is unfortunately the one about which we can be least certain. Probably, however, a part of the large earnings of the war period were saved. In the second place, the proportion held by each of the groups up to the £25,000 mark has increased. This may be due to the increase in the proportion of the population between the ages

35 and 54, in which estates of £1,000 to £25,000 are most common. While population aged 15 and upwards increased 9 per cent between 1911 and 1921, population between 35 and 54 increased 16 per cent; this affected the death-rates and, therefore, our multipliers; the biggest increases of capital were in the age groups 35-44 and 45-54, and the range of estates £1,000-£5,000. A third possible explanation is the higher rate of interest, which results in a lowered capital value put on most investments; the holder is no worse off, unless his investments have to be realised, but for probate purposes they are valued at realisation value. This change would affect the larger estates differentially since they have the larger proportion of Stock Exchange securities. Thus the proportions in which capital was distributed might change, while the proportions in which income was distributed did not change. Making all allowances, however, the change is striking, and, so far as it cannot be explained away, suggests that high progressive taxation is having an effect on the distribution of capital; large fortunes do not accumulate so rapidly as they did, and even decumulate, while small savings accumulate untouched.

Sir Josiah Stamp has compared the probable post-war distribution of the product of industry with the pre-war distribution, and finds a similar change in the direction of slightly less inequality. It would seem as if war and post-war profiteers made their exceptional gains at the expense, not of the poor, but of other members of the same economic class. This is consistent with the change in the economic position of different sections of the rich and well-to-do classes; owners of land and fixed interest securities, on the whole, lost by the two-fold process of monetary depreciation and national debt inflation, while receivers of profits benefited. Both classes, however,

are affected by the increased direct taxation. The National Debt is a charge on the capital in the possession of the individuals forming the nation, just as real as a mortgage or debenture charge. When this annual charge of £350,000,000, which falls mainly on the larger estates, is taken into account, a much more considerable change in the distribution of wealth is revealed.

My object in this paper has been to collect the available facts on an interesting topic, and to extract from them as much information as I could, without attempting to discuss their significance. I may be permitted, perhaps, in conclusion, to indicate very briefly, some of the inferences to which they point.

Capital in this country is much more concentrated than income, and much more concentrated than it is in any other country. This concentration is connected with the fact, that agriculture, and other economic activities in which small-scale enterprise predominates, are a smaller part of the country's economic activity than it is anywhere else. Moreover, this country is unique, I think, in having the tenant farmer rather than the owner-occupier, as the predominant class in agriculture; Ireland in this respect is Continental in character, rather than British. The wage-earning proletariat, which is much the largest economic class in the country, has little capital, although its standard of life is high compared with that of most Continental wage-earners and peasant proprietors. It has some accumulations of capital; these are mainly in the form of mutual insurance funds. If I were a capitalist, I should feel a little insecure about my capital, since a capital levy on all estates over £1,000 would leave 95 per cent of the electorate untouched; I must not, however, be understood as advocating such a levy. I had no contemporary problems

78 DISTRIBUTION OF CAPITAL IN ENGLAND AND WALES.

of party politics in mind when I selected this investigation for my presidential address to you ; my sole purpose was to discover how far in this country we had forgotten the principle that Bacon expressed in the phrase : " Property is like muck ; it is good only if it be spread." My figures suggest that we have completely forgotten that principle.

men of 22 who failed would in most cases have nothing to fall back upon. Is it likely, I ask, under these conditions that any considerable number of appointments would ever be gained by natives of India, handicapped as they obviously are at every point?

For my own part I have never been able satisfactorily to understand why the educated natives of India have apparently set their hearts on admission to the Covenanted Civil Service as the only avenue to the higher posts in the public service; or should be willing to rely upon the chances of a public examination as the only means of obtaining their fair share in the administration of the Indian Empire. It seems to me that natives of India have a distinct and independent claim to employment in the higher grades of the public service, quite irrespective of any regulations that may be in force for appointing candidates to the Covenanted Civil Service. This claim seems to me to rest on grounds of natural equity and the plainest political expediency; and would, in my opinion, hold good whether natives of India chose to take part or not in the public competition in England. Moreover, as a question of tactics, it would seem to be a mistake for natives of India to clamour for an alteration of the examination rules, when it is clear that they ought, if otherwise qualified, to be appointed to their fair share of the higher appointments without any reference to the Covenanted Civil Service at all. After all, it must clearly be remembered that admission to the Covenanted Civil Service, is merely one means to an end; and when it is clear that the object in view, namely, the adequate employment of natives of India in the higher administration cannot possibly be secured by this

means, it seems to follow that the whole question should be discussed on a broader basis altogether.

Let us consider for a moment whether any such broader basis can be found? First of all, let us see what the higher patronage of the Local Governments really consists of. By the term "higher patronage" I mean for the present purpose gazetted appointments the pay of which has been fixed on a European scale, and which have in practice been generally held by Europeans. A reference to the official Civil List will show that the higher patronage of the Bombay Government falls generally under one of two main heads:—

1. Appointments reserved to the Covenanted Civil Service by the schedule prefixed to the Civil Service Act of 1861.
2. Unreserved appointments in all the following Civil Departments: Financial, Forests, Educational, Revenue Survey, Salt, Customs, Public Works, Police, Political, Sind Commission, &c.

The number of sanctioned appointments reserved to the Covenanted Civil Service will be found to be approximately 84, *viz.*:—

Judicial	27
Revenue and General—	
Sanctioned scale, excluding supernumeraries and all Assistants below the rank of Second Assistant Collector.	57

Excluding the grades* of Deputy Collector and Subordinate Judge, which are now practically reserved for natives, the number of the principal unreserved appointments—Rs. 300 a month upwards,—in the various civil departments, amounts approximately to 352, the details of which, taken from the Bombay Civil List of January 1884, are approximately as follows:—

	No. of higher gazetted appointments as per Civil List.
1. Sind Commission	21
2. Political Department.....	55
3. Financial do	11
4. Forests	41
5. Educational	19
6. Opium	1
7. Salt and Customs.....	23
8. Revenue Survey	58
9. Mint and Assay.....	3
10. Public Works Department...	71 sanctioned scale excluding Secretariat, and apprentice grade.
11. Police	45 including 14 probationers.
12. Presidency Magistrates.....	3
13. Registration	1
	Total.....352

Now let us see how these higher unreserved appoint-

* These grades are excluded from the present calculation for two reasons—1st, because being now practically reserved for Natives there is understood to be no native grievance in respect of them; 2nd, because both of these grades, though containing many places of dignity and considerable emoluments, are admittedly subordinate grades. The question under consideration has reference solely to the higher administrative posts which are now practically reserved for Europeans.

ments are in fact distributed at the present time. The Civil List already referred to will show that while the 84 reserved appointments are held by covenanted civilians, the remaining unreserved appointments are distributed as follows :—

No. of APPOINTMENTS.	How DISTRIBUTED.			
	Held by Covenanted Civilians.	Held by Natives.	Held by Military Officers.	Held by Uncovenanted Europeans.
352	9	41	*94	*208

The 41 appointments, here shown as held by natives, are nearly all minor appointments, of less than Rs. 500 a month in value. These figures are, I submit, very significant. Let us suppose for a moment that the regulations were altered in the sense desired by the native press. Let us further suppose, however improbable the supposition, that the effect of altering the regulations was to ensure the success of a considerable proportion of natives in the annual competition, and that one-third of the appointments—say 10 appointments out of 30—were allotted to them year after year. These 10 native civilians would presumably be distributed amongst the various governments and administrations, and Bombay would possibly receive 1 or at the outside 2. These 2 native civilians would on appointment become eligible to share in the 84 reserved appointments adverted to above. As regards the 352 unreserved appointments they would presumably hold exactly the same position as the Eng-

* For further particulars relating to the Military and Uncovenanted European Officers employed in the Bombay Civil Administration on 1st July 1884, see Appendix.

lish Covenanted Civilians. In other words, they would be practically excluded as at present in favour of Uncovenanted Europeans and Staff Corps Officers.

If the facts are here correctly stated, it would seem to be perfectly clear that the agitation, which has been raised for the admission of natives to the Covenanted Civil Service, is to a great extent based upon a delusion. The Covenanted Service cannot possibly, under present conditions, supply more than a very limited field for native ambition; and in clamouring for admission to that service the real grievance of the native community appears to me to be very much overlooked.

The unreserved appointments are, in Bombay, as above shown, more than 4 times as numerous as those reserved to the Covenanted Civil Service, and out of 352 appointments no less than 301 are shown to be held by military men and Uncovenanted Europeans. Is it not perfectly clear that as long as this state of things continues it is physically impossible to give to the educated natives of that Presidency anything like their fair share of the higher unreserved appointments? Now it is a singular fact that while English statesmen of both parties are perfectly well aware that the great bulk of the higher patronage in the unreserved appointments is in practice reserved—and as they say improperly reserved—for the friends and kinsmen of powerful officials and public men nominated in India, and although this abuse has been frequently exposed both in Parliament and in public correspondence, the whole of the native agitation has hitherto been directed almost exclusively against the limited monopoly of the Covenanted Service. The natives in fact instead of agitating, as they might reasonably be expected to agitate, for their fair share of

the 352 unreserved appointments, have hitherto directed all their efforts to obtain a share of the 84 appointments reserved by Act of Parliament to the Covenanted Service.

The practical problem for solution, briefly expressed, seems to be this, how to distribute satisfactorily amongst the various interests concerned the total number of higher appointments which are now held as shown above. These interests may be conveniently classed as follows :

1. Natives of India.
2. The Covenanted Civil Service.
3. The Staff Corps and Royal Engineers.
4. Uncovenanted* European Officers consisting of two classes (a) appointed by the Secretary of State for technical or special reasons after examination in England, (b) appointed by the local authorities in India without previous examination or test.

It will be admitted, I think, by any unprejudiced person, that all the classes here mentioned, except the last, have more or less strong claims to employment in the public service. I do not for a moment assert that the claims of all the interests mentioned are equally strong or equally justifiable; but no one acquainted with Indian official life can doubt that each of the interests mentioned is collectively extremely influential, and must be carefully taken into account in any scheme of redistribution which may be proposed.

It is admitted by general consent that the first class

* The term "Uncovenanted" has been used above in accordance with the usual official phraseology. Strictly speaking, the term should no doubt be limited to the class comprised in 4 (b).

mentioned, viz., natives of India, does not at present receive its proper share of the higher appointments in the administration. The Act of 1870 and the recent correspondence relating to Lord Lytton's scheme of Statutory civilians contain a clear recognition of this fact; and Sir Stafford Northcote and the Duke of Argyll, leading members of the two great political parties, have both insisted on behalf of the Indian Government that natives of India are entitled to a far larger share of the unreserved appointments than they now hold. It is then perfectly clear that natives of India must be benefited if at all at the expense of some or all of the powerful interests above noted. The practical question is—which of these interests has to give way in order that natives of India may obtain their fair share in the higher administration?

It will not, I fancy, admit of much dispute that the class, which has on the whole least claim to consideration, is the last class mentioned above, consisting entirely of the friends and nominees of influential persons, appointed in India by the local authorities, without previous examination or test of any kind. This class, it may be mentioned, is in the aggregate a very numerous one, holding a very large proportion of the unreserved appointments in Bombay, and embracing amongst others all the following departments which are at present the strongholds of private patronage,—Revenue Survey, Police, Salt, Customs, Sind Commission: and the number of appointments held by this influential class must, it would seem, be materially curtailed in future if qualified natives of India are ever to be admitted to a reasonable share in the higher administration. The literal

truth seems to be that as long as it is in the power of the local authorities to appoint their friends to the unreserved appointments, Englishmen with interest will, as heretofore, almost infallibly be preferred to natives, and the present agitation may be expected to continue. But the remedy is, I think, obvious. The Secretary of State has simply to lay down the broad rule that out of the total number of unreserved appointments a fixed proportion, say one-third or two-fifths, is, as a rule, to be filled with natives of India, and to call upon the Local Government to furnish a scheme showing how the appointments which it is proposed to reserve for natives of India, can most suitably be distributed amongst the various civil departments of the administration. As soon as a suitable scheme, embodying these proposals, has been once sanctioned, the number of appointments in each department reserved for natives, should be made public, and the local authorities should be prohibited from appointing in future to these reserved posts any persons except natives of India without the formal sanction in each case of the Secretary of State in Council, who must be satisfied that no duly qualified native of India or Covenanted Civilian is available.

A certain proportion of the higher appointments thus definitely reserved to Natives might well be competed for in India on substantially the same conditions as are now in force for candidates for the Covenanted Civil Service in England. The remainder of the reserved appointments might with advantage be distributed amongst the most distinguished native members of the present Uncovenanted Service. Natives of India should, of course, be permitted if they desire, to proceed to England to compete with Englishmen in the open com-

petition there. But if they failed in England they would still be eligible to compete in their own country in the Indian public examination here suggested ; and success would, in either case, be rewarded with some of the highest prizes of the Indian administration. The plan proposed would be at once a practical and natural extension of Lord Macaulay's scheme of open competition, and would apparently give a powerful and most useful stimulus to higher education in India. It will not fail to be noticed that under existing conditions nearly three-fourths of the higher patronage of the Bombay Government lies outside the sphere of competition altogether ; and thus I submit, as matters now stand, the scheme of open competition is most imperfectly carried out. Moreover, it may well be asked why if open competition be desirable for the higher appointments reserved to the Covenanted Civil Service, similar competition should not be enforced amongst Europeans for the valuable and far more numerous posts in the so-called Uncovenanted Service ; or why at any rate private patronage should not be subjected to some clear and equitable rules. It is solely owing to the unfair manner in which official patronage has been hitherto distributed that natives of India are deprived of their fair share in the higher administration of the Empire ; and as soon as this fact is once clearly recognized it may be expected that a suitable remedy will be applied. There is no practical difficulty in doing substantial justice to the natives of India if once it is clearly realized that the higher patronage of the local governments is, after all, a very limited quantity, and that distinct rules are required to ensure an equitable distribution amongst the various interests concerned. The appointments re-

served for natives of India must, it would seem, be clearly defined, and the power of the authorities to appoint Englishmen must apparently be to that extent at least curtailed.

For the reasons assigned in this paper it would seem to be quite clear that the Circular instructions of the Government of India, sanctioned by Lord Cranbrook in 1879 and extended to Bombay, are little calculated to effect any material change in the state of things which now prevails in that Presidency. Briefly stated these Circular instructions are to the effect that no person other than a native of India shall hereafter be appointed to any office carrying a salary of Rs. 200 a month or upwards without the previous sanction in each case of the Governor-General in Council, unless the person appointed belongs to the Covenanted Civil Service or to the Staff Corps, or was originally nominated by the Secretary of State or Government of India after examination either to the (1) Financial, (2) Forests, Educational Depts.; or unless the office to which the appointment is made belongs to any one of the following 6 departments: (1) Opium, (2) Salt and Customs, (3) Survey, (4) Mint, (5) Public Works Department, (6) Police,—see instructions circulated with Lord Lytton's despatch, dated 24th April 1879, at p. 28 of Blue Book headed, "Papers relating to the Admission of Natives to the Civil Service of India," published in 1879.

The nine departments, which are thus excluded from the operation of this very important Rule, embrace, it will be seen,* no less than 272 out of the 352 higher unreserved appointments in the patronage of the Bom-

* See table on p. 5.

bay Government, the remaining 80 appointments falling under the following heads:—

1. Sind Commission 21
2. Political Department 55
3. Registration..... 1
4. Presidency Magistrates 3

The bulk of these 80 appointments are now held by Staff Corps officers who are, it will be noticed, expressly exempted from the operation of the rule.

The practical effect of the Circular instructions referred to, issued by the Government of India seems briefly to exempt from the operation of the Rule almost the whole of the higher unreserved patronage of the Bombay Government. The Rule, if strictly construed, will probably operate to exclude in future a small number of Uncovenanted Europeans from holding appointments in the Sind Commission and* Political Department; but there is nothing in the rule to prevent their places being filled up by Covenanted Civilians or Staff Corps officers, and the prospect of natives of India being appointed to these places seems therefore to be quite as remote as at present. For the reasons assigned it is, I submit, quite clear that until some fixed proportion of the appointments in all the Uncovenanted Departments named is definitely reserved for natives of India, they will never obtain that share in the higher administration which all the highest authorities in the Indian Government profess to be anxious to give them.

* Notwithstanding the existence of a stringent rule prohibiting the employment of Uncovenanted Europeans in the Political Department, the following Uncovenanted European Officers are now employed by the Bombay Government:—Mr. P. S. V. Fitzgerald, Mr. F. H. Warden, Mr. C. F. G. Lester. See App. II., p. 23.

That the question discussed in this paper is beginning to attract serious attention in England, seems probable from the fact that in the month of November last (1884), two questions on the subject were asked by private members in the House of Commons. In the London papers of November 12th, amongst the Parliamentary intelligence, appears the following :—

“BOMBAY CIVIL SERVICE.

“In reply to Mr. GIBSON, Mr. J. R. CROSS said—According to the Bombay Civil List there were on July 1st, 1884, 633 Civil appointments in the Bombay Presidency with salaries of Rs. 400 and upwards per mensem. They were distributed as follows—159 were held by Covenanted Civil Servants; 113 by Natives of India (other than Covenanted); 98 by Military Officers; and 263 by uncovenanted Europeans. There were also 57 Medical appointments, of which 50 were held by Military Surgeons, 5 by Natives of India, and 2 by uncovenanted Europeans.”

With reference apparently to this answer by Mr. Cross, in the London papers of November 25, appears the following :—

“CIVIL APPOINTMENTS IN INDIA.

“Sir G. CAMPBELL asked the Under-Secretary for India whether he would obviate misapprehension by ceasing to class as ‘uncovenanted’ Indian servants officers sent out from this country under covenants, contracts, or commissions from Her Majesty to serve in the Public Works, Education Trust, or other departments, or as Judges of the High Courts, and by confining the term ‘uncovenanted’ to officers taken into employment by the Government in India without such covenants or contracts; whether he would give a return of Civil appointments of all kinds of 400 rupees *per mensem* and upwards held by uncovenanted servants in the

above sense, and distinguishing Europeans from Natives, appointments held by Europeans to which, under existing orders, Europeans may always be appointed in India, appointments ordinarily reserved for natives but now held by Europeans on the ground of prior appointment to the service; also a statement showing how far appointments to special departments to which Europeans are eligible are made by pure patronage or how far and by what rules patronage is limited and restricted.

“Mr. CROSS—I conclude that the first paragraph of my hon. friend’s question is based on an answer I recently gave to a question asked by the right hon. member for Dublin University, in answering which I adopted his technical classification. As a matter of fact it has been decided that the term ‘uncovenanted’ shall no longer be officially applied to the engineering staff of the Public Works Department. Before pledging myself that this term will be discontinued in the case of other departments, or promising to furnish the return asked for by my hon. friend, it will be necessary to communicate with the Government of India, by whom alone such a return could be prepared.”

This paper appears to furnish a very pertinent reply to Sir George Campbell’s important question on the subject of patronage. Sir George Campbell as an ex-Lieutenant Governor of Bengal is probably well aware of the circumstances under which official patronage is bestowed in the Bengal Presidency, but he may not be equally well informed regarding the practice which is pursued in Bombay and Madras. In the case of Bombay, the true answer to Sir George Campbell’s question is that a very large number of appointments of Europeans, as shown in this paper, are made in India by pure patronage, and that as regards these appointments

the patronage of the Governor is subjected to no effective limitations whatever.

As regards the official distribution list of appointments in the Bombay Presidency prepared by the India Office, and read in the House of Commons, it will not fail to be noticed that the number of Military and uncovenanted European Officers, shown by Mr. Cross, considerably exceeds the figures given in the table at page 5 of this paper. That table was exclusive of the Subordinate Judges and Deputy Collectors, amongst whom several uncovenanted Europeans are to be found; and referred solely to the 13 Departments mentioned. The statement furnished by the India Office embraces all Civil departments, and is doubtless more complete and exhaustive than the statement furnished in the text. The 113 appointments held by Natives of India other than covenanted, include, of course, the Subordinate Judges and the Deputy Collectors. These classes were specially excluded from the calculation given at page 3. The 159 appointments held by covenanted Civil Servants include all appointments, both reserved and unreserved, temporary as well as permanent. In this number are also included the appointments held in Bombay by covenanted Civilians belonging to other Presidencies. The ordinary sanctioned scale of Judicial and Revenue appointments in Bombay is as shown above on page 3.

Mr. Cross has now officially stated that out of 633 Civil appointments in Bombay, carrying a salary of Rs. 400 a month and upwards, no less than 98 are held by Military Officers and 263 by uncovenanted Europeans. It is submitted that this statement speaks for itself, and confirms the accuracy of the main point contended for

in this paper. So long as it is considered necessary that these very influential classes should hold considerably more than one-half of the higher civil patronage of the Presidency, it is idle to talk about admitting Natives of India to their fair share of the appointments in the higher administration.

Appendix I.

The following Abstract, prepared from the Bombay official Civil List of July 1884, shows the distribution of the principal *unreserved* appointments of superior (gazetted) grades by races.

In the preparation of this Abstract the following points have been kept in view:—

(1) Appointments reserved by Statute for Covenanted Service are excluded, *e. g.*, Commissioner and Assistant Commissioner in Sind, and Commissioner and Collector of Salt and Customs.

(2) As far as possible temporary appointments and absentees have been excluded. Portuguese Christians are classed as *Natives*. The Eurasians and Country-born Europeans are classed as *Europeans*.

(3) The appointments in the Department of Public Works (Civil) being of a special character and requiring professional qualifications, are excluded. The bulk of the superior appointments are held by Royal Engineers, the rest are supplied from Cooper's Hill College by direct nomination in England and Bombay. There are comparatively few Natives in the upper grades.

DEPARTMENT.	Number of Appointments.							Pay and Average Salaries (per month).					REMARKS.
	Total Strength.	Europeans.				Natives.	Range of Salaries. Rs.	Europeans.			Natives. Rs.		
		Uncovenanted.		Military (No. nominated).	Covenanted.			Uncovenanted.		Military. Rs.		Covenanted. Rs.	
		Selected in England.	Nominated in India.					Selected Rs.	Nominated Rs.				
1. Sind Commission	35	0	12	8	2	13	300 to 1800	0	586	1250	500	385	* Revenue Survey — The pay of Commissioner was reduced on its being transferred from a Military man to a Civilian. The nominees include all appointments since 1869; the two natives are Portuguese. † Political.—Excludes Aden Resident, which combines Military duties with Political. ‡ One Judicial appointment only.
2. Deputy Collectors (excluding Sind)	42	0	9	0	0	33	300 to 800	0	577	0	0	397	
3. * Revenue Survey and Settlement ..	56	0	47	6	1	2	280 to 2325	0	568	996	2325	610	
4. District Police (above Inspectors)	43	0	31	12	0	0	200 to 1000	0	442	775	0	0	
5. Education (Graded List)	17	9	7	0	0	1	700 to 2450	1157	1046	0	0	750	
6. Political	40†	0	3	27	1‡	9	1500 to 4000	0	508	1135	11400	255	
7. Registration (Inspection)	8	0	1	0	0	7	1500 to 2000	0	2000	0	0	260	
8. Salt	12	0	9	1	1	1	2000 to 1250	0	600	1250	1000	450	
9. Customs and Opium	8	0	6	0	0	2	3500 to 1300	0	628	0	0	470	
10. Forests	40	13	15	3	0	9	1500 to 1500	580	503	1308	0	180	
	301	22	140	57	5	77	
Financial	7	0	5	0	1	1	All these are under the Government of India and independent of Bombay. § Postmaster General (Bengal Covenanted Service.)
Mint	5	0	0	5	0	0	.....	.....	.....	.....	.....	.....
Post Office	27	0	8	0	1	18	.....	419	.....	.....	1950	291
Telegraph .....	...	8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

Appendix II.

The following is a nominal list of the Uncovenanted European Civil Officers who have been nominated in India to posts in the Civil Administration of Bombay. The particulars relating to each Officer are taken from the Official Civil List and from the official History of Services:—

I.—*Sind Commission.*

Name.	Date of first Appointment.	Present Monthly Pay. Rs.	REMARKS.
1. W. H. F. Boltop...	2 March 1856	972	Besides the Uncovenanted European officers named, there are 8 military officers employed in the Sind Commission. These officers belong to the Bombay Staff Corps and have been nominated in India to the ordinary civil administration by pure patronage.
2. S. W. Tyndall ...	27 Oct. 1860	972	
3. H. G. Watson ...	15 Nov. 1864	922	
4. R. M. Lambert...	4 Dec. 1865	761	
5. R. Giles.....	20 Mar. 1869	761	
6. C. E. S. Steele ...	11 June 1869	661	
7. H. L. Mules	3 July 1874	711	
8. J. R. Price	4 Apr. 1877	561	
9. M. D. Mackenzie.	20 Aug. 1877	561	
10. A. G. Cumming.	25 Apr. 1883	411	

II.—*Deputy Collectors (excluding Sind).*

Name.	Date of first Appointment.	Present Monthly Pay. Rs.	REMARKS.
1. H. Ingle	7 Dec. 1859	800	Since the year 1869 only 2 Europeans have been appointed. Of the large number of Native
2. J. F. Fernandez ...	2 Apr. 1861	700	
3. W. R. Hamilton...	12 Oct. 1869	600	
4. C. T. Kyte	2 Apr. 1861	600	

N.B.—For the information of English readers it may be mentioned that a salary of Rs. 500 per mensem is equivalent at the present rate of Exchange (1s. 7½d.) to £ 487-10s. sterling per annum.

Name.	Date of first Appointment.	Present Monthly Pay. Rs.	REMARKS.
5. A. W. Hughes ...	27 Nov. 1860	600	Deputy Collectors
6. E. T. Richardson..	11 Apr. 1856	500	now employed a
7. A. H. Plunkett ...	23 Dec. 1863	500	considerable pro-
8. T. Hearn.....	12 Dec. 1864	500	portion have risen
9. T. C. Anding	9 Aug. 1871	500	from the lower
10. C. W. Richardson.	18 Aug. 1869	500	ranks in the Reve-
11. H. F. Carvalho ...	1 Apr. 1882	300	nue Department,
			and have passed
			through the Mam-
			lutdar's Grade.

III.—Revenue Survey and Settlement.

Name.	Date of first Appointment.	Present Monthly Pay. Rs.	REMARKS.
1. *W. M. Fletcher ...	23 Jan. 1866	1200	*Superinten-
2. W. S. Price.....	2 July 1856	895	dent.
3. F. T. Willaume	31 Oct. 1863	795	
4. W. Turnbull	14 Aug. 1865	795	
5. A. P. Young	6 May. 1867	795	
6. R. T. Wingate	28 Jan. 1868	795	
7. H. D. E. Forbes.....	4 Oct. 1871	695	
8. J. H. C. Dunsterville.	5 Jan. 1869	695	
9. F. W. Francis	15 Sept. 1873	695	
10. F. B. Young	24 Aug. 1875	695	
11. J. L. Lushington ...	27 July 1874	695	
12. W. S. Owen	29 Mar. 1876	560	
13. J. A. McIvor	21 Aug. 1881	255	
14. †J. R. Gibson.....	22 Mar. 1862	995	†Serving un-
15. W. G. Harrison.....	25 June 1856	795	der Egyp-
16. J. M. Young	5 May 1863	795	tian Go-
17. G. Hearn.....	24 Sept. 1855	795	vernment.
18. J. LeMesurier.....	24 Sept. 1873	795	
19. H. H. Summers	27 Sept. 1854	695	
20. F. DeSouza.....	6 Dec. 1855	695	
21. H. F. Hatch	1 Dec. 1873	695	
22. H. C. Davidson	23 Feb. 1872	695	

Name.	Date of first Appointment.	Present Monthly Pay.	REMARKS.
23. F. W. Marriott.....	7 May 1872	560	
24. W. H. Cumming.....	30 May 1882	385	
25. A. S. Bulkeley.....	16 Nov. 1855	895	
26. J. R. Fernandez.....	25 July 1861	795	
27. A. B. Forde.....	24 June 1868	795	
28. J. W. Scott.....	25 June 1856	795	
29. H. R. Disney.....	27 Mar. 1860	795	
30. R. B. Pitt.....	12 Oct. 1859	795	
31. J. C. Whitcombe.....	8 Apr. 1857	795	
32. *W. G. Waite.....	18 Oct. 1866	800	*Superintendent
33. E. W. L. Morant ...	13 Nov. 1868	695	Government
34. G. Dalzell.....	23 Aug. 1871	695	Photo-Zinco-
35. H. L. Holland.....	11 May 1872	695	graphic Dept.,
36. G. H. Hampton.....	3 June 1878	560	Poona.
37. A. G. Spring.....	15 Aug. 1881	385	
	<i>Sind Survey.</i>		
38. W. J. Wilkins.....	15 Feb. 1867	895	
39. G. Berrie.....	27 Oct. 1862	695	
40. J. F. Nash.....	12 Aug. 1864	695	
41. G. F. Mathieson.....	29 Jan. 1867	695	
42. W. A. Boulton.....	6 Dec. 1869	695	
43. L. W. Seymour.....	22 Dec. 1877	560	
44. W. S. Cole.....	26 Sept. 1878	560	
45. W. D. Wilkins.....	31 Mar. 1879	560	
46. E. G. Gilbert-Cooper	1 Jan. 1878	460	
47. P. Ross.....	16 Aug. 1878	460	
48. C. Warburton.....	2 Sept. 1879	460	
49. C. F. Erskine.....	25 June 1880	385	
50. †C. E. Biddulph.....	19 Jan. 1878	385	†Serving in Baroda.

In addition to the 50 Uncovenanted Officers named above there are 6 Military officers belonging to the Bombay Staff employed in this department. All of these officers, both military and uncovenanted, have been nominated in India by pure patronage.

IV.—District Police (above Inspectors).

Name.	Date of 1st Appointment.	Present Monthly Pay.	REMARKS.
		Rs.	
1. C. M. McIver	19 March 1867	1,200	
2. H. Scannell	28 May 1868	1,000	
3. R. H. Vincent.....	1 Mar. 1869	900	
4. H. Kennedy.....	12 Mar. 1872	900	
5. T. E. Down.....	24 May 1872	900	
6. W. B. Prescott	11 Dec. 1875	900	
7. H. J. H. Henderson,	3 Mar. 1876	900	
8. H. J. Duggan	5 May 1876	800	
9. C. G. Coles	17 Mar. 1875	650	
10. F. Yates	21 Mar. 1875	800	
11. W. J. Holland	3 Mar. 1879	800	
12. H. G. Gell	10 Feb. 1881	800	
13. F. L. Goldsmid	11 Sept. 1878	650	
14. H. N. Alexander.....	3 June 1877	650	
15. M. Kennedy	8 Mar. 1877	650	
16. J. B. D. Adams	14 Mar. 1879	550	
17. H. M. Gibbs.....	21 July 1880	650	
18. E. V. Mackay.....	21 Apr. 1882	650	
19. F. Austin.....	7 Apr. 1883	550	
<i>Police Probationers.</i>			
20. F. C. Jones	4 Apr. 1882	650	
21. G. M. Cotgrave	7 Jan. 1882	500	
22. D. Davies	7 Jan. 1882	480	
23. L. H. Spence	7 Jan. 1882	480	
24. F. H. Warden	Not shown	250	
25. G. C. Cox	1 Feb. 1883	200	
26. J. H. C. Schneider ...	14 May 1882	480	Deceased.
27. G. A. Bulkley	21 Feb. 1883	380	
28. A. Jardine.....	11 Jan. 1882	200	
29. C. A. B. Beatty	23 Feb. 1883	300	
30. R. Mactier	16 Feb. 1883	250	
31. P. M. De H. Larpent.	4 May 1883	200	
32. H. St. L. Wood	28 April 1883	200	
33. J. G. Penton.....	22 April 1883	200	

In addition to the 33 uncovenanted officers named above, 12 military officers belonging to the Bombay Staff Corps are employed in this department. All of these officers, both military and uncovenanted, have been nominated in India by pure patronage.

K.—Political Department.

Name.	Date of first Appointment.	Present Monthly Pay. Rs.	REMARKS.
1. P. S. V. Fitzgerald.	17 Jan. 1878	700	Joined Service in Revenue Survey. Transferred to Political Department 23rd Dec. 1874, confirmed 17th June 1878.
2. J. H. Warden	5 Dec. 1883	350	Police Probationer. Transferred to Political Dept. 5th Dec. 1883. Not yet confirmed.
3. C. F. G. Lester	1 June 1880.	500	Joined Service as Assistant to Pol. Supdt., Sawantwadi.

VI.—Registration (Inspection) Department.

Name.	Date of first Appointment.	Present Monthly Pay. Rs.	REMARKS.
1. T. P. H. M. Filgate.	20 Aug. 1870	2000	Inspector-General of Registrations

VII.—Salt Department.

Name.	Date of first Appointment.	Present Monthly Pay. Rs.	REMARKS.
1. T. M. Cotgrave	25 Jan. 1866	1,025	
2. N. R. Oliver	27 April 1875	1,225	
3. R. Thom	7 Mar. 1874	950	
4. M. C. Leckie	1 Aug. 1873	775	

Name.	Date of first Appointment.	Present Monthly Pay.	REMARKS.
5. C. Pogson	1 Dec. 1875	775	
6. J. H. Dickinson	10 Mar. 1869	775	
7. G. H. Aitken	30 Sept. 1876	800	
8. F. J. A. Hill	28 June 1882	605	
9. H. Bulkeley	4 July 1881	605	
10. E. Close	Not shown	250	
11. P. G. Scott	8 July 1882	200	
12. A. N. Maidment	Not shown	200	

VIII.—*Customs and Opium.*

Name.	Date of first Appointment.	Present Monthly Pay.
1. H. L. Wright.....	1 Feb. 1881	750
2. W. G. Yeung.....	4 Feb. 1881	350
3. G. A. Ainsworth ...	30 Sept. 1882	430
4. K. N. Coghlan	3 Jan. 1883	1300
5. T. Strip	Not shown	300
6. W. Almon	15 Dec. 1883	320

IX.—*Forest Department.*

Name.	Date of first Appointment.	Present Monthly Pay.
1. *A. T. Shuttleworth..	19 Nov. 1863	1,600
2. H. Barrett	9 Nov. 1863	1,050
3. W. H. A. Wallinger.	19 Aug. 1865	850
4. W. S. Hexton.....	30 May 1869	850
5. J. L. L. Macaregor ...	1 Dec. 1871	650
6. G. St. P. L. Gibson...	1 May 1873	650
7. B. C. Wroughton ...	18 Oct. 1871	600
8. G. A. Hight	28 Sept. 1872	600
9. W. G. Betham.....	15 July 1873	600
10. W. J. C. Dunbar.....	22 Sept. 1872	600
11. H. Mainwaring	27 Sept. 1873	600

* Conservator of Forests.

INTERNATIONAL LABOUR OFFICE

10

THE INTERNATIONAL
LABOUR ORGANISATION

AND

SOCIAL INSURANCE

X:9588 029.594, d

GENEVA
1925

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INTRODUCTION

Few things affect the world of labour more directly and profoundly than social insurance. The risks covered by it — industrial accidents, sickness in general, occupational diseases, invalidity, old age, premature death, unemployment — are the cause of some of the most unforeseen and unjust hardships from which the workers and their families may suffer. They are a constant menace to the man who earns his living entirely by the work of his hands or his brain; if this does not give him regular employment, if he has to spend all or practically all of his limited earnings on the ordinary needs of his family and himself, he is in a state of perpetual uncertainty, which undermines his freedom of mind — the guarantee of good work — the organisation of production, and in the long run the peace of society. Small wonder then that the Governments of civilised countries are giving a larger and larger place in their counsels to social insurance, which should protect the workers directly, and indirectly national production, against these dangers. In the last fifty years practically every Government has enacted laws on compensation for industrial accidents. The principle of compulsory insurance is progressively replacing the voluntary principle; already some twenty States have adopted it for sickness insurance, and more than twenty-five for invalidity and old age, if non-contributory pension systems are included. Thus is being hammered out and improved the legislation to protect the worker from "hardship and privation".

The Treaty of Peace laid upon the International Labour Organisation the task of improving conditions of labour which involve "injustice, hardship, and privation to large numbers of people", and enumerated some of the risks which

should be covered by social insurance: "the protection of the worker against sickness, disease, and injury arising out of his employment; . . . provision for old age and injury."

But if all the risks which menace the worker are effectively covered the social insurance system absorbs very large sums and lays heavy charges on the countries which have established it. For example, the German system costs something like 1500 million gold marks a year, and that of Great Britain £130,000,000. No one could doubt that such expenditure adds to the cost of production. Thus arises in the field of international competition a positively immoral inequality between States which have tried to protect their workers by insurance and those which, whether from parsimony or mere inertia, have done nothing of the kind. And there is no small danger that the inaction of some States may arrest the progress of those which are more advanced in the sphere of labour legislation. To quote the preamble to Section 1 of Part XIII of the Peace Treaty, "the failure of any nation to adopt humane conditions . . . is an obstacle in the way of other nations which desire to improve the conditions in their own country". Such a position, which is prejudicial to the political and social relations between the nations, would be vastly improved if, thanks to international conventions, systems of insurance were set up providing adequate benefits for the insured and laying more or less equal charges on the finances of each state.

One of the objects of the International Labour Organisation being to render labour conditions uniform so far as possible, as a firm foundation for the economic organisation of the world and for industrial peace, sooner or later it had to take up a problem where international uniformity is essential. It began to do so during the first days of its existence, in 1919. It continued the work at more than one subsequent Session of the Conference, but merely dealt with single points in a somewhat scattered fashion. In 1924, however, it took up the problem as a whole and sketched a

systematic programme, work upon which was begun by the Seventh Session of the Conference, which was held at Geneva from 19 May until 10 June 1925.

In the following pages some account will be given, first, of the work of previous Conferences and the organisation of the Office in connection with social insurance; next, of the work of the 1925 Conference; and then of future events, i. e. the direction in which the work of the Organisation in the sphere of social insurance may perhaps develop.

**The Work of Previous Conferences and of the International Labour
Office prior to 1924**

WORK OF PREVIOUS CONFERENCES

Of the six previous Sessions of the Conference, four dealt with some problem connected with social insurance. The first Conference in 1919 adopted two Draft Conventions and one Recommendation, parts of which deal with the subject; the second (1920) adopted one Draft Convention and one Recommendation; the third (1921) one Draft Convention and two Recommendations; and the sixth (1924) one proposed Draft Convention and a Recommendation. Classified according to the risks covered, of the five Draft Conventions two deal with unemployment, two with industrial accidents, and one with maternity. Of the five Recommendations, two refer to unemployment, one to industrial accidents, one to maternity and one to all risks. Classified by the persons affected, one of the Draft Conventions covers agricultural workers, one seamen, one foreign workers, and two all workers. Similarly, of the Recommendations one covers agricultural workers, one seamen, one foreign workers, and two all workers.

There can be no thought of detracting from the importance of these first measures; but it should be noted that they approached insurance only as part of some more general problem, or dealt only with some secondary aspect of compensation for industrial accidents. Further, as none of these Conventions and Recommendations covers all risks or all classes of workers, it is obvious that they are not based on a general programme. On the contrary, they were mainly the product of circumstances and also no doubt of the idea, whether conscious and clearly expressed or not, that sooner or later the Conference would have to deal with the problem as a whole and that the earlier measures were really leading up to this.

Unemployment Insurance

The problem first taken up by the Conference, at Washington, in 1919, was unemployment insurance — a choice easily comprehensible in view of the terrible wave of unemployment then beginning or threatening. At this First Session the Conference discussed and adopted a Draft Convention and a Recommendation on the subject. Article 3 of the Draft Convention lays down that:

The Members of the International Labour Organisation . . . which have established systems of insurance against unemployment shall, upon terms being agreed between the Members concerned, make arrangements whereby workers belonging to one Member and working in the territory of another shall be admitted to the same rates of benefit of such insurance as those which obtain for the workers belonging to the latter.

The Washington Conference also adopted a Recommendation inviting Members of the Organisation to establish "an effective system of unemployment insurance, either through a government system or through a system of government subventions to associations whose rules provide for the payment of benefits to their unemployed members".

At its Second Session at Genoa in 1920 the Conference adopted a Draft Convention and Recommendation on unemployment insurance for seamen. The Draft Convention deals with a special case of unemployment, Article 2 laying down that:

In every case of loss or foundering of any vessel, the owner or person with whom the seaman has contracted for service on board the vessel shall pay to each seaman employed thereon an indemnity against unemployment resulting from such loss or foundering.

This indemnity shall be paid for the days during which the seaman remains in fact unemployed at the same rate as the wages payable under the contract, but the total indemnity payable under this Convention to any one seaman may be limited to two months' wages.

The Recommendation simply applies to seamen the Recommendation adopted the previous year at Washington for the institution of a system of unemployment insurance.

The two Draft Conventions and two Recommendations on this subject are thus in very general terms. They provide for covering the risk of unemployment without specifying methods, amount of benefit or distribution of costs, the only precise requirement being the extension of insurance to seamen and foreign workers.

Compensation for Industrial Accidents

The decisions of the Conference on this subject are of the same character as those concerning unemployment. There is nothing about the actual basis of the question but simply a demand for the extension of legislation on accident compensation to agricultural or foreign workers. Neither of the Draft Conventions mentioned below deals with the general problem of compensation, but only with the treatment of agricultural or foreign workers.

The Third Session of the Conference (Geneva, 1921) adopted a Draft Convention, Article 1 of which states that:

Each Member of the International Labour Organisation which ratifies this Convention undertakes to extend to all agricultural wage-earners its laws and regulations which provide for the compensation of workers for personal injury by accident arising out of or in the course of their employment.

At its Sixth Session (Geneva, 1924) the Conference adopted a proposed Draft Convention and a Recommendation on equality of treatment for foreign and national workers, and these have been finally adopted by the Seventh Session of the Conference (May - June, 1925). Article 1 of the Draft Convention states that:

Each Member of the International Labour Organisation which ratifies this Convention undertakes to grant to workers who are nationals of any other Members which shall have ratified the Convention, and who suffer personal injury by an industrial accident happening in its territory, or to the representatives of such workers, the same treatment in respect of workmen's compensation as it grants to its own nationals.

The Recommendation invites the States to take the necessary measures to give effect to the Convention.

Maternity Insurance

On this subject, too, there is a Draft Convention adopted by the First Session of the Conference in 1919. It deals with the employment of women before and after childbirth, lays down the period for which they must be absent from work after their confinement, and entitles them to leave work before it. In Article 3, almost as a subsidiary matter, it is stated that while a woman is absent from her work she shall be paid benefits sufficient for the maintenance of herself and her child, " provided either out of public funds or by means of a system of insurance, the exact amount of which shall be determined by the competent authority in each country ".

The Third Session of the Conference (Geneva, 1921) adopted a Recommendation inviting the States to give similar protection before and after childbirth to women wage-earners employed in agricultural undertakings.

Social Insurance in General

The Third Conference also adopted a Recommendation for the extension to agricultural workers of the benefits of laws and regulations establishing systems of insurance against sickness, old age, and other similar social risks for industrial and commercial workers.

The foregoing sums up the efforts at international regulation in connection with social insurance made by the International Labour Organisation up to 1924. As will be seen, they referred to three risks only — unemployment, industrial accidents, and maternity — and dealt with only three points — extension of national laws to foreign workers, extension to agricultural workers, and the provision of unemployment

and maternity benefit. It is no depreciation of the Conference's work to say that it bears no signs of an attempt to carry out a systematic preconceived plan or of a desire for precision.

First, there was no preconceived plan. On the contrary, until 1924 insurance as such seems to have had no place in the deliberations of the Conference (as in 1922 and 1923) or only a secondary or almost subsidiary place. As a rule the subject under discussion was a general labour problem, and it was only in endeavouring to find means of preventing certain evils that in addition the Conference dealt with insurance against their possible occurrence. The governing idea in the discussions and decisions — interesting and valuable they may be, but also imperfect — seems to have been expediency rather than principle.

In the second place, there is a lack of precision. The Draft Conventions or Recommendations simply require or recommend the introduction of unemployment or maternity benefit "provided either out of public funds or by means of a system of insurance". No attempt was made to fix the amount of benefit and its relation to the wage, or to state any of the fundamental rules, as to the persons to be covered or guarantees provided, such as any sound system of insurance must follow. No doubt this lack of detail has advantages, especially in questions which are hardly ripe for international codification. Draft Conventions worded in a very general fashion can be adapted to any system of insurance, whether rudimentary or complex; they do not discourage good intentions, however unlikely to be realised, and it is easier to ratify them. Somewhat vague generalisations may therefore be expedient. Nevertheless, there is a danger that the desire to secure the widest possible co-operation may obscure the real object, which is to improve the conditions of the workers, to cover the risk effectively, and to equalise the burdens which social insurance imposes on the several countries. It can hardly be said that the Draft Conventions

and Recommendations mentioned above achieve this aim or even indicate marked progress in that direction.

Points like these are so simple and obvious that no Member of the International Labour Organisation can have overlooked them. They led, in fact, to the growth of the idea that in matters of insurance the time had come to draw up more precise documents giving the workers effective protection and imposing equivalent obligations on the different States. In other words, it was desirable to consider the possibility of preparing Draft Conventions on insurance as wide in detail but as definite in essential principle as those already adopted on such matters as hours of work, night work for women and children, the minimum age for the admission of children to industrial, maritime, or agricultural employment, and the weekly rest-day.

No one could deny that the complexity of the problem is such as to make this task most difficult. That the question is ripe for solution and that solution is feasible is proved by the actual course of development — rapid, continuous, and progressive — of national legislation on social insurance.

WORK OF THE OFFICE

The International Labour Office was not fully prepared for such work, but it had never overlooked the question of social insurance, and had long grasped the fact that it would soon have to be one of its principal subjects of study. According to Article 396 of the Peace Treaty, the functions of the Office include "the collection and distribution of information on all subjects relating to the international adjustment of conditions of industrial life and labour", so that there was no doubt of its authority to deal with the question. The subject was raised as early as 1919 by the Czechoslovak Government, which asked that the Conference should discuss it; so urgently and impressively was the request presented that it could only be a question of time before the matter was taken up.

Apart from the action taken by the Organisation, the Office might well survey the post-war situation. Pre-war insurance systems had been wrecked and stultified by monetary crises; old countries were adjusting their legislation, new countries were enacting new laws. But all this seemed the result of divergent efforts, crying out for some international guidance. A Permanent International Committee on Social Insurance was in existence and had previously rendered valuable service, but from the beginning of the great economic depression after the war this Committee appeared to be dormant, and in any case the work to be done seemed rather beyond its powers. All these factors combined led the International Labour Office to equip itself adequately for the task before it.

Since its creation the Office had always had a technical Social Insurance Service, but in October 1923 this Service, which was included in the Research Division, was reorganised and equipped with a staff fitted for the work which, as will be shown later, was then beginning. This Service was to be the mainspring in the machinery of preparation for the Seventh Session of the Conference, to be described subsequently.

In July 1921, reporting to the Governing Body, the Director stated that the Permanent International Committee on Social Insurance had suspended its work since 1914, and that it would be most desirable for the Office to set up an international advisory committee, consisting of a small number of experts who might apply their experience and knowledge to the solution of social insurance problems. At its Eighth Session (Stockholm, July 1921) the Governing Body instructed the Director to assemble at Geneva a few experts of recognised authority to consider the principle and the means of constituting a Correspondence Committee on Social Insurance. The Office at once got into touch with several experts whose assistance would be valuable, and a conference was held at

Geneva on 22, 23, and 24 September 1921¹. The members of this conference unanimously recognised the desirability of resuming international relations in matters of social insurance and of instituting an International Correspondence Committee.

In virtue of the authorisation already given by the Governing Body and of the experts' advice, the Director proceeded in 1922 at Paris to set up the Committee. It was modified and enlarged during 1923 and 1924, and at present consists of 24 members from 14 countries². It includes professors of

¹ Those present at this conference were: Dr. BARGONI, Director of the National Fund for the Insurance of Workers against Accident, Rome; Prof. E. FUSTER, of the College of France; Mr. K. LINDNER, Chief Actuary of the State Insurance Bank, Amsterdam; Dr. H. RÜPENACHT, Director of the Federal Social Insurance Office, Berne; Mr. R. WISSL, former Minister of Public Economy, Berlin.

² *Belgium*: Mr. A. JULIN, Secretary-General of the Ministry of Industry and Labour, Brussels.

Czechoslovakia: Mr. WINTER, Member of Parliament, Minister of Social Welfare, Reporter of the Social Insurance Commission, Prague.

Denmark: Mr. J. BERNER, Member of the Department for Social Affairs, Copenhagen.

Estonia: Mr. V. GROHMANN, Ministerial Counsellor at the Ministry of Labour, Reval.

France: Mr. J. F. DREYFUS, Actuary at the Ministry of Labour, Paris. Mr. Ed. FUSTER, Secretary of the Permanent International Committee on Social Insurance, Paris.

Germany: Dr. AGRIN, Ministerial Counsellor at the Ministry of Labour, Berlin. Dr. R. FREUND, Ministerial Counsellor, Berlin. Prof. A. MANES, Secretary of the German Insurance Association, Berlin. Prof. P. MOLDENHAUER, Member of the Reichstag, Cologne. Dr. F. ZAHN, President of the Bavarian Office for Statistics, Munich.

Great Britain: Sir W. BEVERIDGE, Director of the London School of Economics and Political Science, London. Mr. Joseph L. COHEN, University of Cambridge. Prof. A. GRAY, University of Aberdeen.

Italy: Comm. F. BARGONI, Director of the National Fund for the Insurance of Workers against Accidents, Rome. Mr. CALAMANI, Director-General of Banking and Private Insurance in the Ministry of National Economy, Rome. Dr. G. LORIGA, Chief Medical Inspector of Factories, Rome.

Netherlands: Mr. K. LINDNER, Chief Actuary of the State Insurance Bank, Amsterdam.

Norway: Mr. G. WIESENER, Ministry of Social Affairs, Oslo.

Poland: Mr. ST. JURKIEWICZ, Director of the Department of Social Insurance, Warsaw. Mr. TUROWICZ, formerly Director of the Department of Social Insurance, Warsaw.

Spain: Mr. J. MARVA Y MAYOR, President of the National Provident Institute, Madrid.

Sweden: Mr. LINDSTEDT, formerly President of the Superior Council for Social Insurance, Stockholm.

Switzerland: Mr. LAMAZURE, Deputy-Director of the Federal Social Insurance Office, Berne.

economics and social insurance, directors of large insurance offices and similar institutions, heads of central departments dealing with the drafting of legislation and its enforcement, actuaries, members or chairmen of parliamentary committees on insurance, and one physician. It can thus call on the services of a great variety of eminent experts in economic, technical, legal, and practical matters.

The members of this Committee have two duties. In the first place the International Labour Office applies to them for information on legislative changes effected or contemplated in their respective countries, on the opinion of workers' and employers' organisations on such changes, on new proposals put forward by experts, and in general on the present tendencies of the social insurance movement. In the second place they are asked for technical advice on problems studied by the Office and on documents, reports, etc. which it proposes to publish. In general this work is done by correspondence, but the Director of the International Labour Office is empowered, when he sees fit, to assemble at Geneva either all the members of the Committee or certain members selected on account of their specialised knowledge of the particular question under consideration. The experts are in no way bound by these consultations on specific questions, still less are their Governments. The object in so consulting them is to secure the completeness, accuracy, and scientific value which may justly be expected from the work of the International Labour Office.

Such is the organisation of the Office for the study of social insurance, an organisation which was put to the test by the preparations for the Seventh Session of the Conference.

II

The 1925 Conference

THE AGENDA

The question raised in 1919 by the Czechoslovak Government was again taken up by the Director of the Office at the twentieth session of the Governing Body in October 1923, when the agenda of the Seventh Session of the Conference had to be determined. After some discussion it was agreed in principle that the question of social insurance should figure on that agenda, but that a final decision would be taken at the twenty-first session of the Governing Body in January 1924, after a preliminary examination of the subject by the Office. In January the Governing Body unanimously decided that the chief subject of discussion at the 1925 Conference should be social insurance. This gave rise to two decisions: the Governing Body placed the question of compensation for industrial accidents on the agenda of the 1925 Session with a view to the preparation and possible adoption of a Draft Convention, and in addition invited the International Labour Office to present at the same Session a "general report on social insurance". On these two decisions two comments may be made.

With regard to the first, it will be noted that almost without discussion of this particular point the Governing Body settled the first question which arose, namely, whether in studying social insurance the method should be to examine each risk in turn (accidents, unemployment, sickness, invalidity, etc.), or each problem (scope of the whole insurance system, amount of benefit, financial system, distribution of costs, and administrative organisation). At the October 1923 session, when the Director proposed that insurance should be placed on the agenda of the 1925 Conference, and the Czechoslovak delegate, Mr. Stern, recalled the request

made by his Government in 1919, practically all the speakers were of opinion that compensation for industrial accidents should be the first subject studied. It was thus simultaneously decided that the method of treatment should be by risk and that the first risk to be so dealt with should be industrial accidents. Division according to risk is certainly more convenient, in view of the present state of national laws, which nearly all deal with each risk separately. Moreover, since the division was to be by risk, it was natural to begin with industrial accidents, on which every country has legislated. The one danger was that an exhaustive study of insurance against a single risk might obscure the problem of insurance as a connected whole.

The second decision, which obviously went beyond the immediate business of the Governing Body in connection with the Seventh Session of the Conference, met this danger. In effect it required the Office not only to lay before the Conference material for discussion on the subject put down for study in 1925, but also to give it an opportunity to discuss the whole problem of social insurance, to state its opinion on the direction in which the Office should pursue its work in future, and possibly also to indicate the order in which the branches of social insurance other than accident insurance should be dealt with at future Sessions.

Thus the Governing Body's decision in January 1924 actually laid down an explicit programme for the 1925 Session, and also in effect sketched an embryo programme for future Sessions. The International Labour Office interpreted the decision in this sense, and set to work to carry it out.

PREPARATORY WORK BY THE OFFICE

Already at the beginning of 1924, the plan of the investigations to be undertaken by the International Labour Office

had been drawn up, and a start was made upon the preparation of the following studies ¹:

1. A report on the *general problems of social insurance*. In this document, after a brief survey of the historical development of social insurance, are examined the more important problems common to all the branches: scope of insurance legislation, benefits, financial system, resources, administration, and unification or co-ordination of the different branches.

2. A report on *compensation for industrial accidents* and another on *occupational diseases*, subjects which were comprised in the agenda of the 1925 Conference and upon which Draft Conventions were to be concluded.

3. A series of reports on *insurance against sickness and maternity, old age, invalidity and death*, and finally *unemployment*.

The reports prepared for the Conference, of which some description has been given above, were drafted by various services in the Research Division. As stated earlier, the Social Insurance Service was the mainspring of the machinery for this purpose. In addition to preparing and writing most of the reports it centralised the others, after indicating the general lines which they should follow, and sometimes revising them. The Unemployment Service compiled the report on unemployment insurance, and the Industrial Health Service that on compensation for occupational diseases. Beyond this, however, other sections in the Division, notably the Labour Legislation Section, have given their assistance in carrying through a heavy task in a very limited space of time. Even so it was necessary to reinforce the Research Division, either by members of other Divisions in the Office, or by temporary workers engaged for the purpose. Among all these valuable collaborators, due place must be given to the Correspondence Committee on Social Insurance.

¹ The following have been published: "General Problems of Social Insurance"; "Compensation for Industrial Accidents"; "Compensation for Occupational Diseases"; "Sickness Insurance"; "Unemployment Insurance".

In October 1923 the Governing Body requested the Office to submit the plan of a general report on social insurance. Even before drawing up this plan it was thought essential to examine, in co-operation with experts, the whole vast movement which has grown up in most countries of recent years to rebuild the social insurance system after the dislocation due to the political and economic effects of the war, and in particular to co-ordinate the systems already in existence. Meetings were held at Geneva on 14 and 15 October 1924. Seven experts were present¹, and the plan for the reports to be submitted to the 1925 Conference was drawn up in the light of their suggestions and advice.

In December 1924 the reports on compensation for industrial accidents and occupational diseases and on sickness insurance were circulated to all members of the Committee for their observations. Most of them studied these reports most carefully and indicated a few inaccuracies and omissions, which have been rectified.

Such collaboration by correspondence met the needs of the comparative studies of legislation for each risk, but oral discussion proved essential in the case of the report on "general problems of social insurance", which is intended not merely to analyse legal texts, but to describe principles, theories, and systems. The Director therefore convened a meeting of certain members of the Committee² at Geneva on 17, 18 and 19 March 1925. The members of the Committee examined the draft report chapter by chapter and made a number of suggestions of detail; they suggested, for example, that a theory which they thought interesting should be dealt with at greater length; or that stress should be laid on a national measure which appeared original and important. But they

¹ Messrs. Aurin, Bargoni, Cohen, Dreyfus, Fuster, Lamazure, Winter. The chair was taken by the Director of the International Labour Office and by Professor Fuster.

² Those present were: Messrs. Bargoni, Cohen, Dreyfus, Fuster, Freund, Manes, and Winter. The chair was taken by the Director of the International Labour Office and by Professor Fuster.

unanimously approved the general arrangement of the report and its technical accuracy and impartiality. The International Labour Office is glad to take this opportunity of expressing its thanks for their careful and disinterested assistance, guaranteeing as this does the scientific accuracy which it is always anxious to secure in its publications.

THE RESULTS

The Seventh Session of the Conference (Geneva, May-June 1925) adopted by a final vote a Draft Convention and two Recommendations concerning workmen's compensation, and a Draft Convention and a Recommendation concerning occupational diseases. The contents and significance of each of these instruments will now be briefly described.

A. Compensation for Industrial Accidents

The Draft Convention

The Draft Convention does not merely lay down that States have a duty to set up a workmen's compensation system, but deals with the essential aspects of the problem, prescribing the minimum conditions which must be satisfied by national laws in the matters of scope, benefits, and security of payment.

Scope.

The definition of the scope of a workmen's compensation law entails the definition of the undertakings covered, on the one hand, and that of the workers covered, on the other.

(a) Undertakings covered.

The formula adopted by the Conference is very wide. The Draft Convention states that "the laws and regulations as to workmen's compensation shall apply to . . . any enterprise, undertaking or establishment of whatsoever nature, whether public or private" (Art. 2, par. 1).

To this formula, which had been put forward by the Office, certain exceptions had been asked for by a considerable number of Governments and are to be found in the laws and regulations of numerous countries. The exceptions which were demanded most frequently related to undertakings employing a small number of workers and to those which involved only a slight risk.

The Conference did not see fit to allow these exceptions because they are in contradiction with the principle of occupational risk, on which all workmen's compensation legislation is based. Whether the number of workers employed by an undertaking be large or small, and whether the risk of accident be grave or slight, the right of the injured worker to compensation and the duty of the head of the undertaking to pay it are the same in all cases.

Moreover, the maximum limit of the number of persons employed in a factory varied so much from one country to another, and the definition of the undertakings which could be considered as involving only a slight risk is so difficult to settle, that the Conference did not consider it possible to insert provisions on these points in an international Draft Convention.

The text adopted by the Conference, to the extent to which it is ratified, will entail a notable progress in a large number of national laws and will open a right to compensation to considerable classes of workers.

(b) Workers covered.

Here, again, a very wide formula has been adopted by the Conference. The Draft Convention lays down that: "the laws and regulations as to workmen's compensation shall apply to workmen, employees and apprentices ..." (Art. 2, par. 1).

Exceptions to this general rule, which had likewise been suggested by the Office, were demanded by a fairly large number of Governments. The exceptions most often asked for concerned casual workers, out-workers, members of the

employer's family, non-manual workers whose earnings exceed a certain limit, and domestic servants.

Both in the special Commission which studied the problem of workmen's compensation and at the plenary sittings of the Conference, the definition of the classes of workers to be covered gave rise to long and keen discussions, in which opposite sides were taken by the partisans of a thoroughgoing application of the principle of occupational risk to all workers and by those who wanted a text in conformity with the present condition of their national laws, the great majority of which provide for exceptions of varying importance.

Two exceptions, however, were agreed upon fairly easily because they only apply to a small number of workers, and because they are to be met with in the majority of national laws. The first refers to "persons whose employment is of a casual nature and who are employed otherwise than for the purpose of the employer's trade or business" (Art. 2, par. 2 a), and the second refers to "members of the employer's family who work exclusively on his behalf and who live in his house" (Art. 2, par. 2 c).

Domestic servants also are not covered by the Convention. Although domestic servants are wage earners, work under the orders of an employer, and are dependent upon their work for their livelihood, so that it might seem that the principle of occupational risk should apply to them, nevertheless, on the ground that only a very few laws cover them, the Conference adopted a text which excludes them: the only beneficiaries are "workmen, employees and apprentices employed by any enterprise, undertaking or establishment" (Art. 2, par. 1).

The question of out-workers was much more difficult to settle. On the one hand, a certain portion of such workers could be considered as being in the service of an undertaking which supplied them with the materials for them to work

up, and sometimes even with their tools; on the other hand, they are not under the direct supervision of the employer, and it is extremely difficult, if an accident occurs, to furnish proof of the existence of a relation of cause and effect between the work and the accident. Hence, most legislations exclude out-workers from the right to compensation (they are included in only seven countries). Having regard to the diversity of opinions and the present condition of legislation, the Conference allowed an exception in the case of out-workers (Art. 2, par. 2 *b*).

The exclusion of non-manual workers whose earnings exceed a certain limit might appear to be contradictory to the principle of occupational risk; seeing that in case of accident the right of a workman to compensation and the duty of the employer to indemnify him are independent of the amount of earnings.

Nevertheless, it was urged that for this class of workers the risk of accident is very small, that by reason of their high wages they are able to provide against this risk themselves, and lastly that an exception of this character is to be found in a fair number of national laws. In order to secure the vote of Article 2 as a whole, the Conference decided, as a compromise, to admit an exception covering "non-manual workers whose remuneration exceeds a limit to be determined by national laws or regulations" (Art. 2, par. 2 *d*).

The significance of this exception will depend on the wage limits which are fixed by national laws.

Lastly, there are three other categories of workers to whom the Draft Convention is not applicable:

1. Seamen and fishermen, for whom provision shall be made by a later Convention (Art. 3, par. 1);
2. Persons covered by some special scheme the terms of which are not less favourable than those of this Convention (Art. 3, par. 2);

3. Agricultural workers in respect of whom the Convention concerning workmen's compensation in agriculture adopted by the Conference at its Third Session remains in force (Art. 4).

These are not strictly exceptions but special schemes or classes of workers for whom Conventions already exist or whose case will be dealt with later by special Conventions.

Benefits.

The Draft Convention contains provisions concerning the form of benefits, the date at which the right to benefit commences, and the various kinds of benefit which should be comprised in compensation.

(a) The form of benefits.

Compensation to injured workmen or their dependants may be paid either periodically (pensions, if the payment is permanent; allowances, if it is temporary) or in a lump sum paid once and for all. The payment of compensation in a lump sum has been seriously criticised, because very often it is rapidly wasted by inexperienced beneficiaries who lack the knowledge or intelligence required to make good investments. In case of serious incapacity which renders the victim unable to earn an appreciable wage, or in a case of fatal accident, the injured workman or his family, as the case may be, may find themselves in a state of destitution if they misuse the lump sum which has been paid to them. It would therefore seem preferable to some that compensation should be paid in the shape of an annual pension. Nevertheless, in certain cases, the payment of compensation in a lump sum offers advantages in that it allows the beneficiary to set himself up in business, take up a new occupation, purchase a farm, and so on. But it is necessary before the money is paid to ensure that it will be wisely utilised.

After taking all these factors into account, the Conference inserted in the Draft Convention an article to the effect that "the compensation payable to the injured workman or his

dependants, where permanent incapacity or death results from the injury, shall be paid in the form of periodical payments: provided that it may be wholly or partially paid in a lump sum if the competent authority is satisfied that it will be properly utilised" (Art. 5).

(b) The date from which the right to compensation commences.

Compensation may be payable either from the day of the accident or after the lapse of a certain period following the accident (waiting period), or again as from the day of the accident provided that the incapacity has lasted more than a certain number of days. On this point the provisions contained in national laws vary considerably, but more than two-thirds provide for a waiting period lasting from three to ten days.

The institution of a waiting period might be regarded as strictly speaking in contradiction with the principle of occupational risk, which requires that compensation should commence from the time when the loss commences, that is to say, the loss of wages consequent upon the incapacity. Its presence in a very large number of laws is to be explained by an anxiety to discourage malingerers by making them bear the loss of wages caused by slight accidents and to lessen the costs which employers would have to meet on account of a multitude of small accidents not causing any serious loss.

The Conference, considering the fact that a waiting period is provided for by the majority of legislations, leaves to the various States the possibility of introducing or retaining a waiting period, but it limits the duration by prescribing that "compensation shall be paid not later than as from the fifth day after the accident" (Art. 6).

(c) The constituents of compensation.

The Draft Convention provides that compensation should include benefits in cash, medical and surgical aid and the

supply of drugs required in consequence of accidents, and the supply and normal renewal by the employer of artificial limbs and surgical appliances the use of which is recognised to be necessary.

Compensation in cash.

In the matter of cash benefits the Draft Convention confines itself to stating that "in cases where the injury results in incapacity of such a nature that the injured workman must have the constant help of another person, additional compensation shall be provided" (Art. 7).

The right to additional compensation in case of accident resulting in incapacity requiring the constant presence of another person is admitted at the present time by the laws of only fifteen countries. The Conference, however, having regard to the fact that the case is that of a very small number of persons whose circumstances are very straitened because the compensation is usually the only means of existence not only of the injured workman but of the person who looks after him, considered that a provision for additional compensation should be generalised in all countries.

The Draft Convention contains no other provisions as to cash compensation; in particular, it contains no reference to the amount. When the Recommendation on the minimum scale of workmen's compensation comes to be examined the reasons will be shown for which the Conference, in agreement with the Office, did not see fit to include provisions on this matter in the Draft Convention.

Medical, surgical, and pharmaceutical aid.

Industrial accidents, even if they do not result in permanent incapacity for work, almost always require medical treatment, the object of which is to safeguard as far as possible the physical condition of the injured and to cure or mitigate the incapacity which results from injuries. The organisation of medical aid is therefore of the first importance from the point

of view of the injured workman, who desires to be cured and be restored to work as soon as possible, and from the point of view of the employer and the insurer, whose expenses will be the lower according as the incapacity is less serious, and finally from the point of view of the community, whose interest it is to possess the largest amount of productive labour and to reduce the dead weight implied by the existence of inactive invalids. Hence, it is not surprising to find that in the great majority of countries medical aid is considered as a normal element of compensation, being a right for the injured workman and a duty for the employer or insurer. In a few countries, however, injured workmen have no right to medical aid or only to aid of an inadequate character.

The Conference, without entering into details of organisation which are closely related to particular national circumstances, considered it necessary to affirm that "injured workmen shall be entitled to medical aid and to such surgical and pharmaceutical aid as is recognised to be necessary in consequence of accidents. The cost of such aid shall be defrayed either by the employer, by insurance institutions or by sickness or invalidity insurance institutions" (Art. 9).

The supply and renewal of artificial limbs and surgical appliances.

A large number of accident victims are unable on account of their injuries to carry on any productive work without artificial limbs or surgical appliances. Like medical, surgical and pharmaceutical aid, the supply and renewal of artificial limbs and surgical appliances is of the greatest importance for the injured workman, the employer or insurer and the community. Nevertheless, national laws generally provide for the supply of artificial limbs and surgical appliances solely for curative purposes, and it is in five or six countries only that the repair and permanent renewal of appliances, at the expense of the employer, are explicitly provided for as one of the injured workman's rights.

The supply, repair, and permanent renewal of appliances undoubtedly involves rather serious difficulties in the matter of organisation in countries where insurance is not compulsory and in those where, although it is compulsory, insurance is not effected by powerful institutions possessing branches throughout the country. In the course of the debates in the Conference, it was proposed to substitute for the supply and permanent renewal of artificial limbs and surgical appliances the grant of a sum of money in the form of a payment when compensation is in the form of a pension, or in the form of an addition to the capital when the compensation is in the form of a lump sum. This scheme, however, was subjected to lively criticism on the ground that it might lead to abuses and to a waste of money which might be considerable, especially when the compensation is paid in the form of a lump sum.

The Conference therefore decided, on the one hand, to lay down as a general rule that artificial limbs and surgical appliances should be supplied, repaired and renewed at the expense of the employer or insurer, but, on the other hand, to allow in exceptional cases, when the difficulties of organisation were too great, the grant of supplementary compensation instead:

Injured workmen shall be entitled to the supply and normal renewal by the employer or insurer of such artificial limbs and surgical appliances as are recognised to be necessary: provided that national laws or regulations may allow, in exceptional circumstances, the supply and renewal of such artificial limbs and appliances to be replaced by the award to the injured workman of a sum representing the probable cost of the supply and renewal of such appliances, this sum to be decided at the time when the amount of compensation is settled or revised.

National laws or regulations shall provide for such supervisory measures as are necessary either to prevent abuses in connection with the renewal of appliances or to ensure that the additional compensation is utilised for this purpose (Art. 10).

Guarantee of payment.

In addition to laying down the right of an injured workman or his dependants to compensation and to fixing the amounts which they are to receive, it is also necessary to take measures to ensure the regular payment of the compensation prescribed even in the case where the insurer is insolvent. Since the workman or his dependants rely upon the payment of compensation for their subsistence, it is a matter of public concern that it should be forthcoming. Many national legislations have, therefore, instituted an efficient system of guarantees on behalf of the beneficiaries.

The problem of providing guarantees was certainly the subject at the Conference which aroused the keenest discussion and a good deal of misunderstanding, partly on account of the variety of systems of guarantees to be found in the various countries and partly on account of the technical character of the subject.

The different types of guarantee systems can be finally reduced to four classes:

1. Creation of a privileged claim upon the assets of the employer or the insurer corresponding to the amount of the compensation;
2. System of a guarantee fund managed by the State and supplied by taxes paid directly or indirectly by the whole or a part of the employers;
3. System consisting in the deposit by the employer of actual security with a State fund or a fund supervised by the State: mortgage, deposit of securities or cash, etc.
4. System of compulsory insurance either with a national insurance fund administered by the State or with private insurance companies, mutual associations, or employers' mutual guarantee associations, under the supervision of the State.

The Conference for the most part took the view that the first guarantee system, that of the privileged claim on the assets of the employer, did not provide an efficient guarantee in the case of the bankruptcy or the disappearance of the undertaking, when the assets might be nil. However, it was not possible to arrive at an agreement on a text which would leave national laws a free choice between the three other systems of guarantee considered as adequate.

Nevertheless, as the provision of some guarantee seemed indispensable the Conference adopted the following text:

The national laws or regulations shall make such provision as having regard to national circumstances is deemed most suitable for ensuring in all circumstances in the event of the insolvency of the employer or insurer the payment of compensation to workmen who suffer personal injury due to industrial accidents or in case of death to their dependants (Art. 11).

The Recommendation concerning the Minimum Scale of Workmen's Compensation and Vocational Re-education

The question of the amount of compensation is of the greatest importance both to the workers, the value of whose rights it measures, and to the employers, the amount of whose obligations it determines.

Nevertheless, the Conference adopted the view of the Office that it was not practicable to include in the Draft Convention provisions relating to the minimum scale of compensation. The fact is that on account of the variety to be found in national laws in the matter of scale and of the difficulty of fixing monetary equivalents, it is extremely difficult, if not impossible, to arrive at any national regulations on the subject.

The compensation due to victims of accidents or their dependants is paid sometimes in the form of pensions expressed as percentages of the earnings of the injured workman, sometimes in the form of lump sums expressed as multiples of his earnings. Although the percentages and the multiples of earnings prescribed in the various countries differ considerably,

it would not be impossible to specify a minimum scale of compensation related to the average level specified by national legislation. It must be remembered, however, that a large number of laws prescribe limits for the wage taken into consideration as the basis of calculation of compensation and also absolute limits which compensation can in no case exceed. It is quite evident that, even for accidents of similar severity, the use of like percentages or multiples would give quite different results according as the wage limits or the absolute limits of compensation were higher or lower. These limits, which are fixed in each country after taking into account the general level of wages, cost of living and the purchasing power of currency are not comparable among themselves, and it would be very difficult to find a common measure which would be internationally acceptable.

The problem becomes yet more complicated when the case is that of compensation for a fatal accident, on account of the variety of methods followed by the national laws in the matters of the definition of dependants entitled to compensation, the conditions which they must fulfil in order to obtain compensation, and the distribution of the compensation among the relatives, which in some countries varies according to the number and kinship of the dependants concerned.

After a careful examination of these many serious difficulties, the Office in the first place, and then the Conference also, came to the conclusion that, on the one hand, the drafting of any definite rule concerning the minimum scale of compensation and imposing upon the Governments definite engagements (as should be the case with every provision of a Draft Convention) would be extremely difficult, and that, on the other hand, such a rule would be out of harmony with almost every one of the national laws and would endanger the adoption and, what is more serious, the ratification of the Draft Convention as a whole. Nevertheless, as the importance of the scale of compensation is fundamental, it was decided to draw up a Recommendation with regard to it.

The Recommendation contains no provision as to the limits to be applied to the earnings used as basis of calculation of compensation, nor as to the absolute limits which compensation itself must not exceed. Although such wage limits or compensation limits are to be found in national laws, it did not seem possible to the Conference to include like provisions in the Recommendation because, as has been explained above, the drafting of an international text meets with almost insuperable difficulties, and the existence of limits to the basic wage and compensation was felt to be contrary to the principle of occupational risk.

The Recommendation deals with the minimum scale of compensation for accidents resulting in incapacity for work, for accidents causing injuries necessitating the constant help of another person, and for accidents resulting in death.

1. Minimum scale of compensation to be paid in case of accidents resulting in incapacity for work

The amount of compensation varies according as the incapacity is total or partial. The form and duration of compensation vary according as the incapacity is permanent or temporary. The Conference has adopted the usual division: permanent total incapacity, permanent partial incapacity, temporary total incapacity, temporary partial incapacity.

When the compensation is paid in the form of pensions or daily, weekly or monthly allowances, it is equal to a fraction of the earnings of the injured workmen. This fraction varies in the different national laws from 50 to 100 per cent. of earnings in case of total incapacity; the fraction which is met with most frequently is two-thirds. The Conference therefore recommended that the minimum scale of compensation in cases of accidents resulting in total incapacity should be two-thirds of earnings, whether the incapacity is permanent or temporary. The compensation in case of partial incapacity, whether permanent or temporary, is most usually fixed in national laws at a fraction of the compensation due

in case of total incapacity, corresponding to the reduction in earning capacity caused by the accident; that is the formula which has been adopted by the Conference. Lastly, as has been seen, the Draft Convention, although it asserts the general rule that compensation should be paid in the form of pensions, allows in exceptional cases payment in the form of a lump sum. As this latter form of compensation is adopted at the present time in some fifteen countries, and as the amount of the lump sum varies from six months' to ten years' wages according to the country, the Conference considered it necessary to recommend a rule. The system of lump sums as at present applied does not take into account the age of the injured workman, that is to say, the duration of his working life which might be reckoned upon, and to that extent is not a true measure of the actual loss. The Conference considered that the most rational formula is one which relates the scale of the compensation paid in the form of lump sum to that of the compensation paid in the form of a pension; and it inserted in the Recommendation a provision to the effect that "where compensation is paid in a lump sum the maximum sum payable to all the dependants should not be less than the capitalised value of periodical payments".

2. Minimum scale of additional compensation where the workman requires the help of another person.

The Draft Convention (Art. 7) confines itself to affirming the principle that additional compensation ought to be granted to workmen so injured as to require the constant help of another person, but it lays down no rule as to the amount of such compensation.

In countries where additional compensation is provided at the present time its amount is either uniform in all cases and defined precisely by the terms of the law, or it varies according to the circumstances of the individual case, only the maximum being prescribed. These laws provide either

as the uniform scale or as the maximum scale that the addition to compensation should amount to half the compensation granted in case of permanent total incapacity.

Taking into account the facts that the injured workmen concerned are most often completely incapacitated for work or can only obtain very small wages, that their loss consists not only in their own wages but in the wages of the person who helps them, and that lastly the persons concerned are very small in number and are particularly deserving of consideration, the Conference recommended that "where the injury is such that the workman requires the constant help of another person, additional compensation should be paid to the workmen, which should not be less than half the amount payable in case of permanent total incapacity".

3. Minimum scale of compensation in case of accidents resulting in death.

An industrial accident resulting in death involves an economic loss to the persons who were maintained by the deceased, or those who would have been entitled to claim from him in certain circumstances pecuniary aid, or finally those who would have inherited any savings which he might have made if the accident had not occurred. The amount of compensation can therefore be fixed by having regard to two different conceptions, the conception of the loss suffered by the heirs as defined in the civil law, or the conception of the need of persons economically dependent upon the deceased worker.

In the former case the amount of compensation is in direct relation with the wages and age of the deceased and is the same whatever the number, kinship and economic situation of the heirs.

In the second case the amount of compensation is fixed after taking account of the actual pecuniary aid which the dependants received or would have received, that is to say,

after consideration, on the one hand, of the age of the victim and his earnings and, on the other hand, of the number of persons economically dependent upon him, their age and their needs.

The factors which are to be found in both schemes are the age of the deceased and his rate of earnings; on these two factors depend to a large extent not only the pecuniary aid which the dependants might expect, but also the amount of the savings which the deceased might have effected if the accident had not occurred.

As a matter of fact the majority of laws apply at once both the principle of reparation of economic loss and that of economic dependence or need, emphasising sometimes the former, sometimes the latter principle in determining the classes of relatives entitled to compensation, the total amount of compensation and the distribution of compensation among the relatives.

(a) *Definition of persons entitled to compensation.* — National laws and regulations generally establish two classes of persons entitled to compensation. In the former are always to be found the widow or widower and the younger children of the deceased who, in accordance with the principle of reparation of economic loss, are not required to supply proof of their condition of economic dependence. In the second are generally to be found grandchildren, brothers and sisters, parents and grandparents for whom proof of the condition of economic dependence is demanded in accordance with the principle of need. Some national laws bring in the idea of need in the case of children by providing an age limit beyond which the children no longer enjoy the right to compensation because they are considered to be capable of earning their own living. This age limit varies from country to country between 14 and 22 years, but is generally fixed at 15, 16, or 18 years.

The Conference recommended that the right to compensation should be admitted without regard to economic dependence

in the cases of the widow or widower and the children under 18 years of age. This age limit of 18 years was selected because it appeared to be most in harmony with the general requirements of physical, intellectual and vocational development of children. Moreover, the Conference recommended that no age limit should be imposed in cases where, in consequence of physical or mental defect, children are unable to earn their own living.

The right to compensation in the case of other classes of persons is in almost all national laws based upon the conception of economic dependence; generally it is required that parents and grandparents, grandchildren, and often brothers and sisters, should be or would have been dependent upon the deceased, unable to work by reason of age or disablement, and without resources. The Conference, taking its stand upon the average provisions of national laws, recommended that the following should be recognised as being entitled to compensation:

Deceased's ascendants (parents or grandparents), provided that they are without means of subsistence and were dependent on the deceased, or the deceased was under an obligation to contribute towards their maintenance;

Deceased's grandchildren and brothers and sisters, if below 18 years of age, or above that age if, by reason of physical or mental infirmity, they are incapable of earning, and if they are orphans, or if their parents, though still living, are incapable of providing for them.

(b) *Total amount of compensation.* — The majority of national laws provide that the total amount of the compensation to be granted to all the dependants together, whatever their number and their relationship or their condition of economic dependence, shall not exceed a certain limit expressed as a fraction of the wages of the deceased when the compensation is in the form of an annual pension or as a multiple of such wages when the payment is in the form of a lump sum.

The fraction of the earnings of the deceased which must not be exceeded by the total of the pensions granted to the different dependants varies between one-half and two-thirds of the wage according to the country; it is most often equal to two-thirds. This proportion of two-thirds can be justified in view of the fact that the death of the breadwinner, although it causes a loss of earnings, nevertheless entails a lessening of the expenditure corresponding to the consumption of the deceased. Although this reduction of expenditure varies widely according to individuals and the composition of the family, it can be considered to amount on the average to between 20 and 30 per cent. of earnings and that in consequence the economic loss actually suffered is between 70 and 80 per cent. of earnings. Since, moreover, the principle of occupational risk requires that compensation should be paid at a fixed rate and should be equivalent to partial reparation of the loss, it seems that the proportion of two-thirds of wages should be acceptable.

Hence the Conference recommended that "where compensation is paid by means of periodical payments, the maximum total of the yearly sum payable to all the dependants should not be less than two-thirds of the deceased's annual earnings".

In some fifteen countries compensation in case of fatal accident resulting in death is awarded to the dependants in the form of lump sums, the amount of which varies between one and five years' earnings.

The Conference considered that whether the accident resulted in death or incapacity, there should be relation between compensation in the form of pension, and compensation in the form of lump sum. Consequently, it recommended that "where compensation is paid in a lump sum the maximum sum payable to all the dependants should not be less than the capitalised value of periodical payments equivalent to two-thirds of the deceased's annual earnings".

(c) *Distribution of compensation among the dependants.* — The distribution of compensation among the dependants can be effected on two different methods, according as the share of the compensation which falls to each dependant is, or is not, fixed by law.

The first of these methods involves entrusting the distribution of the total compensation to a judge, an official or a commission, who fixes for each of the dependants the share which seems most equitable in the circumstances, taking into account the condition of economic dependence and need of the person concerned. If the condition of economic dependence of one or several relatives justifies it, the whole of the compensation may be awarded, whereas in the contrary case it may be that only a part of the total compensation will be granted.

According to the second method, the law fixes a certain percentage of annual earnings for each class of dependant (widow or widower, children, parents, brothers and sisters, etc.). The distribution of compensation is carried out in a certain order of priority up to the amount of the maximum described in the law. Priority is always given to the widow or widower and the children; their right to compensation should be wholly satisfied before that of the other relatives can be considered. Nevertheless, the widow or widower and children enjoy, generally speaking, equal rights of priority, and when there are numerous children, it may happen either that the share of the widow or widower and that of the children are reduced in the same proportion, or that only the shares of the children are reduced.

The order of priority adopted for compensating dependants other than the widow or widower and children varies considerably according to the country. Nevertheless, the majority of laws grant to parents the third place after the widow or widower and children.

Lastly, certain laws distribute the whole amount of the compensation, whatever may be the number and kinship of the dependants; while others allocate to each dependant the share provided for him by the law, and can only award a portion of the maximum compensation if the number of dependants is very small.

The conditions laid down by national legislation are so various, and the possible composition of a family varies so much that the Conference did not consider it possible to draft, even in a Recommendation, a text concerning the distribution of compensation among the various classes of dependants.

Vocational re-education.

A large number of victims of accidents are unable, by reason of their injuries, to engage in remunerative work unless they have undergone a course of vocational re-education. In spite of its undoubted value, re-education had before the War only been studied in an elementary manner, and organised on a restricted scale. No attempt was made to fit the disabled for competition on the general labour market. The object was rather to give them a regular occupation in workshops connected with hospitals and subsidised by private persons or the State. In fact, the provision of work for the mutilated was no more than a superior form of charity.

The War suddenly increased the number of disabled by some 10,000,000 men, mostly young and belonging to the wage-earning class. In view of the necessity of warding off the demoralising depression which often results from idleness, and of providing an addition to the disabled man's resources, and in view also of the necessity for the nation of maintaining and restoring the productive force of so large a number of workers, the problem of the rehabilitation of the War disabled pressed urgently for solution at the hands of Parliaments and Governments. On all sides, researches were undertaken to discover the best methods for restoring the disabled to an active life. Re-education ceased to be empirical and

acquired a science and technique of its own. In every belligerent country a great network of national, regional, and local institutions was organised with the assistance of the State, associations of workers' and employers' organisations and private individuals; and hundreds of centres, schools and retraining workshops were created.

This technical and scientific progress was completed by progress in the juridical sphere. Vocational re-education came to be considered as a normal element of compensation, as a duty for the State and a right for War victims.

The results of this immense effort have given rise to much controversy, but on the whole the work has been a fruitful one. Hundreds of thousands of men have been able to take up new trades. It has now been proved that given a sound orthopaedic treatment, well-designed appliances and a properly organised system of retraining, a very large number of the disabled are capable of a productive efficiency little less than that of an able-bodied workman, if they are placed in suitable occupations.

It is therefore natural that the question of extending the benefits of vocational re-education to the disabled of industry should have received consideration. However, while there have been numerous schemes but little has been done in the way of practical effort. In general, it may be said that workmen's compensation legislation makes no provision for vocational re-education, which constitutes neither an obligation for the employer or insurance institution, nor a right for the workman who becomes the victim of an accident. Nevertheless, in several countries progress has been made in re-education as the result either of local enactment or on the initiative of large insurance institutions. Such is the case in Austria, Belgium, France, Germany, Italy, Netherlands, Spain, and the United States. The Conference, conscious of the value of vocational re-education, but taking into account the practical difficulties of organisation and the great variety of the cases to be treated, decided to recommend that " the

vocational re-education of injured workmen should be provided by such means as the national laws or regulations deem it most suitable. Governments should encourage institutions which undertake such re-education ”.

Recommendation concerning Jurisdiction in Disputes on Workmen's Compensation

Disputes on workmen's compensation arise not only out of the interpretation of the terms of laws and regulations, but also out of occupational questions which require a thorough knowledge of labour conditions: the nature of the undertaking, the character of the risk which it involves, the relation between the employment and the accident, the method of calculating the basic wage, the degree of incapacity for work, the possibility of taking up a new occupation.

It is evident that such a thorough knowledge of labour conditions can only be possessed by employers and workers, and that their participation in the courts which decide workmen's compensation disputes enables more equitable decisions to be arrived at. The Conference, convinced of the truth and value of these considerations, and seeing that the participation of employers and workers in these courts can be arranged for in many countries without disturbing the judiciary system, adopted a Recommendation concerning jurisdiction.

In the first part of the Recommendation, the Conference desired to assert the principle that workmen's compensation disputes ought preferably to be dealt with by a special Court or Board of Arbitration, comprising, with or without the addition of regular judges, an equal number of employers' and workmen's representatives. In view, however, of the fact that at the present time, in the great majorities of countries, workmen's compensation disputes are settled by the ordinary courts, the Conference recommended that in these countries the courts should, at the request of either of the parties concerned, hear employers'

and workmen's representatives as experts in any case where the dispute involves a question of an occupational character, and in particular the question of the degree of incapacity for work.

B. Compensation for Occupational Diseases

The Draft Convention

The principle of occupational risk applies to the compensation of occupational diseases in the same way as to that of industrial accidents. On the principle itself of compensation for occupational diseases at the expense of the employer, there is fairly general agreement. Nevertheless, the laws which have provided for such compensation are still relatively few. This situation is to be explained by the very considerable difficulties which are met with in practice in the compensation of occupational diseases. In the first place it is often very difficult, even for a skilful doctor, to determine whether the origin of disease is occupational or not. Further, it is necessary to fix a limit to the duration of the responsibility of employers, that is to say, the lapse of time between the date on which employment ceased in the industry considered as liable to give rise to an occupational disease, and the date when such disease causes death or incapacity for work; this period varies widely according to the disease. Lastly, when there are several employers who may be responsible, it is necessary to prescribe how the cost of compensation is to be distributed among them. The solution of these essential problems is evidently always difficult.

The Conference, aware at the same time of the difficulties and of the necessity of ensuring fair compensation to the victims of occupational diseases and to their dependants, decided to aim at a result which should be at once simple and limited and yet positive.

In the first place, the Conference stated that occupational diseases ought to carry the same right to compensation as industrial accidents:

Each member of the International Labour Organisation which ratifies this Convention undertakes to provide that compensation shall be payable to workmen incapacitated by occupational diseases, or, in case of death from such diseases, to their dependants, in accordance with the general principle of the national legislation relating to compensation for industrial accidents.

The rates of such compensation shall not be less than those prescribed by the national legislation for injury resulting from industrial accidents (Art. 1).

In the second place, the Conference decided to include in the Draft Convention a list of occupational diseases which ought to be compensated. This list is in two columns: in the first column is a list of substances liable to cause certain kinds of poisoning or diseases, and in the second column a list of activities, occupations or operations in which these kinds of poisoning or diseases, when they occur, are to be considered as occupational in their origin.

The list of diseases or poisonous substances adopted by the Conference is very simple: it only includes poisoning by lead, its alloys or compounds; poisoning by mercury, its amalgams and compounds, and anthrax infection. Nevertheless, if the Draft Convention is ratified, it will entail a very considerable progress in the case of those laws which at the present time do not compensate for occupational diseases.

The Recommendation

The Conference had wished to keep the Draft Convention very simple by including in it only a small number of diseases, and a small number of occupations, industries or operations for which the occupational origin of disease could be already clearly proved. But far from considering this list as final, the Conference was careful to state that this enumeration, which had already been exceeded by a certain number of national laws, could and should be extended and perfected. Consequently, it adopted a Recommendation inviting the members of the International Labour Organisation to establish,

if it did not already exist, a simple procedure by which the list of diseases considered occupational in its national legislation might be revised.

III

The Work in the Future

The object of the Governing Body in asking the Office to submit to the 1925 Conference a report on the general problems of social insurance was to give the Conference the opportunity of deciding by means of a resolution as to the order in which social insurance questions should be taken up by later Sessions of the Conference, and as to the trend which should be followed by the Office in its study of social insurance.

The Conference desired to have the advice of specialists on these two questions, and so it appointed a special commission to examine them. This commission, known as the Commission on General Problems of Social Insurance, after a study of the report prepared by the Office, submitted its own report and a resolution, which were unanimously adopted by a Plenary Session of the Conference.

The contents of the report and the resolution are summarised below.

THE INCLUSION OF SOCIAL INSURANCE ITEMS IN THE AGENDA OF FUTURE CONFERENCES

The Conference, acting in accordance with the opinion of the Commission, decided unanimously that sickness insurance ought to be taken up in the first place, and asked the Governing Body "to place the question of general sickness insurance for workers on the agenda of an early Session of the Conference, if possible that of 1927".

Both the Conference and the Commission considered that sickness is a serious risk to which all workers and their families are continuously exposed. The character of the risk is well known. Tables of morbidity, drawn up on the basis of long experience covering millions of individuals, are accurate enough to allow precise forecasts to be made and to afford a solid basis for sound actuarial management. Moreover, sickness insurance involves the establishment and co-ordination of a whole group of national, regional and local institutions which enable close contact to be maintained between insured persons and the insurance organisation; and of course a medical service must be set up. Sickness insurance is therefore able to place at the disposal of the other branches of social insurance its administrative services for the collection of contributions, the payment of benefits and the examination of claims to benefit, and lastly its medical service to prevent or mitigate invalidity. In this way the local sickness insurance fund has come to be considered in many countries as the proper basis on which a complete system of social insurance could be built, yielding the highest social efficiency for a minimum cost of administration. It is therefore on sickness insurance that International Labour Organisation is likely to concentrate its attention in the near future.

As regards invalidity, old age, and dependants' insurance, the Conference has left it to the Governing Body to decide whether they should be placed on the agenda of the Conference which will consider sickness insurance or on the agenda of a later Conference. The fact is that in matters of this sort considerations of expediency must carry weight at the same time as considerations of a technical order. There is no doubt a close relation between risks of industrial accident, occupational disease, ordinary sickness, invalidity, old age and death, and it would be an inviting task for insurance specialists to endeavour to plan a Draft Convention containing the basic provisions for a complete system of social insurance. The Governing Body, however, has to take account of the actual facts and of

the prospects of legislative progress in the different countries. In fact, in almost all countries sickness insurance, on the one hand, and invalidity, old age and survivors' insurance, on the other hand, constitute separate systems. Moreover, a Convention covering all the different risks would represent a prodigious task for a single Conference by reason of the number and difficulty of the problems which would be raised, and that, even if a draft could be agreed upon, it would have very little chance of being ratified by any considerable number of States, which would be obliged thoroughly to re-organise their social insurance systems. It is therefore to be expected that the method of studying each risk separately, which was adopted in 1925 in the case of workmen's compensation for industrial accidents and occupational diseases, will be maintained, that sickness insurance will be placed on the agenda of the 1927 Conference, and that invalidity insurance, old age insurance and dependants' insurance will be placed on the agenda of subsequent Conferences.

THE RESEARCH WORK TO BE CARRIED OUT BY THE
INTERNATIONAL LABOUR OFFICE

The reports published by the International Labour Office on the general problems of social insurance, compensation for industrial accidents, compensation for occupational diseases, sickness insurance, and unemployment insurance, are studies of national laws; they only comprise a comparative study of legal provisions.

On the proposal of its Commission, the Conference decided that these international studies ought to be continued and that for the future they should include the collection and distribution of information concerning

- (a) the progress of legislation and regulations regarding all branches of social insurance;
- (b) the results obtained in the various countries, and for the various branches of social insurance.

Further, the resolution submitted by the Commission and accepted by the Conference provides that the studies prepared by the Office should as far as possible show in detail for each country and for each risk

- (a) the classes and number of workers covered, i.e. whether independent workers, workers for salaries or wages, and others, and also the occupations covered (distinguishing between compulsory and voluntary systems);
- (b) similarly the classes and numbers not covered by the systems;
- (c) the benefits (i) nature, i.e. in kind or in cash, (ii) amount, (iii) duration, (iv) conditions attached;
- (d) how the cost is borne, (i) by the State or other public authority, (ii) by the employer, (iii) by the persons covered;
- (e) the total annual cost under heads (d) — (i), (ii), and (iii), with the proportion of the workers' and employers' contributions to the wages paid;
- (f) the expenditure annually (i) on benefits, (ii) on administration, and numbers who receive each kind of benefit, and the economic effects of the system as a whole in each country;
- (h) the use of social insurance reserves for the improvement of public health.

The report of the Commission observes that the programme detailed above is evidently a maximum programme which can only be carried into effect in so far as information provided by States and industrial organisations provides the means. The research work performed by the Office is closely dependent upon the questions placed on the agenda of Conferences; hence if, as there is reason to believe, sickness insurance will be taken up by the 1927 Conference and invalidity insurance, old age insurance and survivors' insurance by subsequent Conferences, the International Labour Office will prepare studies firstly on sickness insurance, then

on invalidity insurance, old age insurance and survivors' insurance, which according to the plan proposed by the Conference will comprise an examination of legal provisions and the results of the operation of insurance schemes, and will contain statistics as complete as the material supplied by official reports and information received from Governments will allow.

On 28 January 1926, the Governing Body finally decided to place on the agenda of the 1927 Conference the question of sickness insurance. The Office has been given the task of preparing an international report on compulsory sickness insurance and a report on voluntary sickness insurance, each containing a comparative analysis of national schemes and a study of their working as shown by statistics.

APPENDIX I

Texts of International Draft Conventions and Recommendations concerning Social Insurance adopted between 1919 and 1915 by the first seven Sessions of the International Labour Conference.

SUMMARY

1. Social Insurance in general.
2. Compensation for Industrial Accidents.
3. Compensation for Occupational Diseases.
4. Unemployment Insurance.
5. Maternity Insurance.

In the texts printed below only the articles referring to social insurance have been reproduced. It was not considered necessary to give the articles which prescribe the procedure for ratification which are to be found at the end of every Draft Convention, or the articles dealing with matters other than social insurance.

I. SOCIAL INSURANCE IN GENERAL

General Resolution on Social Insurance (Geneva, 1925)

Whereas the maintenance of a healthy and vigorous labour supply is of capital importance, not only for wage-earners themselves, but also for industrial communities desirous of developing their productive capacity,

And whereas this development is only attainable by constant and systematic endeavour to obviate all avoidable loss or diminution in the efficiency or earning capacity of wage-earners,

And whereas a system of labour regulation, if true to the principle of social justice, must secure the effective protection of the workers against risks endangering their livelihood, or that of their families,

And whereas this protection can best be attained by means of the establishment of a system of social insurance granting clearly defined rights to the beneficiaries,

The General Conference of the International Labour Organisation, having noted that

Several States have secured their working class population against occupational and non-occupational risks by establishing

systems of social insurance covering almost all workers and their families, and that these systems

(1) Give to insured persons the right, when the risks materialise, to claim benefits by way of payments in kind and in money, enabling them to resume their place in the productive life of the community, or failing this assuring them and their families, if not full compensation for the damage sustained, at least a reasonable minimum standard of life as understood in their time and country, or a basis on which to maintain such a standard;

(2) Usually derive their income from contributions paid by employers and workers and from grants out of public funds (except in the case of loss resulting from industrial accidents and occupational diseases, the responsibility for insurance against which as a rule rests entirely upon employers);

(3) Establish through comprehensive mutual insurance institutions administered by the employers and workers directly interested, or by the State in collaboration with them, an organisation designed to encourage thrift and to improve the conditions of life of the insured persons;

And desiring not only to remove conditions which may constitute an obstacle to the efforts of Members who desire to expand and improve their system of social insurance, but also to profit by all the valuable experience obtained in various countries, and recalling the decisions taken at previous Sessions, especially those concerning unemployment, employment of women before and after childbirth and workmen's compensation for industrial accidents,

(1) Requests the Governing Body of the International Labour Office to place the question of general sickness insurance for workers on the agenda of an early Session of the Conference, if possible that of 1927, and on the agenda of the same or succeeding Sessions (due regard being had to the close connection between the various branches of social insurance) the questions of invalidity, old age, and widows' and orphans' insurance;

(2) Decides that the useful work already performed by the International Labour Office in collecting information with regard to social insurance should be continued, and should include the collection and distribution of information concerning:

(a) the progress of legislation and regulations regarding all branches of social insurance;

(b) the results obtained in the various countries and for the various branches of social insurance, especially with regard to the classes and number of beneficiaries and insured persons, the nature and extent of the benefits granted, the funds required and the manner of distributing financial responsibility amongst the different classes of contributors, the employment of reserves and the expenses incurred by insurance institutions on account of benefits and costs of administration.

The information furnished by the International Labour Office should give in detail as far as possible, for each country and for each risk:

(a) the classes and number of workers covered, i.e. whether independent workers, workers for salaries or wages and others, and also the occupations covered (distinguishing between compulsory and voluntary systems);

(b) similarly the classes and numbers not covered by the systems;

(c) the benefits (i) nature, i.e. in kind or in cash, (ii) amount, (iii) duration, (iv) conditions attached;

(d) how the cost is borne (i) by the State or other public authority, (ii) by the employer, (iii) by the persons covered;

(e) the total annual cost under heads (d) — (i), (ii) and (iii), with the proportion of the workers' and employers' contributions to the wages paid;

(f) precise methods of administration centrally and locally;

(g) the expenditure annually (i) on benefits, (ii) on administration, and the numbers who received each kind of benefit, and the economic effects of the system as a whole in each country;

(h) the use of social insurance reserves for the improvement of public health.

Recommendation concerning Social Insurance in Agriculture
(Geneva, 1921)

The General Conference of the International Labour Organisation recommends:

That each Member of the International Labour Organisation extend its laws and regulations establishing systems of insurance against sickness, invalidity, old age and other similar social risks to agricultural wage-earners on conditions equivalent to those prevailing in the case of workers in industrial and commercial occupations.

II COMPENSATION FOR INDUSTRIAL ACCIDENTS

Draft Convention concerning Workmen's Compensation in Agriculture (Geneva, 1921)

ARTICLE 1

Each Member of the International Labour Organisation which ratifies this Convention undertakes to extend to all agricultural wage-earners its laws and regulations which provide for the compensation of workers for personal injury by accident arising out of or in the course of their employment.

**Draft Convention concerning Workmen's Compensation
for Accidents (Geneva, 1925)**

ARTICLE 1

Each Member of the International Labour Organisation which ratifies this Convention undertakes to ensure that workmen who suffer personal injury due to an industrial accident, or their dependants, shall be compensated on terms at least equal to those provided by this Convention.

ARTICLE 2.

The laws and regulations as to workmen's compensation shall apply to workmen, employees and apprentices employed by any enterprise, undertaking or establishment of whatsoever nature, whether public or private.

It shall nevertheless be open to any Member to make such exceptions in its national legislation as it deems necessary in respect of:

- (a) persons whose employment is of a casual nature and who are employed otherwise than for the purpose of the employer's trade or business;
- (b) out-workers;
- (c) members of the employer's family who work exclusively on his behalf and who live in his house;
- (d) non-manual workers whose remuneration exceeds a limit to be determined by national laws or regulations.

ARTICLE 3

This Convention shall not apply to

- (1) seamen and fishermen for whom provision shall be made by a later Convention;
- (2) persons covered by some special scheme, the terms of which are not less favourable than those of this Convention.

ARTICLE 4

This Convention shall not apply to agriculture, in respect of which the Convention concerning workmen's compensation in agriculture adopted by the International Labour Conference at its Third Session remains in force.

ARTICLE 5

The compensation payable to the injured workman, or his dependants, where permanent incapacity or death results from the injury, shall be paid in the form of periodical payments:

provided that it may be wholly or partially paid in a lump sum, if the competent authority is satisfied that it will be properly utilised.

ARTICLE 6

In case of incapacity, compensation shall be paid not later than as from the fifth day after the accident, whether it be payable by the employer, the accident insurance institution, or the sickness insurance institution concerned.

ARTICLE 7

In cases where the injury results in incapacity of such a nature that the injured workman must have the constant help of another person, additional compensation shall be provided.

ARTICLE 8

The national laws or regulations shall prescribe such measures of supervision and methods of review as are deemed necessary.

ARTICLE 9

Injured workmen shall be entitled to medical aid and to such surgical and pharmaceutical aid as is recognised to be necessary in consequence of accidents. The cost of such aid shall be defrayed either by the employer, by accident insurance institutions, or by sickness or invalidity insurance institutions.

ARTICLE 10

Injured workmen shall be entitled to the supply and normal renewal, by the employer or insurer, of such artificial limbs and surgical appliances as are recognised to be necessary: provided that national laws or regulations may allow in exceptional circumstances the supply and renewal of such artificial limbs and appliances to be replaced by the award to the injured workman of a sum representing the probable cost of the supply and renewal of such appliances, this sum to be decided at the time when the amount of compensation is settled or revised.

National laws or regulations shall provide for such supervisory measures as are necessary, either to prevent abuses in connection with the renewal of appliances, or to ensure that the additional compensation is utilised for this purpose.

ARTICLE 11

The national laws or regulations shall make such provision as, having regard to national circumstances, is deemed most suitable

for ensuring in all circumstances, in the event of the insolvency of the employer or insurer, the payment of compensation to workmen who suffer personal injury due to industrial accidents, or in case of death, to their dependants.

Recommendation concerning the Minimum Scale of Workmen's Compensation (Geneva, 1925)

I

Where incapacity for work results from the injury, the national laws or regulations should provide for the payment of compensation at rates not lower than those hereinafter indicated:

(1) In the case of permanent total incapacity, a periodical payment equivalent to two-thirds of the workman's annual earnings;

(2) In case of permanent partial incapacity, a proportion of the periodical payment due in the event of permanent total incapacity calculated in reference to the reduction of earning power caused by the injury;

(3) In case of temporary total incapacity, a daily or weekly payment equivalent to two-thirds of the workman's basic earnings as calculated for purposes of compensation;

(4) In case of temporary partial incapacity, a proportion of the daily or weekly payment payable in the case of temporary total incapacity calculated in reference to the reduction of earning power caused by the injury.

Where compensation is paid in a lump sum, the sum should not be less than the capitalised value of the periodical payment which would be payable under the foregoing paragraphs.

II

Where the injury is such that the workman requires the constant help of another person, additional compensation should be paid to the workman, which should not be less than half the amount payable in the case of permanent total incapacity.

III

Where death results from the injury, those entitled to be regarded as dependants for purposes of compensation should include at least the following:

- (1) deceased's husband or wife;
- (2) deceased's children under eighteen years of age, or above that age if, by reason of physical or mental infirmity, they are incapable of earning;
- (3) deceased's ascendants (parents or grandparents), provided that they are without means of subsistence and were dependent on the deceased, or the deceased was under an obligation to contribute towards their maintenance;
- (4) deceased's grandchildren and brothers and sisters, if below eighteen years of age, or above that age if, by reason of physical or mental infirmity, they are incapable of earning, and if they are orphans, or if their parents, though still living, are incapable of providing for them.

Where compensation is paid by means of periodical payments, the maximum total of the yearly sum payable to all the dependants should not be less than two-thirds of the deceased's annual earnings.

Where compensation is paid in a lump sum, the maximum sum payable to all the dependants should not be less than the capitalised value of periodical payments equivalent to two-thirds of the deceased's annual earnings.

IV

The vocational re-education of injured workmen should be provided by such means as the national laws or regulations deem most suitable.

Governments should encourage institutions which undertake such re-education.

Recommendation concerning Jurisdiction in Disputes on Workmen's Compensation (Geneva, 1925)

Whereas disputes on workmen's compensation turn not only on the interpretation of laws and regulations, but also on questions of an occupational character requiring a thorough knowledge of working conditions, for example, questions as to the nature of the undertaking, the kind of risk inherent in it, the relation between the workman's employment and the accident, the method of computing earnings, the degree of incapacity for work, the possibility of the workman's adapting himself to some other occupation,

And whereas workmen and employers have the necessary knowledge and experience on these questions, and disputes on compensation matters might be more equitably settled if they were members of or associated with the courts which have to decide such disputes,

And whereas it is possible in many countries to secure the association of employers and workmen with such courts, as mem-

bers or otherwise, without departing radically from the existing judicial system,

The General Conference recommends that each Member of the International Labour Organisation should take the following principles and rules into consideration:

I

That every dispute relating to workmen's compensation should preferably be dealt with by a special court or board of arbitration comprising, with or without the addition of regular judges, an equal number of employers' and workmen's representatives appointed to act as adjudicators by their respective organisations or on the nomination of such organisations or comprising employers' and workmen's representatives drawn from other social institutions or elected by separate electoral bodies of employers and workmen.

II

That, where disputes relating to workmen's compensation are dealt with by the ordinary courts of law, such courts shall be required, on the request of either of the parties concerned, to hear employers' and workmen's representatives as experts in any case where the dispute involves a question of an occupational character, and in particular the question of the degree of incapacity for work.

Draft Convention concerning Equality of Treatment for National and Foreign Workers as regards Workmen's Compensation for Accidents (Geneva, 1925)

ARTICLE 1

Each Member of the International Labour Organisation which ratifies this Convention undertakes to grant to the nationals of any other Member which shall have ratified the Convention, who suffer personal injury due to industrial accidents happening in its territory, or to their dependants, the same treatment in respect of workmen's compensation as it grants to its own nationals.

This equality of treatment shall be guaranteed to foreign workers and their dependants without any condition as to residence. With regard to the payments which a Member or its nationals would have to make outside that Member's territory in the application of this principle, the measures to be adopted shall be regulated, if necessary, by special arrangements between the Members concerned.

ARTICLE 2

Special agreements may be made between the Members concerned to provide that compensation for industrial accidents happening to workers whilst temporarily or intermittently employed in the territory of one Member on behalf of an undertaking situated in the territory of another Member shall be governed by the laws and regulations of the latter Member.

ARTICLE 3

The Members which ratify this Convention and which do not already possess a system, whether by insurance or otherwise, of workmen's compensation for industrial accidents agree to institute such a system within a period of three years from the date of their ratification.

ARTICLE 4

The Members which ratify this Convention further undertake to afford each other mutual assistance with a view to facilitating the application of the Convention and the execution of their respective laws and regulations on workmen's compensation and to inform the International Labour Office, which shall inform the other Members concerned, of any modifications in the laws and regulations in force on workmen's compensation.

Recommendation concerning Equality of Treatment for National and Foreign Workers as regards Workmen's Compensation for Accidents (Geneva, 1925)

I

In order to facilitate the application of the Convention concerning equality of treatment for national and foreign workers as regards workmen's compensation for accidents the Conference recommends that:

(a) When a person to whom compensation is due under the laws and regulations of one Member resides in the territory of another Member, the necessary measures be taken to facilitate the payment of such compensation and to ensure the observance of the conditions governing such payment laid down by the said laws and regulations:

(b) In case of dispute concerning the non-payment, cessation of payment, or reduction of the compensation due to a person residing elsewhere than in the territory of the Member where his

claim to compensation originated, facilities be afforded for taking proceedings in the competent courts of law in such territory without requiring the attendance of the person concerned;

(c) Any advantage in respect of exemption from duties and taxes, free issue of official documents or other privileges granted by the law of any Member for purposes connected with workmen's compensation, be extended under the same conditions to the nationals of the other Members which shall have ratified the afore-mentioned Convention.

II

The Conference recommends that, where in any country there exists no system, whether by insurance or otherwise, of workmen's compensation for industrial accidents, the Government shall, pending the institution of such a system, afford facilities to alien workers enabling them to benefit by the laws and regulations on workmen's compensation in their own countries.

III. COMPENSATION FOR OCCUPATIONAL DISEASES

Draft Convention concerning Workmen's Compensation for Occupational Diseases (Geneva, 1925)

ARTICLE 1

Each Member of the International Labour Organisation which ratifies this Convention undertakes to provide that compensation shall be payable to workmen incapacitated by occupational diseases, or, in case of death from such diseases, to their dependants, in accordance with the general principles of the national legislation relating to compensation for industrial accidents.

The rates of such compensation shall be not less than those prescribed by the national legislation for injury resulting from industrial accidents. Subject to this provision, each Member, in determining in its national law or regulations the conditions under which compensation for the said diseases shall be payable, and in applying to the said diseases its legislation in regard to compensation for industrial accidents may make such modifications and adaptations as it thinks expedient.

ARTICLE 2

Each Member of the International Labour Organisation which ratifies this Convention undertakes to consider as occupational

diseases those diseases and poisonings produced by the substances set forth in the Schedule appended hereto, when such diseases or such poisonings affect workers engaged in the trades or industries placed opposite in the said Schedule, and result from occupation in an undertaking covered by the said national legislation.

SCHEDULE.

<i>List of diseases and toxic substances</i>	<i>List of corresponding industries and processes.</i>
Poisoning by lead, its alloys or compounds and their sequelae.	Handling of ore containing lead, including fine shot in zinc factories. Casting of old zinc and lead in ingots. Manufacture of articles made of cast lead or of lead alloys. Employment in the polygraphic industries. Manufacture of lead compounds. Manufacture and repair of electric accumulators. Preparation and use of enamels containing lead. Polishing by means of lead files or putty powder with a lead content. All painting operations involving the preparation and manipulation of coating substances, cements or colouring substances containing lead pigments.
Poisoning by mercury, its amalgams and compounds and their sequelae.	Handling of mercury ore. Manufacture of mercury compounds. Manufacture of measuring and laboratory apparatus. Preparation of raw material for the hat-making industry. Hot gilding. Use of mercury pumps in the manufacture of incandescent lamps. Manufacture of fulminate of mercury primers.
Anthrax infection.	Work in connection with animals infected with anthrax. Handling of animal carcasses or parts of such carcasses including hides, hoofs and horns. Loading and unloading or transport of merchandise.

**Recommendation concerning Workmen's Compensation
for Occupational Diseases (Geneva, 1925)**

Whereas it is recognised that each State is free to establish under its national legislation a more complete list than that embodied in the Schedule appended to Article 2 of the Convention concerning workmen's compensation for occupational diseases, The Conference recommends that

Each Member of the International Labour Organisation should adopt, where such procedure does not already exist, a simple procedure by which the list of diseases considered occupational in its national legislation may be revised.

IV. UNEMPLOYMENT INSURANCE

**Draft Convention concerning Unemployment
(Washington, 1919)**

ARTICLE 3

The Members of the International Labour Organisation which ratify this Convention and which have established systems of insurance against unemployment shall, upon terms being agreed between the Members concerned, make arrangements whereby workers belonging to one Member and working in the territory of another shall be admitted to the same rates of benefit of such insurance as those which obtain for the workers belonging to the latter.

**Recommendation concerning Unemployment
(Washington, 1919)**

The General Conference of the International Labour Organisation of the League of Nations,
adopts the following Recommendation:

III

The General Conference recommends that each Member of the International Labour Organisation establish an effective system of unemployment insurance, either through a Government system or through a system of Government subventions to associations whose rules provide for the payment of benefits to their unemployed members.

Recommendation concerning Unemployment Insurance for Seamen (Genoa, 1920)

The General Conference of the International Labour Organisation of the League of Nations, adopts the following Recommendation:

The General Conference, with a view to securing the application to seamen of Part III of the Recommendation concerning Unemployment adopted at Washington on 28 November 1919, recommends that each Member of the International Labour Organisation should establish for seamen an effective system of insurance against unemployment arising out of ship-wreck or any other cause, either by means of Government insurance or by means of Government subventions to industrial organisations whose rules provide for the payment of benefits to their unemployed members.

Draft Convention concerning Unemployment Indemnity in case of Loss or Foundering of the Ship (Genoa, 1920)

The General Conference of the International Labour Organisation of the League of Nations, adopts the following Draft Convention:

ARTICLE 1

For the purpose of this Convention, the term "seaman" includes all persons employed on any vessel engaged in maritime navigation.

For the purpose of this Convention, the term "vessel" includes all ships and boats, of any nature whatsoever, engaged in maritime navigation, whether publicly or privately owned; it excludes ships of war.

ARTICLE 2

In every case of loss or foundering of any vessel, the owner or person with whom the seaman has contracted for service on board the vessel shall pay to each seaman employed thereon an indemnity against unemployment resulting from such loss or foundering.

This indemnity shall be paid for the days during which the seaman remains in fact unemployed at the same rate as the wages payable under the contract, but the total indemnity payable under this Convention to any one seaman may be limited to two months' wages.

ARTICLE 3

Seaman shall have the same remedies for recovering such indemnities as they have for recovering arrears of wages earned during the service.

V. MATERNITY INSURANCE

Draft Convention concerning the Employment of Women before and after Childbirth (Washington, 1919)

ARTICLE 1

For the purpose of this Convention, the term "industrial undertaking" includes particularly:

(a) Mines, quarries, and other works for the extraction of minerals from the earth.

(b) Industries in which articles are manufactured, altered, cleaned, repaired, ornamented, finished, adapted for sale, broken up or demolished, or in which materials are transformed; including shipbuilding and the generation, transformation, and transmission of electricity or motive power of any kind.

(c) Construction, reconstruction, maintenance, repair, alteration, or demolition of any building, railway, tramway, harbour, dock, pier, canal, inland, waterway, road, tunnel, bridge, viaduct, sewer, drain, well, telegraphic or telephonic installation, electrical undertaking, gas work, waterwork, or other work of construction, as well as the preparation for or laying the foundation of any such work or structure.

(d) Transport of passengers or goods by road, rail, sea, or inland waterway, including the handling of goods at docks, quays, wharves, and warehouses, but excluding transport by hand.

For the purpose of this Convention, the term "commercial undertaking" includes any place where articles are sold or where commerce is carried on.

The competent authority in each country shall define the line of division which separates industry and commerce from agriculture.

ARTICLE 2

For the purpose of this Convention, the term "woman" signifies any female person, irrespective of age or nationality, whether married or unmarried, and the term "child" signifies any child, whether legitimate or illegitimate.

ARTICLE 3

In any public or private industrial or commercial undertaking or in any branch thereof, other than an undertaking in which only members of the same family are employed, a woman—

(a) Shall not be permitted to work during the six weeks following her confinement.

(b) Shall have the right to leave her work if she produces a medical certificate stating that her confinement will probably take place within six weeks.

(c) Shall, while she is absent from her work in pursuance of paragraphs (a) and (b), be paid benefits sufficient for the full and healthy maintenance of herself and her child, provided either out of public funds or by means of a system of insurance, the exact amount of which shall be determined by the competent authority in each country, and as an additional benefit shall be entitled to free attendance by a doctor or certified midwife. No mistake of the medical adviser in estimating the date of confinement shall preclude a woman from receiving these benefits from the date of the medical certificate up to the date on which the confinement actually takes place.

(d) Shall in any case, if she is nursing her child, be allowed half an hour twice a day during her working hours for this purpose.

ARTICLE 4

Where a woman is absent from her work in accordance with paragraphs (a) or (b) of Article 3 of this Convention, or remains absent from her work for a longer period as a result of illness medically certified to arise out of pregnancy or confinement and rendering her unfit for work, it shall not be lawful, until her absence shall have exceeded a maximum period to be fixed by the competent authority in each country, for her employer to give her notice of dismissal during such absence, nor to give her notice of dismissal at such a time that the notice would expire during such absence.

Recommendation concerning the Protection, before and after Childbirth, of Women Wage-earners in Agriculture (Geneva, 1921)

The General Conference of the International Labour Organisation recommends:

- That each Member of the International Labour Organisation take measures to ensure to women wage-earners employed in agricultural undertakings protection before and after childbirth similar to that provided by the Draft Convention adopted by the International Labour Conference at Washington for women employed in industry and commerce, and that such measures should include the right to a period of absence from work before and after childbirth and to a grant of benefit during the said period, provided either out of public funds or by means of a system of insurance.

APPENDIX II

Publications of the International Labour Office on Social Insurance

General Problems of Social Insurance. *Studies and Reports, Series M (Social Insurance), No. 1* Geneva, 1925. xxviii + 136 pp. Price: 2s. 6d.; 60 cents.

Apart from the series of reports which deal each with a particular risk, the International Labour Office, at the request of its Governing Body, has published a volume in which it has endeavoured to throw light on the relations between the various risks, and to compare the solutions, which have been or could be practised, for the problems common to all the risks. Such is the object of the study on *General Problems of Social Insurance*.

It would perhaps be more modest and more accurate to entitle it a "report on some general problems of social insurance", for indeed, after giving a brief survey of the historical development of insurance, the book goes on to examine the more important aspects of some of the essential problems: scope, benefits, resources, methods of financial administration, institutions, and the question of the unification or co-ordination of social insurance.

The object of the International Labour Office was not to produce a purely theoretical study expressing an original opinion on every problem and constituting as it were a philosophy of insurance, nor a study of comparative law giving a detailed and thoroughgoing analysis of all social insurance legislation. It does not adopt any particular standpoint. It simply attempts as clearly and objectively as possible to set forth the principal aspects of each of these problems and to survey in schematic form the conceptions underlying the legislation of the various countries. If there is a personal element in this book, it is to be found in the effort which has been made to state, with the greatest caution however, as regards each problem not only the main provisions of existing legislation, but the tendencies which are apparent in the most recent laws and the direction which evolution seems to be taking.

Compensation for Industrial Accidents. A Comparative Analysis of National Laws. *Studies and Reports, Series M (Social Insurance), No. 2.* Geneva, 1925. 655 pp. Price: 42s. 6d.; \$3.

This report was prepared for the Seventh Session of the International Labour Conference (Geneva, May-June 1925) whose task was to vote a Draft Convention and Recommendation on workmen's compensation. It was therefore necessary to place at the disposal of the delegates of the Conference exact information on the present state of national laws in order to enable them to judge of the effort which would have to be made by the different States in order to bring their laws and regulations into harmony with the Draft Convention, to consider whether this effort was possible, and to adapt the text of the Convention and Recommendation to the capacity for progress of the great majority of countries.

The report contains for some 50 States an examination of the most important aspects of workmen's compensation law: scope (undertakings

covered and workers covered); risks covered (the notion of industrial accident); compensation in case of death and in case of incapacity; guarantee systems; procedure for obtaining compensation and settlement of disputes; position of foreigners. The mode of treatment of each subject is the same: first the essential elements of the problem are stated and then the possible solutions; next, the national laws are classified according to the solution which they have adopted; and, lastly, a fairly detailed analysis of national laws is undertaken. There is appended to each chapter a comparative table showing the most important provisions of each national law and allowing its characteristics to be rapidly perceived.

Compensation for Occupational Diseases. A Comparative Analysis of National Legislation. *Studies and Reports* (Social Insurance), No. 3. Geneva, 1925. 76 pp. Price: 1s.; 25 cents.

This study, which was prepared for the 1925 Session of the International Labour Conference, discusses the general problem of compensation for occupational diseases and analyses the provisions of the national laws under which such diseases are compensated.

In the first part (General Considerations), after it has been shown that compensation for occupational diseases is both just and necessary, a critical examination is made of the various definitions of an occupational disease and the most important characteristics which differentiate it from an industrial accident.

Then an exposition of the methods of compensation which have actually been practised is undertaken. These methods can be finally reduced to two: compensation under the general sickness and invalidity insurance system, and compensation on the same basis as for industrial accidents in accordance with the principle of occupational risk.

The great importance of the medical man in the matter of occupational disease is emphasised; and in this connection the following points are discussed: the training of medical men, the necessity of knowing the medical history of patients, the periodicity of medical examinations and the notification of occupational diseases.

The second part of the study (Analysis of National Legislations) is an examination of the compensation schemes at present in force in some 30 countries (including 10 States of the United States) grouped in three classes according as compensation is provided under the workmen's compensation law, under sickness and invalidity insurance, or under a special scheme. The first class, in which the principle of occupational risk is applied to occupational diseases in the same way as to industrial accidents, comprises the vast majority of laws at present in force. The analyses include not only a summary of the laws of a large number of countries, but also the lists of diseases which are considered as occupational.

Thus, in this little volume of less than 80 pages is contained an exposition of the main problems and a survey of the present condition of legislation relating to occupational disease, information which hitherto has been scattered here and there in numerous publications.

Sickness Insurance. A Comparative Analysis of National Laws. *Studies and Reports*, Series M (Social Insurance), No. 4. Geneva 1925. viii + 133 pp. Price: 2s.; 50 cents.

In the course of recent years sickness insurance has been developed to a remarkable extent. Some 20 industrial States have made it com-

pulsory for the majority, if not the whole, of their wage-earning population; other States, without making insurance compulsory, are encouraging mutual aid in case of sickness. Another group of States are preparing to take an active part in popular or working class insurance. Thus, collective provision against sickness is tending to become general. Is this tendency to make provision against sickness in the same direction in the various countries? If not, are there any convergent tendencies which are overcoming national peculiarities, and so allow an effort at international regulation to be looked forward to with confidence?

The intention of the present report is to enable the reader to answer these questions by supplying him with a comparative analysis of national laws.

The essential problems which have to be solved in any sickness insurance system are investigated. Is insurance compulsory or voluntary, and, in the former case, does it include wage-earners only or independent workers as well? How are insured persons organised for the purpose of insurance? How do insurance institutions work? They provide insured persons with cash benefits in case of sickness, and, which is their real object, they want to cure the sick, and for this purpose they establish a medical service. In order to cover their expenses, these institutions are supplied with certain funds. Whence do they obtain these resources?

The report describes the solutions to the different problems to be found in the laws of various countries. It does not cover all the solutions, but every typical solution which characterises the leading conceptions in the various countries. The laws are classified in groups possessing similar characteristics. Thus, without going into small details, the report renders the reader familiar with the main lines of the legislative movement in sickness insurance. A reader who wishes to refer to the original sources will find the necessary references in an appendix to the report.

Unemployment Insurance. A Study of Comparative Legislation. *Studies and Reports, Series C (Employment and Unemployment), No. 10.* Geneva, 1925. 134 pp. Price: 2s.; 50 cents.

For the 17 countries which at the beginning of 1925 possessed a system of voluntary or compulsory unemployment insurance, the report gives a comparative study of the national laws under the following heads: scope, definition of the risk insured against and conditions for the receipt of benefits, financial organisation, and administration. In a final chapter the essential elements of the problem are set forth, and for each of them a certain number of principles are laid down, the adoption of which would lead to some degree of uniformity in the laws at present in force. Each of the chapters is followed by a comparative table indicating in brief formulae the principal characteristics of the various national laws. A detailed indication of the sources and references to the clauses of the laws mentioned in the text enable the reader who wishes to do so to make a more thorough study of any particular point.

11

FORWARD LIBERALISM.

Some recent declarations
on Liberal Policy by

LORD OXFORD

AND

LORD GREY

V3, 4M6408 X9.3

F6

LIBERAL PUBLICATION DEPARTMENT,
42, Parliament Street, London, S.W. 1.

1926.

PRICE - ONE PENNY.

X9(U): (23). N2 254

LORD OXFORD on Liberal Land Policy.

Lord Oxford addressed the Annual Meeting of the Home Counties Liberal Federation at Watford on April 30th, 1926. The following are extracts from his speech, as reported in the "Manchester Guardian" of May 1st.

LORD OXFORD said that the land was not a new topic with them. On the eve of the war, when there was a Liberal Government in power, and a progressive majority in the House of Commons, they had after much careful preparation laid down the main lines of a comprehensive policy of agricultural reform.

"The evils and dangers which it was then our object to remedy or to forestall have been not diminished," he continued, "but aggravated and intensified by the economic upheavals caused by the war and its consequences. The time has, therefore, clearly come for a re-examination of the whole problem with a view to remedial legislation of a constructive kind, proceeding on bold but sound and well-thought-out lines. We have had enough of timid palliatives and resonant generalities.

"There is a lot of loose talk current about the ideal of a self-sustained England and the twin conception of a self-occupied Empire. Neither ideal—even if it were desirable—can ever be attained, and many of the plans by which it is proposed that they should be attained would, if we were foolish enough to put them into practice, be found to be mischievous and impoverishing. That is true of all forms of protection and of most forms, direct or indirect, of subsidy.

"But there is no reason, while we refuse to follow will-o'-the-wisps like these into a fools' paradise, why we should not set our brains to work to remove any artificial obstacles which can be shown to be hindering us in making the best and most productive use of our natural resources. That is as much the case with agriculture as it is with coalmining. In both cases, partly through defects in the law, partly through

lack of progressive initiative and co-operation in practice, a great industry which has the best title to the much-abused epithet "key" industry, is lagging behind and not making its full contribution to the sum of national wealth."

The Worker's Charter.

In his view, frequently expressed in Parliament and on the platform, any scheme of reform which did not put the labourer in the forefront was fatally lacking in perspective. Liberalism was opposed here as elsewhere to all class legislation. Whatever was done for the labourer must be done with scrupulous justice to the landowner and farmer. "But always bear in mind," he went on, "the simple fact—more eloquent than pages of rhetoric—that in the last fifty years there has been (notwithstanding the vast rise in our aggregate population) a decrease of men and boys employed on the land in Great Britain of over 150,000. What, then, does the Convention policy offer as its contribution to the betterment and enlargement of the labourer's life? This, which may be called the 'land workers' charter,' consists of the following points. The policy must assure to land workers:—

- (a) A living wage.
- (b) A sufficiency of cottages and gardens not tied to particular farms.
- (c) A right to garden land, and to at least half an acre of land at a fair rent.
- (d) Ample opportunities to obtain small holdings (with an enlargement of the present limit of size) or family farms).
- (e) Credit to enable them to use these opportunities.

"Observe the words 'living' wage. There are already wages committees which fix a minimum wage for agricultural workers. But a minimum wage which varies from county to county is by no means in all, perhaps in most, cases equivalent to a 'living wage.' In the counties where from the competition of other industries the minimum wage is fixed at a high figure as many men are employed on the land as elsewhere, and the farmer can still make a livelihood out of the land. It would seem therefore that agriculture can pay a living wage.

"The Liberal policy is that the living wage should be the first charge on the industry, that the minimum wage should not

be fixed below a living wage, with direct reference to the cost of living of a family, and that if there be cases where the rent makes this impossible the rent should be adjusted accordingly by arbitration."

Other Reforms.

"I have dwelt upon this aspect of the policy, because in political as in other architecture you must begin not at the top or midway, but by laying your foundations on broad lines and of solid material. It is in improving the lot and the opportunities of the rural labourer far more than by any other specific change that you will find the key to the real revival of the greatest of our national industries.

"There are, of course, a number of the other changes proposed or sanctioned by the resolutions of the Convention which I must reserve for future treatment. In particular there are the functions of the new county authority and the variety of tenures to meet different local conditions which the Convention most wisely, as I think, resolved to recommend. But there are two grievances especially burdensome to the dwellers in towns or in their neighbourhood, the reality of which cannot be disputed. One is the power which the law gives to the landowner at the expiration of a lease to exact a rent based on increased value due to the tenant's expenditure on permanent improvements, which he must either consent to pay or sacrifice, perhaps to a competitor in the trade, the goodwill which he himself has built up. The other is the liberty which the law still gives to the landowner to appropriate the added value which has been given to his property by the enterprise of the community. Proposals for the cure of these evils are essential parts of the Liberal programme."

VISCOUNT GREY

on Liberal Industrial Policy.

Lord Grey of Fallodon was the chief guest at a Luncheon at the National Liberal Club on May 28th, 1926. The following are extracts from his speech, as reported in the "Times" of May 29th.

LORD GREY said:—

When you were first kind enough to make the arrangements for this afternoon the intention was that I should make some reflections upon the industrial crisis through which we have passed and that I should express some thoughts about the future. We were thinking, not of the future of any party so much as of the future of the country, and I do not propose to put this meeting to any purpose other than that for which it was intended. But I cannot, of course, ignore altogether what has recently appeared in the newspapers—the letters of Lord Oxford and Mr. Lloyd George. I will, however, only refer to them for the purpose of defining my own personal position without arguing about them. I must say where I stand. The justification may be reserved for another occasion. I stand entirely with and behind Lord Oxford in this matter. Everyone knows enough to know that Lord Oxford has been, through most trying times, always the most patient, and most chivalrous of colleagues. If there are and have been difficulties inside the Liberal Party they are not difficulties of his making. Those of us who have been closely associated with him feel that the surprise is not that something should have appeared now, but that it should have been so long delayed. More than that I will not say because, no doubt, the difficulties in the party and what has happened will be the subject of further comment on other occasions.

The Government and the Strike.

Let me now pass to the future of the country. What I have to say about the general strike and its consequences is not going to be of a party nature; but, looking back on

the record of all the Parties in the strike, I think it is from a Liberal platform that I can with most force urge upon the country wise reflections. We are told that we should not criticize the Trades Union Council without criticizing the Government. My criticisms are going to be short and therefore I am going to begin by criticizing the Government. The manner in which the Government, last summer, first of all refused a subsidy and then suddenly turned round under the threat of a general strike and granted a subsidy was a gross mistake. It was bound to cause future trouble. Then, for nine months, the Government reposed on the cushion of the Royal Commission. I do not in the least undervalue the work of Sir Herbert Samuel and his colleagues, but, during those nine months, it was obvious that, whatever the Commission reported, at the end of its report we should be faced with the situation which we have had to face. When the threat of a general strike was launched the Government should have at once refused to negotiate under that threat, but, having agreed to continue to negotiate under that threat, it was most unfortunate that they broke off negotiations in a way which gave the impression of having done so on some trivial incident.

Strange Procedure of the Trades Union Council.

Now let me say a word or two about the Trades Union Council. There was, in the newspapers on Monday, a most illuminating speech from the Secretary of the Miners' Federation, Mr. Cook. That speech told us what had been going on behind the scenes when the general strike was called. It told us that the Trades Union Council and the Miners' Executive were in absolute disagreement, and that the Trades Union Council was pressing on the Miners' Executive the acceptance of a formula which would mean facing the economic facts in the mining industry and some reduction of wages. The Miners' Executive was absolutely refusing to entertain any such position. The general strike was then called to support the miners in an attitude which the Trades Union Council itself was asking the miners to abandon. I think that on the whole the least offensive and most truthful epithet I can apply to that proceeding is the word "incomprehensible."

No doubt the general strike did involve a wholesale breach of contracts—men coming out without notice. Imagine what would have happened if a company of employers, who were bound to give a week's notice to terminate the employment

of their men, had dismissed a single man for any cause, other than for unsatisfactory conduct, without notice. There would have been just indignation throughout all the trade unions and the employers would have had short shrift in the law courts and before public opinion. Is not it the case that when the strike was called the men were bound to give a week's notice to leave their work and that, in leaving their work without giving any notice and without any quarrel with their employer, are we not bound to say that they were wrong? The way in which the country came through the strike has been the admiration of all other nations who were looking on, for the orderliness and, except in a few exceptional cases, for the absence of crime or violence. Foreigners speak of it with the greatest admiration. The whole British people, including both the Government and the Trades Union Council themselves, who did their utmost to make the strike an orderly one, deserve a share in the credit.

What of the Future ?

When the mining crisis is over and the general strike behind us, what is the moral of it all? It will have done the country immense harm, but, if it has the effect of impressing upon the country the moral, then the advantage in the long run may be greater than the injury. The moral is that, if this country is to recover, the relations between employers and labour must be changed. We need every quality we have in industry to recover from the effects of the war and to regain our position in face of the existing competition in the world. There are three qualities which we need and which we must use to their fullest extent. Without any one of them we shall not survive. One of them is skill—the energy, the enterprise, and the experience of the employers, of the great captains of industry in private enterprise. Another is the efficiency of the British worker; and the third is good will between the two. That is the one which is lacking, and it is worth while considering why it is lacking.

The Origins of Industrial Trouble.

You have to go back to find the reason of that into the last century. Do not look for the real root of it in the present disputes. They are the outcome of something of which the roots are to be found in the time when the prosperity of this country was increasing by leaps and bounds in the Victorian age. It was then that employers failed to recognise

that, in the long run, a partnership with labour was necessary. The wages were kept down by lowering the piece rates, so that, while industry prospered and works grew, and fortunes were made, the individual working men remained with long hours and low wages. That is where the root of the trouble lies. Then there grew up gradually the trade union movement, to prevent the working men being exploited and to enable them to get a fair share of what they produced.

Between the employers and the trade unions there grew up a defensive attitude against each other—sometimes an offensive attitude. It came about because each concentrated on part of the truth, but neither saw the whole truth. The employers, the shareholders, said that their factory, works, or mine would not have been in existence or in operation at all without their capital, and that the very wages on which the men started were paid out of capital and not out of profits. That was true, but it ignored another truth. The workman got hold of the other truth, which was that, without the skilled and efficient work of labour, that factory or those works or that mine would not have functioned at all; and they concentrated on that point until they said, "As the works will not function without labour, what is the use of the capitalist or the employer?" Each was concentrating on something which was true and ignoring something else which was true; and the result was that neither employers nor organized labour grasped the whole truth, which was that each of them was essential to the other.

Complete Partnership necessary.

How can we get on to that better ground? There is only one way that I can see which will really produce good will between employer and employed, and that is complete partnership in industry. That does not mean mere profit-sharing. Profit-sharing, by itself, will always be looked upon as a sort of bonus or bribe to keep labour quiet. It will not give that sense of partnership which can only be given by sharing in the management. That is what real partnership means. But one recognises that there are difficulties and that the difficulties are very great. If you put that point to the employer he will say, first, that his management will be impaired, by being made more cumbersome, by admitting representatives of the men and consulting them about the management of the works. That is true. The more complicated and the more cumbersome you make the management,

the more difficult you make it ; but there is a complete answer to that. It is that practical, efficient management is no use if it is sterilized by the obstruction of labour ; and the advantage that you could get if you could obtain the good will of labour by associating them with the management would far and away overbalance and outweigh any difficulty which might arise from making the management rather more slow.

The second difficulty would be that the present representatives of the men, if on the management, would be apt to take short-sighted and extravagant views. They might be anxious in a good year to divide everything up to the hilt or to get the utmost for labour, at the expense of the business in the long run. That is a real difficulty and a real risk, and all I can say about it is that if the point of view of labour was changed you would find that that difficulty would disappear. The third difficulty is that the trade unions themselves are not at all responsive to any such suggestion of partnership. There, again, you will not get on until the point of view is changed. Your real difficulty about partnership is that, until you have a real working partnership between employer and organized labour, you will not have good will ; and until you have good will, partnership will not work. That is a very serious dilemma.

A Changed Point of View.

It is essential, before you can make progress, that the points of view, both of employers and of organized labour, must be shifted. It is an exceedingly difficult thing to shift the point of view of large masses of men. You cannot do it by speeches, but it can be done when there is some great catastrophe or some great upheaval ; and the point in my mind to-day is whether the upheaval of the general strike has been a sufficient lever to turn men's minds in the direction of a real alteration in the relations between capital and labour. We cannot yet tell, but it seems to me that the general strike may have been a great opportunity. Now that the general strike has failed and if, as we hope, in time the mining strike is got over by a reasonable settlement, then, on the employers' side, there must be no thought in their minds that because the general strike failed, now is the time to smash trade unionism. That only means further industrial war. That is the blindest road men can travel.

On the side of organized labour there must be a changed point of view too. Their point of view should no longer be that the employers and private enterprise are to be eliminated. Their point of view should be shifted towards the ideal of co-operation. The substitution of the State for private enterprise is not going to save our industries. State management means more costly, more languid, and less efficient management, and, in the present fierce competition in the world, our industries cannot stand that. It is co-operation that is essential. The first responsibility is with employers to show that they have really learnt their lesson, and that their minds are open to-day as they have not yet been open, and then it is up to organized labour to respond.

A Better Road.

We were all of us, in the general strike, led to the brink of a precipice. The whole community and organized labour itself did not want to go down that precipice. The response of the community to the general strike and the calling off of the general strike — which, I am sure, required some courage on the part of the leaders—meant simply that we had all looked over the edge of that precipice and decided not to go down it. Now that we have looked over into the abyss, is not it time that Labour and every section of the community looked at each other and said, "How did we get here into this dangerous position? We must have travelled a bad road. Do not let us go on that road any more. Let us find a better road, which will not lead us to a precipice?" That needs great statesmanship; not merely statesmanship in Parliament, but statesmanship in industry. You have in the ranks of the employers in this country some of the ablest men in the nation, and so you have in the ranks of the trade union leaders. Is there, in all this ability on the side of the employers and of organized labour, something which you can call real statesmanship? If there is, then we may get through that alteration of relations between employers and employed which will solve our labour difficulties, save the industries of the country, and make us once more a prosperous, a happier, and a more contented nation than we have ever been.

Local Taxation
IN THE
British Empire

BY THE

Rt. Hon. JOSIAH C. WEDGWOOD, D.S.O., M.P.

With an Introduction by

RT. HON. J. H. THOMAS, M.P.
(formerly Secretary of State for the Colonies).

X72,6-1-3

PRICE: THREEPENCE; Post Free, 3½d.
2s. per dozen; 15s. per 100, carriage paid,
or in Boards 1s. each.

PUBLISHED IN ASSOCIATION WITH THE LABOUR PARTY,
33, Eccleston Square, Westminster, London. S.W. 1.

FOREWORD

— BY THE —

Rt. Hon. J. H. THOMAS, M.P.

At a time when there is an increasing number of people associated with all the political parties taking a deeper interest in Empire Affairs, my friend Wedgwood is rendering a real public service in publishing a clear and authoritative statement of the facts of Local Rating throughout the Empire.

In public life nothing is more dangerous than ignorance, but thanks to the work of Mr. Wedgwood those concerned with questions of Local Taxation in the Empire now have the facts readily available and will be able to form an accurate opinion on the subject. Having regard to the valuable information it contains I hope that this little booklet will be widely read.

J. H. THOMAS.

Local Taxation in the Empire.

METHODS of raising local taxation have not yet been determined in many Crown Colonies where local administration is just developing. There is no common practice within the Empire, no text book and little guidance from the Colonial Office. Almost everywhere the way to raise local revenues has just happened; the powers conferred on local authorities have been accidental; the very names of the areas endowed with powers and condemned to raise money illustrate in their variety the wealth of the English language.*

We are an Empire of Democracy—teaching the juniors how to govern themselves and become partners. The practice of self-government begins easiest at the bottom; indeed, unless it begins at the bottom, it is apt to lack foundation. Yet we take no trouble to see the foundation well laid, nor to establish rules for the foundation.

What actually happens is something like this. The Governor of Nigeria, or Ceylon, or Palestine, finds the streets of his capital uncivilised in the matter of offal or taxi-cabs. He speaks seriously to the District Commissioner in charge, and says, "This is getting too much of a good thing; we had better set up a Municipality to keep the place clean." They see Sir John Jones, the Attorney-General, and ask him to draft an Ordinance. Sir John Jones does his best—he perhaps remembers what they did in Jamaica when he was there—he knows something about law and something about drafting, but he knows as little as the Governor about Local Government. The Ordinance is drafted, approved by the Executive who probably do not read it, and sent home to the Colonial Office. Unless anything in the Ordinance is strikingly unusual, the Colonial Office trusts the "man on the spot," assumes that the peculiarities are due to special local conditions, and the Ordinance is promulgated and becomes law. Henceforth Lagos, or Singapore, or Jerusalem has a Municipality with powers, such as the Attorney-General happened to think of, with electorates which differ all over the map with as much variety as in the pre-Reform Boroughs, raising money anyhow so long as there is no call upon the Colonial Exchequer for a subvention. These Ordinances are a perfect example of the manner in which the British Empire and the British Constitution grew up by luck.

The Local Authority's powers of control quite properly vary. The most elementary form gives the Local Authority power to empty refuse or night-soil bins at a fixed charge. The most extensive confer almost a regality—police, education, sanitation, municipal trading, banking, housing, roads, slaughter and wash-houses, baths, parks and playgrounds, allotments, small-

* England—Cities, Boroughs, Counties, Urban or Rural Districts, Parishes. Scotland—Cities, Burghs, Counties, Parishes. United States of America—Cities, Towns, Counties, Road Districts. Australia—Cities, Towns, Shires, Districts. New Zealand—Boroughs, Town Districts, Counties. Canada—Rural Municipalities, Towns, Villages. South Africa—Municipalities, Local Boards, Divisional Councils. Rhodesia—Municipalities, Road Councils. And in the Canadian West they have resurrected as a village functionary the old English Reeve.

holdings, transport regulation, etc., etc. In America the Judges of first instance are in many cases the servants of the Local Authority. The decentralisation, the Local Authority's power of control, is greatest in American cities. British cities come next, with their control over their police and education and loans, sometimes even of banking. The cities of the Dominions do not generally control or pay for justice, police nor education. Shires, Counties or Divisions come far behind, and Districts, Parishes, Villages or Road Boards have still smaller powers.

It is curious that, as an instance of the haphazard nature of the growth of Local Government in the Anglo-Saxon world, the "Township" of Tel Aviv in Palestine, with 43,000 inhabitants, has the greatest powers of any city in the British Empire. It has all the powers of Manchester Corporation and can, in addition, raise the local revenues as the Council pleases. It is, or was, a sort of independent republic. Tel Aviv is in fact enjoying the best of both worlds. Anglo-Saxon local government has developed one set of features, while German and Continental local government has developed others. Tel Aviv, at the cross roads, has adopted both.

So far as their many-sided activities are concerned, Local Authorities on the Continent do not differ very greatly from those in the Anglo-Saxon world. The head of the city is more generally paid, is more often a specialist, and more often permanent. Police and education are more generally controlled by the central government, but not markedly so. The power to borrow is slightly more restrained. It is the power to raise revenue for the various regular services which is so strikingly different on the Continent. In Europe the Local Authorities raise what we call "rates" in a dozen different ways which they can often vary at pleasure from year to year. Instead of "striking a Rate" they introduce an annual Budget. They can raise the money by an octroi on imported goods, by turnover taxes on shopkeepers, by a window tax, by a local income tax, by licences to trade, by professional taxes, by taxes on animals, or fees, by taxes on undeveloped building land, by increment taxes on land sales, by taxes on all land value, or, finally, by a general tax on fixed property. No Local Authority possesses quite all these powers to tax—all vary, but some selection of these local taxes is to be found everywhere from Madrid to Moscow. Denmark alone, so far as I know, specialises in taxes upon all land value in urban and rural areas.

While Continental practice gives us this amazing variety, the Anglo-Saxon world plods along the old-established groove. From the time of good Queen Bess, all English Local Authorities have "struck rates" assessed upon the value of real property, and they have levied the "rate" upon the occupier of that property. The value of the real property always used to be measured by what that property would let for by the year in its then condition. The "Annual Value" of the property occupied became the standard by which the contribution of the citizen was measured. If expenses went up, then a higher "rate," more shillings and

pence in the pound, had to be struck ; there was no other way. Scotland has some slight variations, such as levying the " rate " sometimes upon owners as well as upon occupiers. Even we in England have found it desirable to make some modifications, in response generally to the pressure of " interests." But our system of levying a " rate " upon real estate remains our system and has spread wherever the Anglo-Saxon spreads. It seems to us the natural way for local taxation.

The younger Anglo-Saxons have varied our ideas of the " value " of real estate. In the United States the value of real estate is taken to be, not its annual rentable value in its present condition, but what the real estate would sell for on the open market. They have long replaced " Annual Value " by " Capital Value " as the standard of measurement. In the cities they value " Land " and " Improvements " separately, add the two and rate the total. In Pennsylvania they go a step further, for only one-half the value of the " Improvements " is reckoned in the total capital value. This is the so-called " Pittsburg plan." And in New York, to encourage the building of new houses, they have exempted from the total for a period of years all the value of such " Improvements."

No doubt the Americans originally adopted " Capital Value " in lieu of " Annual " because it was easier to estimate in a new country, free from " covenants " and " chief rents " and " terminable leases " and " ancient lights " and mixed ownership. But the younger Dominions took the matter a stage further, and for economic reasons.

" Capital Value " is a wiser basis for taxation than " Annual Value," not merely more easy to arrive at. For unbuilt-on suburban land, though it has a negligible " Annual Value," has a comparatively high " Capital Value." This high " Capital Value " is being maintained and increased by the wise expenditure of the Local Authority, and constitutes a just source of revenue which cannot be made to contribute by rating upon " Annual Value." The levying of local taxation upon such land prevents the owner from holding such land out of the market, and induces him to sell it at a lower price to those who wish to build.

This economic argument in favour of the " Capital Value " basis drove the younger Dominions on to the next stage. If a " Capital Value " basis was better than an " Annual Value " basis, then a " Land Value " basis was best of all. That would make land wanted for building (and all land) cheaper still, still more accessible to labour ; and as all Land Value is the creation of the community, what could be juster than to base taxation on that value, and so recover for the Local Authority a larger part of the value they had created. The Dominions therefore felt out towards " Land Value " as a possible improvement upon " Capital Value." It made land cheaper, and it exempted from taxation those improvements which a new country so longs to

Just at the time when Australia was beginning to look for sources of revenue for local government, Henry George passed through the country preaching his gospel. His disciples, such as Max Hirsch, saw to it that when the basis for local taxation had to be determined, "Land Value" appeared on the scene beside "Capital Value" and "Annual Value."

What Australia and New Zealand started, the other Dominions have followed up—Canada before the war, South Africa (formerly on "Capital Value") after the war; then Rhodesia; last of all, the Colonial Office under a Conservative Government began in a tentative way with Fiji and Kenya. Perhaps it would be more correct to say that in both these last cases, somebody on the spot recommended that rates should be levied on Land Values alone, and the Colonial Office made no comment.

Determined opposition to such a change must always come from the landowners, for the imposition of a "Land Value" rate or tax, or even the change from "Capital Value" to "Land Value," must inevitably increase the supply of land available for use and make all their land cheaper, less valuable to the owner. This opposition has prevented any change in Great Britain, where property owners are numerous and such mysteries as valuations, assessments and rates beyond the comprehension of the man in the street. Where a State Valuation, showing Land and Improvements separately, is available, as in Australia or Canada—where comparisons can be made of what each voter pays or will pay under "Capital Value" and "Land Value," as in South Africa and New Zealand, there opposition can be overcome. It is not always the ultimate economic benefit, but the immediate evident cash benefit that convinces the electors of the wisdom of the change. Yet even in New Zealand and South Africa the battle has not yet been won. Cape Town retains "Capital Value" with the same determination as Auckland retains "Annual." Month after month, year after year, new townships or shires fight out the fight afresh, polling the electors again and again For or Against "Land Value" rating. There is less of a struggle in Australia or Canada, for such rating is compulsory in Queensland and New South Wales, and in Canada it is not the poll of the ratepayers that decides but the votes of the Councillors in Council.

At the moment it is the turn of Palestine to decide on the method of raising local revenues for the municipalities (excluding Tel Aviv). The Municipal Ordinance of 1926 adopts "Annual Value," supplemented by the Wergo Tax; but this is supposed to be only temporary, until the Wergo Tax has been reformed by a valuation of "Capital Value," when Land Value and Improvement Value will be available for rating, should the Administration or perhaps the Local Authorities desire to use the new valuations. The truth is that the Palestine Administration is balancing between the British Colonial system, and the Continental system as exemplified in Egypt, in Tel Aviv, and unfortunately in India.

Tel Aviv, as we have seen, has powers of a continental sort, and can raise revenues in a multitude of ways. One way is to

put a tax, rising to 2s. in the £, on unbuilt-on town sites—and 2s. in the £ on the selling value of land is certainly more than the land is worth to any owner. But the Jews of Tel Aviv are allowed to govern themselves and tax themselves according to their own sweet will; the Administration is disinterested. The Administration would not dream of using Tel Aviv as a model for the mixed communities of Jerusalem, Jaffa or Haifa; or of entrusting such powers to the purely Moslem Nablus. Egypt, India or England will be more natural prototypes.

India is the solitary case of an Anglo-Saxon-ruled country which has adopted the German-Continental methods of raising local revenue. They attempt local taxes on property, but they subsist on licences, fees, octrois, terminal taxes and wheel taxes, even taxes on visitors from the country. Experienced British officials press for the continuance of the Octroi and such like; and the reason is worth noting. They would naturally prefer to tax the "Annual Value" of fixed property, but no valuation made locally can be trusted, evasion is so common, corruption so normal, that, so they say, taxes must be of the nature of personal tolls. Such tolls a primitive people can understand. Of course, the Indians are not so primitive as these officials would sometimes like to believe, but the same difficulty of securing a just valuation was found in Australia so long as the Valuation was made locally. Indeed, it is our difficulty in England, and the main reason of the various attempts of the present Government to put local valuation more under the control of the Income Tax authorities at Somerset House. The lesson of England and of all our Dominions is that the State authorities should make and supply the valuation if it is not to be subject to interested local pressure—and that the more the valuation lists are open to the public inspection, the more they are likely to be accurate and avoid complaints of injustice.

How then, exactly, is local revenue raised within the British Empire? It is as well to have it in compendious shape, and I propose to go through all the scattered members and record their methods for comparison, even for the guidance of those shires and boroughs in budding lands that have yet to shoulder the task of managing themselves.

GREAT BRITAIN.

Rating is on the Annual or letting Value of all real property—such value being dependant upon its present condition; but, to facilitate improvements, we exempt factory machinery and take into account only one-quarter of the value of glass-houses, farm buildings, and farm cottages of less than £10 annual value. On the other hand, the system exempts from rating altogether any empty houses, idle factories and mines, and unused land and minerals (that being their "present condition"); the pressure of the agricultural interests has also induced Parliament to exempt three-quarters of the annual value of farm lands, whether cultivated or not.

NEW ZEALAND.

One takes New Zealand next, as the pioneer in the modification of the English method. They still strike Rates on real property, but the basis of assessment is changed. Their separate valuation of the selling (or capital) value of land and improvements began with the Land Tax Act of 1878. Having this valuation of the land ready to hand, they passed the Rating on Unimproved Value Act of 1896. The normal system of rating was, till then, the English system on Annual Value. The 1896 Act allowed a poll of the ratepayers to be taken to decide whether they should rate instead on Land Value (Unimproved Value). A poll to rescind, or a fresh attempt, may be made after a lapse of three years. Before 1911, this Act applied only to the general Rate—water, gas, electric light, sewage, hospital and charitable aid Rates were still to be based on Annual Value or upon Capital Value. After 1911 the law required all these Rates to change their basis with the General Rate, if the poll were successful; but, as the Act of 1911 was not retrospective, fresh polls have to be held for the minor Rates wherever the original change to Land Value Rating was made before 1911.

Since 1896, 220 polls have been held to secure Land Value Rating, and of these polls 171 have been carried and 49 have failed. A further 19 polls have been held to rescind the Land Value system, and of these five have succeeded, and 14 failed. Auckland rejected Land Values in 1901 by a two to one vote; four months later Wellington carried it by two to one; Christchurch voted Land Values in 1902. The Counties came later—Southland in 1902, Whangarei, 1914, Featherstone at a second fight in 1915, Taranaki 1920, Bay of Islands 1920, Otamatea 1922, Marlborough 1925. In Hastings Borough it was twice rejected, carried in 1909, and extended to all rates in 1913. Now, 51 out of 123 Counties, 74 out of 118 Boroughs, and 17 out of 31 independent Town Districts have got on to the Land Value basis, and half-a-dozen fresh polls take place each year. Wellington has just (April 1927) defeated a rescission and carried an extension to all Rates by a two to one majority. Fifty-four per cent. of the population of New Zealand is now rated on Land Values.

Wherever the Land Value basis has not yet been adopted, the Local Authority itself is able to choose whether to rate on Annual Value or on Capital Value. Twenty-seven Boroughs are on Annual, and 18 Boroughs are on Capital Value. All the Counties which are not on Land Value are on the Capital Value basis, which explains the slower progress made in the Counties, since the change from Capital to Land Value in rural areas is less markedly beneficial.

The actual Land Value Rate levied varies, from 2d. in the £, up to 1s. 1d. in the £, where all communal services are measured by the standard of land value. The Valuation Roll itself is fairly accurate, being supplied to the Local Authorities (on payment) by the Chief Valuer, a State official, and revision is supposed to

The unique land value statistics from New Zealand enable one to trace a growth of land value from 62 million pounds in 1878 to 339 millions in 1925. The growth of land value goes on steadily at the rate of about 20 millions a year; and the ratio of Improvement Value to Land Value has gradually risen from about 60 : 100 to 73 : 100. The Land Value per head of population has grown in the same time from £129 per head to £241 per head. Of the 339 millions of total land value of New Zealand, 232 millions are to be found in the Counties and 107 in the Boroughs and independent Town Districts.

COMMONWEALTH OF AUSTRALIA.

New South Wales.

This State is mostly incorporated into Municipalities and Shires. All these Local Authorities are compelled by law to levy all their General Rates upon Land Values. Where Special, Local or Loan Rates are raised, the Council concerned can levy the Rate on Capital Value or on Land Value as they choose. A poll of the ratepayers may be demanded as in New Zealand, but such poll is rarely demanded as rating on Land Value is almost universal. In 505 cases, the Special Rates are on Land Value, and only in 24 cases on Capital Value. But in Sydney and Newcastle, Water and Sewerage Boards do still levy their Rates upon Annual Value, though they have the power to change to Land Value. There is no power yet to hold a poll in this case.

In the Shires the maximum Rate that may be levied is 2d. in the £ for the General Rate. The Governor may, however, and often does, extend this limit, which applies in any case only to the General Rate. Seventeen Shires exceed the limit, and levy 2½d. to 3d. in the £. The rate on ungotten minerals in private hands may not exceed 3d. in the £.

The Valuation of Land Act of 1916 requires the State to make valuations which are supplied to the local authorities. This valuation shows Land Value, Capital Value and Annual Value, but it should be noted that the Annual Value of land, where there are no improvements, is held to be not less than 5% of the Land Value. The Valuation is not open to the public, but anyone desiring to know the value of a property can get the information on payment of 2/6. There is no State Land Value tax except upon the unincorporated parts of the State, which have not yet been divided into Shires, where, of course, the rating on Land Values would be in force.

In Sydney and suburbs the actual rate levied varies from 3½d. to 6d. in the £. In Newcastle it is 4d., in Wagga 11d., and in Orange 17d. Eight sample shires give rates varying from 1½d. to 3d. None of these local authorities pay for police or education. The sum total of local Rates raised in N.S.W. is £7,260,009 a year, i.e. an average rate of 6·7d. in the £ on land value. Land Value per head of the population works out at £112 for Sydney and suburbs, £65 for other Municipalities and £210 for the Shires.

Where land is let on long lease, the lessee pays the rate, but he can apply under the Act of 1902 for an adjustment to determine the interest of the superior and any mesne lessee in the land, and then he can recover from them their share. In practice the lessee by the terms of his agreement usually pays the whole, and where the lease is a long one he is considered to be the owner; but the law on the matter needs elucidation.

One-third of the cost of the new Sydney Harbour bridge, a State enterprise, is to be met by a rate of $\frac{1}{4}$ d. in the £ on the land of Sydney and the northern suburbs, as the owners of such land will specially benefit by the construction.

Victoria.

Victoria is all divided into municipalities and shires. There is a State Land Value tax of $\frac{1}{4}$ d. in the £. The normal method of rating is on Annual Value, but under the Rating of Unimproved Land Values Acts of 1914-9, any Council may adopt the Land Values basis, or the ratepayers may demand a poll on the question. The Valuations show Land Value, Capital Value and Annual Value, and are made by the valuers of the Local Authority; the roll is, practically, open to the public. The law applies equally to urban and rural authorities. There are limits set to the Land Value Rate that may be struck; the proceeds must not exceed the amount that would be raised by a rate on the Annual Value of the locality of 3s. in the £. To check this, Annual as well as Land and Improvement Values have to be continually recorded in the roll.

Councils have in nearly all cases preferred to wait for a demand from, and poll of, the ratepayers. In the four years since the Act was passed 11 municipalities and three shires have adopted the new method. Two polls have been held to reverse the adoption and have both been defeated. The suburbs of Melbourne have "gone Land Values," but not yet Melbourne itself; and the rate struck varies from $1\frac{1}{4}$ d. in the shire of Rosedale, to 7d. in the "city" of Brunswick. Of these 14 Land Value Local Authorities, the population is 286,000 and the land value £25,000,000, or £89 per head.

The Act makes owners responsible for payment of the Rate; but in the case of long leases, there is generally a clause inserted which provides for lessees paying the Rates to the owners. This is left to the "free" bargaining of owners and lessees.

Queensland.

Queensland, before all other parts of the Empire, changed on to a Land-Value basis. All the State is incorporated into Cities, Towns and Shires. In 1890 the Coalition Government (Liberal and Conservative), under the direction of Sir S. W. Griffith, passed the Valuation and Rating Act, which made rating on Land Values compulsory throughout Queensland. All Rates are now so levied; in Brisbane they amount to 10d. in the £ for the General Rate, 4d. Water Rate and 5d. Sewerage Rate—19d. in the £ altogether. The valuations are made locally, and they are not

open to the public, which causes considerable undervaluation and inequality between different areas. Improvements are not assessed or valued at all. Recently, land used for agriculture within the area of Greater Brisbane has been charged at a lower rate.

Mr. Hardacre, the Judge of the Land Court, tells me that the main disadvantages of the Queensland system are lack of a centralised valuation, the absence of the check given by publicity for valuation, and the partial exemption of agricultural land in Brisbane which leads to the holding up of such land for speculation. The only opposition in 37 years has been an effort by the Brisbane Water and Sewerage Board to revert to Annual Value for their rates. This was vetoed by the Labour Government last year.

In every case the owner is liable for the rate, which is a first charge upon the land. Even in the case of long leases, the owner pays unless there is a stipulation to the contrary in the lease.

In addition to these local Rates, the State levies considerable taxes on Land Values. The Labour Government in 1915 levied a graduated tax running from 1d. in the £, on real estate whose land value exceeded £200, up to 6d. in the £ on estates the land value of which exceeded £10,000. They also levy an Undeveloped Land Tax of 2d. in the £ on "Any land upon which there are not improvements equal to one-fourth of the value of the land." And, finally, the State Income Tax includes as "profits" any increase in the price for which land is sold over and above that price at which it was bought. The graduated Commonwealth Land Tax is over and above all this.

Under these circumstances, there is naturally much land in Queensland still in public ownership. Such land is leased on long terms at reviseable rents, which are supposed to and do represent the full land value. These lessees naturally pay no State Land Taxes because they pay the whole land value as rent.

The 36 cities and towns, with 365,000 inhabitants, have private land value £57 per head; and the 135 shires, with 460,000 inhabitants, have land value £112 per head. If the Rates and Taxes paid by the owners of this land be capitalised and added to these land values, it will be seen that land value is high in Queensland. It is high because no improvements to be put upon the land are liable to taxation at all. Private land values are naturally low.

South Australia.

Only a small portion of this State is incorporated into Municipal and District Councils. By the District Councils' Act of 1914, the Valuation, made locally, and open to the Public, is of "Annual Value." But the Annual Value may be *either* "full rental value" *or* five per cent. of the Capital Value, and in the case of unimproved land *must* be taken as five per cent. of the land value.* The rate struck must not exceed 2/- in the £ on the Annual (that is, 1·2d. in the £ on Capital) Value. The occupier pays

in December, 1926, the Labour Government amended this Act, and have given to the District Councils the same option of rating upon Land Values, after a poll of the ratepayers, as is possessed by the Municipalities.

The Municipal Corporations Act of 1923 gives an option to the Council and the ratepayers. They may levy on Annual Value—the same sort of “Annual Value” as in the Districts—or, if the Council so decides, and after a poll of the ratepayers, upon Land Values. The ratepayers vote “For” or “Against” “taxing Land Values only,” and if the poll be carried, all Rates, special and general, are to be based upon Land Values until a reverse poll is carried. At the reverse poll only owners vote; yet only two reverse polls have been held, and in both cases Land Value rating was retained: the chief difficulty is not the poll, but the favourable decision of the Council to hold the poll.*

There are varying limits set to the amount in the £ that can be levied—up to 15d. in towns, and up to 5½d. in Districts. It appears that, if Annual Value is retained, the occupier is liable for the rates; if Land Value is adopted, the owner pays, but he has the right to recover from the occupier if he is entitled to do so by his contract. The Valuation of Annual Value is made locally, but the Valuation of Land Values is supplied on a small payment by the State Commissioner of Taxes before the poll is taken, for there is a State Land Tax of ½d. in the £.

There are 154 District Councils and 37 Municipalities, and of the latter, sixteen have already gone “land values,” but not the capital city of Adelaide.

Tasmania.

This State consists of Hobart, Launceston, and 47 Country “Municipalities.” All rate solely upon Annual Value, without the option; but all have the advantage of having Annual Value, Capital Value, and Land Value set down against each property in the Valuation Roll. The Land Value per head is £78 in the towns and £118 in the Country.

Western Australia.

In order to complete the kaleidoscope, Western Australia reverses the obvious. The whole State is divided into 21 Municipalities and 123 Road Districts. Road Districts have an option; the Municipalities have none. A curious result of this difference is that several Municipalities have relinquished their Municipal Charters and been converted into Road Districts in order to exercise the option of voting Land Values.

By the Road District Act of 1919 (as amended in 1923), rating is on Land Value, or, at the option of the Council, and with the

* Before a poll of ratepayers in any locality can be taken, one month's notice must be given by advertisement in the “Gazette” and two newspapers circulating in the District, and by a printed placard posted outside the Town Clerk's Office. Furthermore, a tentative assessment must be prepared showing the amount of rates paid by each citizen at the time of taking the poll, and also the amount each would be called upon to pay if land values assessment were in operation. This assessment must be available for public inspection 21 days before the taking of the poll. Should the citizens decide to adopt the principle of land values rating, the Council must petition the Governor-in-Council, asking that the town be proclaimed under the Land Value Assessment principle.

Governor's consent, on Annual Value.* But the Annual Value of a property must not be less than four per cent. of the Capital Value of improved property, or less than five per cent. of the Land Value of unimproved property. This makes it really a "Capital Value" alternative; but railways and public utilities are rated on Annual Value. The valuations are generally supplied by the Land Valuation Department, and are open to the public. The General Rate must not exceed 3d. in the £ on land value, but loan rates are extra, and may be specialised on selected localities which benefit from a loan. All Road Districts rate on Land Value.

By the Municipal Corporations Act of 1906 (as amended in 1919) rates are levied on an Annual Value, which again is, in effect, a Capital Value. The Annual Value of improved property is to be not less than four per cent. of the Capital Value; and the Annual Value of unimproved property not less than $7\frac{1}{2}$ per cent. of the Land Value. All machinery is specifically exempt, and public utilities pay from $1\frac{1}{2}$ to 3 per cent. of their gross earnings. The General Rate limit is $2/6$ in the £, i.e., $1\frac{1}{2}$ d. in the £ on the Capital Value. The occupier is liable for the rates, but in this case it is he who can recover from the owner.

There is also a State Land Tax, without any exemptions, of 2d. in the £. The 195,000 inhabitants of the Road Districts represent a Land Value of £95 per head.

The Commonwealth.

By the Rates Ordinance of 1926 all rates in the Commonwealth Territory of Canberra are to be levied solely upon Land Value and to be paid by the owner without right of recovery from the occupier. Here, as generally elsewhere throughout Australia, if the rates are not paid, after from three to five years, the land may be leased by the Authority; after from three to 10 years, it may be sold with an option of recovery; after a further period the land reverts to or becomes vested in the Authority.

UNION OF SOUTH AFRICA.

While the Transvaal and the Orange Free State were governed by Lord Milner, the Local Authorities Rating Ordinance of 1903 was enacted; thenceforth, throughout the Transvaal and Orange Free State the valuation roll of private property in all townships stated Land Value and Improvement Value separately. This commencement must be put down to Lord Milner's personal wish, inspired by his friend Theodore Llewellyn Davies at the British Treasury. Rates were to be levied on Capital Value—land and improvements together. It was not till 1916 that Local Authorities in the Transvaal were given the power to levy lower rates upon improvements than upon land. Johannesburg, in 1917, followed by all the other Rand townships and then by Pretoria last year, removed all rates from improvements and concentrated upon Land Value. The minor towns still levy some small rate upon

* Previous to 1919 the option was the other way on, but by 1919 all Road Districts had opted for Land Value, which was then therefore made compulsory.

improvements. Ermelo, for instance, has 1d. on improvements and 4d. on Land Value. In Johannesburg it is 6½d.—and in Pretoria, 10d. in the £—on Land Value alone.

The Cape Province followed in 1912 with a Municipal Ordinance which required Land and Improvements to be stated separately in the Valuation, though rates were to be levied on the Capital Value of the combined totals. In 1918 they again followed the Transvaal in allowing the Town Councils to charge Rates wholly or partly on a land value basis, but any change must be initiated by the Council and also approved by a poll of the rate-payers. With the exception of East London, where, as the result of three contested polls, all rates—2s. in the £—were put on to Land Values in 1926, the Cape Province has continued since 1912 to rate only upon Capital Value. Cape Town levies 4·6d. in the £. Port Elizabeth, 4½d.

Only in the Cape Province do rural Local Authorities exist; they are called Divisional Councils. Their revenues are raised by a tax of 1½d. in the £ upon a strange hybrid Land Value—1d. in the £ going to the Divisional Council and ½d. to the Provincial revenue. The Valuation has three columns, showing Land Value, improvements and beneficial improvements. Land Value and improvements (*i.e.*, dwelling houses) are taxed on Capital Value; but beneficial improvements—meaning improvements made by the farmers in the way of fertilisers, farm buildings, fences, silo, drainage—are exempt. Thirty millions out of ninety millions are so exempted. Nowhere in South Africa are rates levied upon Annual Value as in England.

Natal followed the Transvaal model, and Durban, by the decision of the City Council levies 6d. on land and 3d. on improvements. The O.F.S. followed the Cape model by Ordinance 12 of 1920, and polls have recently unrated improvements altogether at Petrus Steyn, while at Kroonstad, they have imposed 8d. on Land Value and 1d. on improvements; many of the towns raise less from improvements than from land. Bloemfontein is still on the whole Capital Value, 4½d. in the £.

The Cape Province has a Director of Valuations, and the roll is supplied to the Local Authorities. In the other Provinces the Valuations are made locally. I made the first Valuation for Ermelo in 1903; it was published in the local paper which I owned, and a few complaints were made, fruitlessly, that I had undervalued properties. It should be noted that, when a Valuation is public, owners, all contemplating sale or mortgage, like to see their property stand high.

Taking the towns all over South Africa, land value works out at only £42 per head of population. This is low, and is accounted for partly because the total town population is 33 per cent. native, and partly because most South African towns are surrounded by thousands of acres of Town Lands, used for common grazing, etc. Such lands are never valued nor rated. In Durban, where there are no Town Lands, Land Value is £80 per head; in Ermelo, where they are immense, private Land Value is shown only £27 per head.

Southern Rhodesia.

By the Municipal Law of 1914, the Town Councils are given power to levy rates on Capital Value, or on Land Value, or to partially exempt improvements. The Valuation, which has to be revised every five years, shows land and improvements in parallel columns, and is made by the State. Polls are not provided for, but every Municipality in Southern Rhodesia has relieved improvements to some extent. Salisbury, Bulawayo, Umtali and Gwelo, all raise 4d. on Land Value and from $\frac{1}{2}$ d. to $1\frac{1}{4}$ d. on improvements.

Rural Local Authorities, called Road Councils, exist in Rhodesia, and by the Road Councils Ordinance of 1921, they are given the power to rate, only upon Capital Value, up to $1\frac{1}{4}$ d. in the £ . A separate valuation of land and improvements is not provided for in the Ordinance.

Northern Rhodesia.

In this Crown Colony, the capital, Livingstone, is governed under the Village Management Proclamation of 1911. The administrator may "make" "alter" or "annul" rates. But he is guided thus—"he may require reasonable payment from those inhabitants of the area who may enjoy more largely than others any privilege or right therein"—a beautiful definition of Land Value Rating.

DOMINION OF CANADA.

Marked features of Canadian Local Government are (1) the influence of the United States upon the methods of control and taxation, and (2) the influence of old English upon the nomenclature. We find property assessed on Capital Value as in the United States, often including personal property; the same under-assessment of real estate by local assessors; the same treatment of the questions of police and education. Canada, a newer country more anxious to develop, gives rather more exemption from taxation to improvements; but generally, as in England and the United States, the local authorities "strike a rate."

Or again, the Chairman of the Village Council is the Reeve; hamlets abound; shires and parishes make familiar Ontario and Quebec. But throughout the West our word "County" becomes, for local government, a "Rural Municipality."

From 1906 till recently, the Prairie Provinces based their local taxation upon Land Value with a thoroughness worthy of Australia; but since the farmers have become all powerful, while leaving farm buildings and improvements untaxed, they have managed to include in rateable value a large amount of the improvements made on other people's property. Property owners were made nervous by the great fall in land values that followed the first imposition of Land Value rating.

Nova Scotia, New Brunswick, Prince Edward Islands.

The Seaboard Provinces follow the American model, and levy all local taxation upon the, alleged, full Capital Value of land, improvements, and personal property.

Quebec.

The French Province is divided into cities, towns and 74 county municipalities, together with four non-self-governing territories. The county municipalities are divided up again into local municipalities.

Under the Cities and Towns Act of 1923—a gigantic Act of 697 clauses—the assessors are to set down both Capital Value (including machinery) and Annual Value of all real estate. The Councils do not, however, strike a rate, but levy local taxes. They may tax owners up to 2 per cent. of the Capital Value of their property (or up to 1 per cent. only, in the case of land under cultivation); also they can levy poll taxes, taxes on stock-in-trade, taxes on trades, on banks, manufactures, professions, etc. A further possible tax is based upon Annual Value; they can levy up to 8 per cent. of this Annual Value upon all tenants. All towns are divided into Wards.

One may say that Quebec methods are an exact cross between Paris and New York.

Ontario.

There is a Provincial Land Tax Act of 1924, which levies a tax of 2 per cent. on the Capital Value of land and improvements (except machinery) throughout the Province. The organised areas are governed by the Consolidated Municipalities Act of 1922. Rates are levied on Capital Value (land and improvements), but the Councils are, or perhaps were, empowered to reduce the rate upon improvements should they desire to do so. Except in the neighbourhood of Niagara, little has been done to exempt improvements.

By one clause in this Act, the compensation payable to owners whose land is taken for public improvements is reduced by the estimated benefit accruing to the owner from the improvement.

Manitoba.

All Rural Districts (called Municipalities) rate on Land Value alone; and there is a curious provision whereby a man can commute his rates by performing Statute Labour on communal works. Otherwise the land is sold if the rate is not paid by a certain time.

Under the Assessment Act of 1924, towns and cities rate on the full value of land, plus two-thirds of the Capital Value of improvements, and also on personal property. The Capital Value of personal property is very difficult to estimate, and leads to infinite evasion and injustice.

Saskatchewan.

This Province has 80 Townships, 367 Villages, 301 Rural "Municipalities," and many centrally-governed Improvement Districts. Since 1914 the Rural Municipalities rate on Land Value; but they add 60 per cent. of the Capital value of such buildings as are not connected with farms and lie in the hamlets, as well as a floor-space tax on businesses. The normal rate may

not exceed 1 per cent. (i.e., 2.4d. in the £), apart from any additions required to pay interest on loans. School rates are also extra, and are levied on Land Value alone; but they may not exceed 2 per cent.

In the centrally-governed "Improvement Districts," local revenues are raised by a flat rate tax *per* acre on all land.

All cities and towns can tax on Land Value, and on improvements up to 60 per cent. of their value, and on businesses, on income, and on special franchises. Generally they cut down the improvement rate below 60 per cent. Prince Albert rates improvements at 45 per cent. only, Saskatoon at 35 per cent., and Regina, the capital, at 30 per cent.

Villages can tax on land, on improvements, on businesses and on incomes—all at the option of the Councils.

Such public services as Rural Telephones, Hospitals and Municipal Insurances are paid for by special Land Value taxes upon the owners in special areas who benefit by the services.

The Wild Lands Tax is 1 per cent., and there is also a Provincial Land Tax based on the Capital Value of land and improvements, both being for provincial services.

Alberta.

Alberta is divided into Towns, Villages, Rural Municipal Districts, and centrally-administered Improvement Districts. Revenue for Improvement Districts is raised by a rate of not more than 5 per cent. on Land Value; as in Saskatchewan, farm buildings and improvements are exempt, but not other buildings in hamlets.

By the Municipal Districts Act, Rural Municipalities raise their rates as in the Improvement Districts, but without any limit; and they also have an optional business tax of from \$2.50 to \$10 *per* square foot of floor space.

The Towns Act of 1911 and the Villages Act of 1913 levied rates on Land Values only. But, by a poll of the ratepayers in the case of villages, or by a vote of the Council in the case of towns, improvements might also be rated in whole or part. These Acts were altered this year (1927), and now all improvements are valued and rated uniformly at two-thirds of their full value; they have also added an optional levy on personal property.

In every case the valuation is made locally, except in the case of the Improvement Districts; and the valuations are always open to the public.

All these Prairie Provinces levy something in the nature of a Provincial Wild Lands Tax (generally from $\frac{1}{4}$ per cent. to 2 per cent. of the Land Value), upon those non-resident owners whose land is not improved up to some easy standard. Last year these Wild Land Taxes brought in—Alberta \$370,000, Manitoba \$40,000, Saskatchewan \$604,000. Education is managed locally in Education Districts which are not coterminous with the Rural

Municipalities, and they either levy rates of their own upon Land Value, or else issue precepts upon the Municipalities. Much of the police work is locally managed and paid for.

British Columbia.

Since 1914 all Local Authorities—Cities, Towns, Villages and Rural Districts—rate land at its full value and improvements at 50 per cent. or less, at the option of the Council. Of the 63 "Municipalities," 25 rate improvements at their full 50 per cent. (half value), 16 rate improvements at less than 50 per cent., and 22 exempt improvements altogether, and rate entirely upon Land Value. Vancouver is at 50 per cent. (since 1919); Victoria at 33 per cent., and New Westminster entirely on Land Value.

The Wild Lands Tax is here 5 per cent.

NEWFOUNDLAND.

By Act XIII. of 1921 Newfoundland levies local taxation upon Annual Value, only differing from England in that unoccupied houses have to pay on one third of their full value. But there are also special taxes upon Ground Rents, and upon unoccupied building land, and upon businesses. St. Johns is divided into Wards, and men and women over 21 have the vote. Special clauses in the Act provide that "the cost of improvements (roads, etc.) shall be assessed upon the lands directly benefiting therefrom, according to the frontage thereof upon the streets so opened or improved or adjoining thereto (Clause 75)." The same principle is applied to Sewage and Water mains. And, again, half the cost of street widenings or street payings is to be borne by the frontage owners.

THE UNITED STATES OF AMERICA.

Before we pass from the free Dominions it may be well to look at what they do in America. The United States leave all such matters to the State Legislatures, as in Canada. Generally, the State Legislatures direct that all local taxation shall be met by Rates upon the Capital Value of real estate, both in town and country. But they often levy the Rate also upon Personal Property in the house or store—a very difficult matter to assess.

The Valuations of real estate are made locally, subject to a State Board of Equalisation. Some States separate Land and Improvements in their published valuations, some do not; but all separate the two values in their Field Books. The Municipalities all control and pay for Police and Education; and the rate struck in New York is 2.87 per cent., the equivalent of about 1s. in the £ on Land Values.

There are certain noticeable exceptions. In New York houses built after the war were exempted from taxation (that is to say, the tax is upon the Land Value alone) for a certain period of years, so as to encourage house building and get over the special shortage. In the State of Pennsylvania a special law allows the exemption of half of all buildings and improvements from the valuation, so that land is taxed at twice the rate on improve-

ments. This applies only to Scranton and Pittsburg, and is known as "the Pittsburg plan." In North Dakota, bordering on Canada, under laws passed in 1917 and 1919, land is assessed at its full value, while personal property, farm buildings and city houses are assessed at one half. Under the law of 1916 the State of Maryland gave to all towns the right to levy local taxation as they think fit, and a number of small towns have partially exempted improvements from taxation. The town of Capital Heights has exempted all improvements and taxes Land Values only.

The radical demand in America is for "Home Rule in Taxation," but Maryland is so far the only State which permits of such a thing.

CROWN COLONIES.

For the systems adopted in the various Crown Colonies the Colonial Office must be held responsible, but evidently, local officials with varying views have been given a free hand. The stage of civilisation and self-government which the different colonies have reached does not seem to have had much influence on the widely-differing results.

Kingston, the capital of Jamaica, by Ordinance No. 3 of 1923, rates on Annual Value. The town is divided into Wards; there is one Common Roll of electors, whatever their colour, and women have votes at 25.

The Bermuda capital, by Ordinance No. 33 of 1923, rates on Annual Value, and here the Municipality pays for and controls the police.

Trinidad, too, by Cap. 224 of 1914, rates on Annual Value. The town is not divided into Wards, and again, there is a Common and not a Communal Roll of electors, whatever their community or colour. In none of these cases is there any exemption of machinery from rates.

British Guiana, by Ordinance 44 of 1918, rates on Capital Value. There is a Common Roll of electors—men only, who can read and write English. The Colony is unique in that aliens also have the Municipal franchise.

Mauritius also rates on Capital Value, with a limit of 1 per cent. of such value. This racially-mixed community also has a Common Roll, but the Capital is divided into Wards. Males of 21 have the vote.

The Seychelles, by the Taxes Ordinance of 1907, gets the best of both worlds. There is a rate up to $\frac{1}{2}$ per cent. (i.e., 1·2d. in the £) on Capital Value, paid by the owner. (This becomes Rupees 3 *per* acre in the unvalued country parts). And there is an Annual Value Tax, not to exceed 4 per cent. of the rent paid, levied upon Town tenants.

Sarawak, by the Municipal Ordinance of 1921, prefers Annual Values, but specifies the exemption of churches.

St. Helena, Ord. 6 of 1906, is on Annual Value; but there is a Continental touch in the considerable revenue derived from

Suva in **Fiji** is thoroughly Australian. The Municipal Institutions Ordinance No. 4 of 1909, as amended in 1924 (on the request of the Council) levies all on the Unimproved Value of Land. The General Rate is not to exceed 5d. in the £, special rates not to exceed 7d. There is no communal electorate, and all males over 21 who can read, write and speak English have the vote.

Tonga, on the other hand, by Ord. No. 3 of 1923, confines itself to a straight Poll Tax of 4s. per head for Municipal purposes.

Hongkong, by Ord. No. 6 of 1901, rates on Annual Values with a good many extras. Only 13 per cent. of the Annual Value can be taken for the Municipality.

Singapore, by Ord. 135 of 1913, as amended up to 1925, has local taxes on cars, carts, bicycles, mules, dogs, etc., and can levy a rate up to 25 per cent. on Annual Value. But here are two improvements—all machinery is exempt, and the Annual Value of unbuilt-on land is held to be 5 per cent. of its full selling value. The Ordinance also specifies that no compensation is to be paid for land taken to make new roads.

In the towns of **Ceylon** there is a Common Roll of electors (male). They rate on Annual Value, with a pleasing variety of additions on animals, professions, and tolls on passengers and produce. The influence of India is obvious.

Both Singapore and Colombo need Land Value rating badly, as they are growing rapidly, and slums and suburban land values are excessive.

Irak raises the money to manage Bagdad and Basra by rates on Annual Value, not to exceed 10 per cent. thereof.

Palestine, by Ordinance 19 of 1924 and 45 of 1926, rates at present on Annual Value; but when the urban Wergo Tax is re-assessed, that and the rates will presumably go on to Capital Value. The Wergo Tax is a tax on the Capital Value of real estate as determined in a prehistoric valuation, and brought up-to-date only when the real estate changes hands by sale. It is to be found in most ex-Turkish countries.

Cyprus, by Ord. 6 of 1882, as amended in 1885, levies on Annual Value; the Valuation is public. The franchise is purely Communal, Christian and Moslem, and, in contrast to Palestine, all males over 21 have the vote, if British or Ottoman subjects.

Malta and Gibraltar seem to have no Municipal Ordinances or Acts. Presumably the administration is entirely centralised.

Turning to Africa, Freetown Municipality in **Sierra Leone** rates on Annual Value by Cap. 80 of 1924.

The **Gold Coast** in the same year, passed the Municipal Corporations Ordinance, which exempts land altogether. Only premises are rated and on Annual Value up to a limit of 20 per cent. Empty houses are exempted as well as unused land. Further peculiar features are an option given to the Councils to levy a graduated surcharge (up to 100 per cent. additional) on better

built and more expensive premises; also the owner and the occupier are each to pay half the rate. Finally, as a premium one would think on corruption, the Mayor and two Councillors are to act as valuers.

Nigeria is at the other end of the scale. By the Assessment Ordinance of 1915, as amended in 1918, the Governor is to direct in each town whether Capital or Annual Value is to be taken for assessment. Machinery is specifically exempted. By the Townships Ordinance of 1917 the rate is not to exceed two-thirds per cent. if on Capital, nor 10 per cent. if on Annual Value. Nigeria alone of the Crown Colonies has a rudimentary local government outside the towns in the Northern Province. The native chief takes a percentage of the Land Value Tax paid to the State, and, by the advice of the Resident, spends it on public works.

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Nyassaland, according to the Waterworks Ordinance of 1926, rates on the Capital Value of all buildings; The occupier pays, and 'unbuilt-on land apparently escapes altogether. But this is at present only a Water Rate.

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Tanganyika, with a perfectly sound Land Ordinance of 1923, whereby all land is held of the State, with security of tenure at revisable Land Value rents, has also a House Tax Ordinance of 1922, which levies local rates on Annual Value and exempts unbuilt-on land altogether.

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• **Uganda**, by Cap. 49 of 1924, rates on Annual Value; but land used for agriculture is to be assessed at only one-quarter of its annual Value, since the native chiefs and landowners are very powerful in Uganda.

Somaliland also has a Townships Ordinance of 1911. Municipal Councillors are appointed to value and rate up to 10 per cent. of the Gross Annual Value. Here machinery, of which there cannot be much, is exempt; and here also, empty houses are made to pay. The owners pay all rates.

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for local government. It is no part of the task I have set myself to argue for one method or another, but merely to point out the infinite variety that exists to-day. Just at this moment the Commission of Enquiry set up by Sir Edward Grigg, known as the Feetham Commission, has reported on precisely this subject in connection with local government in Kenya. Generally speaking, Mr. Justice Feetham has recommended the Transvaal system of levying local taxes—the option lying with the Municipal Council as to how much should be levied upon land and how much upon improvements. It would be well if this careful and elaborate Report should be taken by the Colonial Office as a model for the Crown Colonies generally. Such an enquiry has long been needed, and full advantage should be taken of it to bring other places up-to-date. To such a Report this pamphlet will, I hope, constitute a useful companion.

THE POLICY OF THE BRITISH LABOUR PARTY ON LOCAL TAXATION.

From the Resolutions passed by the Labour Party Conference at Liverpool in 1925.

“This Conference believes that the right solution of the Land Problem remains the very foundation of Labour’s work. . . . Land Values should be subject to taxation, in order to reduce the cost of land and minerals in the interests of trade and employment.

“With this object, it is proposed that an effective Land Valuation Department be re-established forthwith, and a National Land Valuation put in hand. This Valuation should be public, and should include all land and minerals. It should show :—

“ (1) The Unimproved, or site, Value, and

“ (2) The Improved Value of land.

“The Valuation should be kept up-to-date, and all land should be revalued at least once every five years.”

“The present Rating system penalises all improvements, and falls with crushing weight upon the poorest localities. This Conference, therefore, demands that Local Authorities shall be given power to levy a local flat Rate, the amount of which they should be free to determine for themselves, on all Land Values within their area.”

“The Land Value Taxation should be regarded primarily as a means of :—

“ (1) Collecting the economic rent for the community.

“ (2) Deflating Land Values, and so cheapening land.

“ (3) Promoting the most profitable use of land; and

“ (4) Facilitating the acquisition of land by Public Authorities.”

Leaders' Views.

1. " It is from the land that Labour derives all the primary raw materials. It is the soil which the agriculturist needs, it contains the ores and the minerals of all our vast mining, quarrying, smelting trades ; upon it must be built our factories, our warehouses, our houses. If it were closed against us, every industry in the country would be paralysed and we should die.

" Rent is a toll, not a payment for service. By rent, social values are transferred from social pools into private pockets; and it becomes the means of vast economic exploitation. Of this injustice Urban Land Values are conspicuous examples ; and the practice of holding up land unpenalised by Rates, and of valuing for rating purposes far below purchase price, is evidence not only of the political power exercised by landowners, but of the survival to this day of privileges to shirk public responsibilities claimed by them when they had the power, and continued by use and wont.

... Rent is obviously a common resource. Differences in fertility and value of site must be equalised by rent, but it ought to go to common funds and be spent in the common interest."

Rt. Hon. J. Ramsay Macdonald in *The Socialist Review*.

2. (a) " With land free and men willing to work, can anyone set a limit to the extent of the wealth that might be enjoyed by all ? Nature is bountiful—not niggardly—her reservoirs are full with the things that satisfy men's wants. Indeed, it is from the earth that we get all things ; but so long as man is denied access to the source from whence wealth comes, starvation and unemployment will remain."

(b) " The Taxation of Land Values with, of course, the exemption of improvements, does not receive my support merely as a plan for raising additional revenue. It is designed to achieve far greater results. It seeks to open the way to the natural sources from which all wealth springs. The labour is here, and with it the will to work, but the land still lies locked in the grip of a tenacious and unrelenting monopoly, while unemployment and poverty haunt us with a terrifying persistence. Is it to be wondered that the working classes of this country almost despair of better times ? . . . Is labour never to achieve free access to Nature's bounteous storehouse ? . . . These are the questions that must be answered before we can proceed in the direction of building up a society based upon universal brotherhood, and no answer will satisfy the moral sense of the people that does not contain an admission of the right of a community to throw open the land and to take for the community the economic values created by the community. With a society thus firmly established upon the basis of economic justice, the spiritual and intellectual ideals without which a nation cannot live will have greater freedom of development."

Rt. Hon. Arthur Henderson
(Secretary of the Labour Party), Oxford, August, 1923

for local government. It is no part of the task I have set myself to argue for one method or another, but merely to point out the infinite variety that exists to-day. Just at this moment the Commission of Enquiry set up by Sir Edward Grigg, known as the Feetham Commission, has reported on precisely this subject in connection with local government in Kenya. Generally speaking, Mr. Justice Feetham has recommended the Transvaal system of levying local taxes—the option lying with the Municipal Council as to how much should be levied upon land and how much upon improvements. It would be well if this careful and elaborate Report should be taken by the Colonial Office as a model for the Crown Colonies generally. Such an enquiry has long been needed, and full advantage should be taken of it to bring other places up-to-date. To such a Report this pamphlet will, I hope, constitute a useful companion.

THE POLICY OF THE BRITISH LABOUR PARTY ON LOCAL TAXATION.

From the Resolutions passed by the Labour Party Conference at Liverpool in 1925.

“ This Conference believes that the right solution of the Land Problem remains the very foundation of Labour's work. . . . Land Values should be subject to taxation, in order to reduce the cost of land and minerals in the interests of trade and employment.

“ With this object, it is proposed that an effective Land Valuation Department be re-established forthwith, and a National Land Valuation put in hand. This Valuation should be public, and should include all land and minerals. It should show :—

“ (1) The Unimproved, or site, Value, and

“ (2) The Improved Value of land.

“ The Valuation should be kept up-to-date, and all land should be revalued at least once every five years.”

“ The present Rating system penalises all improvements, and falls with crushing weight upon the poorest localities. This Conference, therefore, demands that Local Authorities shall be given power to levy a local flat Rate, the amount of which they should be free to determine for themselves, on all Land Values within their area.”

“ The Land Value Taxation should be regarded primarily as a means of :—

“ (1) Collecting the economic rent for the community.

“ (2) Deflating Land Values, and so cheapening land.

“ (3) Promoting the most profitable use of land; and

“ (4) Facilitating the acquisition of land by Public Authorities.”

Leaders' Views.

1. "It is from the land that Labour derives all the primary raw materials. It is the soil which the agriculturist needs, it contains the ores and the minerals of all our vast mining, quarrying, smelting trades; upon it must be built our factories, our warehouses, our houses. If it were closed against us, every industry in the country would be paralysed and we should die.

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Rt. Hon. Arthur Henderson
(Secretary of the Labour Party), Oxford, August, 1923

Further Publications on the Same Subject.

Taxation and Rating of Land Values. Rt. Hon. JOSIAH C. WEDGWOOD, D.S.O., M.P. 1d. (4/6 per 100, carriage paid).

Trade Depression and Unemployment. Sir EDGAR HARPER, F.S.I., F.S.S. 1d.

Land Value Taxation in Practice. New South Wales and Sydney. 1d.

The Crime of Poverty. HENRY GEORGE. 1d.

Thou shalt not Steal. HENRY GEORGE. 1d.

Methods of Land Nationalisation. FREDK. VERINDER. 2d.

House Famine and the Land Blockade. A. W. MADSEN, B.Sc. 1d.

Essays and Adventures of a Labour M.P. Rt. Hon. JOSIAH C. WEDGWOOD, D.S.O., M.P. 3/6.

To be obtained from the Office of the

ENGLISH LEAGUE FOR TAXATION OF LAND VALUES
376, 377, Strand, London, W.C.2.

THE **13** LIBERAL PARTY

*Recent Documents relating
to the internal affairs of
the Party*

Published, without comment, for
the convenience of members of
Liberal Associations

V3, 4M64

LIBERAL PUBLICATION DEPARTMENT,
42, Parliament Street, London, S.W.1.

PRICE ONE PENNY

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DOCUMENTS
RELATING TO THE LIBERAL PARTY.

Beginning of the General Strike.

The stoppage in the Coal Mining industry began at midnight on Friday, April 30th.

The General Council of the Trades Union Congress met in London on Saturday, May 1st, and decided to call a General Strike at midnight on Monday, May 3rd, if no prospect of settlement had appeared in the meantime.

The Cabinet continued negotiations with the Trades Union Council on Sunday, May 2nd, but late that night intimated that negotiations must cease until the proposal for a General Strike had been abandoned.

The General Strike began at midnight on Monday, May 3rd.

Division of Opinion in the Liberal Party.

Shadow Cabinet, May 3rd.

On Monday, May 3rd, there was a meeting of the Liberal Shadow Cabinet, at which there was a full attendance, including Lord Oxford and Mr. Lloyd George. It was the "united opinion" of this meeting that the General Strike was of such a nature that "society was bound, with all the resources at its command, to make certain of victory" over it. (*See Lord Oxford's letter of June 1st, below.*)

Lord Oxford's Message, Published in the "British Gazette," May 8th.

There could be no greater misunderstanding of the attitude of our people at this moment than to suppose that it implies any hostility to the right of combination in industry. Strikes and lock-outs, though they always inflict a certain amount of inconvenience on the public, may be, and often are, in the last resort justifiable and even necessary. But the challenge which has now been thrown down and taken up is of a totally different kind.

A General Strike, such as that which it is being sought to enforce, is directly aimed at the daily life of the whole community. The people who suffer the least from it are the capitalists and the plutocrats. They have at their command the whole apparatus of opulence, and the petty discomforts to which they are exposed are not more than pin-pricks, easily endured, rapidly forgotten.

The real victims of a General Strike are what is called the Common People—the men and women who have to labour hard day by day for their own livelihood and that of their children, for whom cheap and regular transport between their homes and their work is a prime necessity, and to whom any contraction in the supply, or rise in the cost, of the necessaries and simpler comforts of life means privation

and even want. It is they who in the long run bear the burden and pay the price.

We should have lost all sense of self-respect if we were to allow any section of the community at its own will, and for whatever motive to bring to a standstill the industrial and social life of the whole nation. It would be to acquiesce in the substitution for Free Government of a Dictatorship. This the British people will never do.

We desire at the earliest moment the resumption of negotiation to bring peace and reconstruction to our coalfields. But the anti-social weapon, which has been so unadvisedly drawn, must first be sheathed.

OXFORD AND ASQUITH.

Lord Grey's Message, Published in the "British Gazette," May 8th.

The General Strike has raised an issue in which the question of miners' wages is submerged. The issue now is not what the wages of miners should be, but whether democratic Parliamentary Government is to be overthrown. It is by this democratic Government that liberty has been won, and by this alone can it be maintained.

The alternatives are Fascism or Communism. Both of these are hostile and fatal to liberty. Neither of them allows a free Press, free speech, or freedom of action, not even the freedom to strike. It may well be that the majority of those who decreed the General Strike did not intend, and do not desire, to overthrow Parliamentary Government but their action has threatened it, and the issue must now be decided in favour of free Constitutional Government before any other question can be dealt with.

The trouble in the mines is not that employers or men are exorbitant; it is the poverty of the industry that is ruining owners and depressing miners' wages. The money is not there. The trouble can only be overcome by sacrifices on both sides for a time to tide over the crisis, and by co-operation to put the industry on a better footing.

The misfortune of the General Strike is threefold. It has raised an issue in which the interest of the miners is lost to sight; it is destroying the good will without which our depressed industries cannot recover; it is impoverishing the whole country and thereby making settlement in the mining industry more difficult, and it is bound to increase the suffering that already exists in all the depressed trades, of which the mining industry is only one.

Every day of the strike is making the future certainly worse for everybody, worse for wage-earners as well as for employers.

It is said that the mining dispute was on the eve of settlement. I will not add to bitterness by asking who was to blame for breaking off negotiations. Recriminations about the past are worse than useless now. We are concerned with the facts of the present and the dark prospect of the future.

Two things are clear—the first is that the community must work together at all costs to avert revolution and preserve constitutional methods; the other is that the only counsel to save our industries is: "End the strike and get back to negotiations."

GREY OF FALLODON.

**Mr. Lloyd George Declines to Attend the Next Meeting of the
"Shadow Cabinet."
His Letter to the Chief Whip.**

Churt, May 10th.

Dear Godfrey Collins,

I regret I cannot see my way to attending to-day's "Shadow" Cabinet. When I first received the invitation I was under the impression we were called together to discuss the policy of the party in view of the grave national emergency which had arisen.

Since then, however, declarations have been made in the Government Press and by the leader of the party and others wielding great authority in the party committing us without previous consultation to a point of view to which I feel obliged most regretfully to dissent.

I have always deprecated a General Strike, and I am afraid I find it difficult to support the Government in emergency measures to defend the national order and to enable the nation to go on without privation, as I have said so explicitly in the House of Commons.

But that does not involve a declaration that negotiations should be conditional on an unreserved withdrawal of the T.U.C. Nor does it mean that we should concentrate criticism on the T.U.C. for their blunder while we abstain from condemning the Government for breaking off negotiations after the T.U.C. had accepted a formula drafted by the Government and whilst they were actually engaged in pressing its acceptance on the miners.

The *Daily Mail* incident was a poor excuse for terminating peace negotiations when they seemed to be on the point of maturing.

The action of the Government was precipitate, unwarrantable, and mischievous. But for that we might now have had peace.

At any rate, we should not have been passing through a General Strike with all the terrible consequences which it may involve. For if the miners had refused the terms pressed upon them by the T.U.C., the latter could not have called a General Strike in support of them.

I therefore cannot see my way to join in declarations which condemn the General Strike while refraining from criticism of the Government, who are equally, if not more, responsible, and I do also think that if we support the Government in an absolute refusal to negotiate until the General Strike is called off, the struggle may be a prolonged one, and the damage to the nation may well be irreparable.

I prefer the Liberal policy of trusting to conciliation rather than to force.

On the question of a practical policy, I am entirely in accord with the proposals put forward by the Archbishop of Canterbury on behalf of himself and the other leaders of the Christian Churches in this land in his Lambeth declaration.

(1) That an effort should be made to get back to the *status quo* of before the Government broke off negotiations.

(2) That both strike and lock-out should be called off.

(3) That the Government should continue the subsidy pending negotiations and for the short time necessary to give effect to them.

Ever sincerely yours,

D. LLOYD GEORGE.

Lord Oxford's Letter to Mr. Lloyd George.

44, Bedford Square, W.C.1, May 20th.

My dear Lloyd George,

I have refrained from writing to you until the Strike was over, and the life of the country had resumed its normal course.

I should not be doing my duty as Leader of the Liberal Party if I did not now convey to you my regret at the course which you have pursued in the greatest domestic crisis which the country has had to confront in your time or mine.

I need not remind you that on the day when the General Strike was declared was about to come into operation—Monday, May 3rd—discussed with our colleagues at a meeting of the "Shadow" Cabinet the proper attitude of the Liberal Party. We were all of us in favour of some of the steps which, in the origin and progress of the Coal Dispute, the Government had taken, or omitted to take. But we were united in our determination to condemn and to join with such influence as we could exercise or command in resisting the ill-adviced resort of the Trade Union Council to the anti-social campaign of a General Strike.

The next day, May 4th, I took the first opportunity open to me to declare and explain in the House of Lords what I had then every reason to believe, and still believe, to be the practically unanimous judgment of our party. I have read over my speech, and I find in it nothing to qualify or amend.

I did not fail to point out that in my opinion a better use might have been made by the Government of the respite of nine months purchased by the subsidy for the maturing of constructive proposals in the Coal Dispute. But I urged as strongly as I could that this was not the moment for criticism of the past in any of its aspects, and that our paramount duty was to concentrate on the task of frustrating the common danger which threatened the whole nation. I added two or three practical suggestions towards the attainment of peace.

A few days later, when we were in the thick of the conflict, I addressed through the only available organ, *The British Gazette*, a short message to help to hearten the mass of the people in their splendid struggle against the coercion of a new Dictatorship. Lord Grey wrote in the same sense, and a powerful contribution to a right understanding of the case was made by Sir John Simon in the House of Commons.

None of these declarations were in any sense unsympathetic to the miners, still less were they hostile to the principles or the legitimate activities of trade unions, which Liberal legislation has done so much in the past to safeguard.

I summoned another meeting of the "Shadow" Cabinet on Monday, May 10th. All my colleagues attended with the notable exception of yourself. The reasons for your absence, as set out in a letter dated the same morning, seemed to me to be wholly inadequate.

The main ground alleged was that declarations have been made in the Government Press by the Leader of the Party (i.e., myself) and other Liberals of authority from which you felt obliged to dissent. You

added that you could not see your way "to join in declarations which condemned the General Strike, while refraining from criticism of the Government, who are equally, if not more responsible."

Whether you were or were not at this time aware of the terms of my speech in the House of Lords, I do not know. Though for the moment full and accurate reporting had (as I think, most short-sightedly) been rendered impossible, yet the gist of what I said could easily have been ascertained.

I regard this as a very grave matter. We had reached the most critical moment of the Strike. It was, in my judgment, the primary duty of all who were responsible for Liberal policy, and certainly not least of the Chairman of the Parliamentary Party in the House of Commons, at such a time to meet together for free and full discussion, and to contribute their counsels to the common stock. Your refusal to do so I find impossible to reconcile with my conception of the obligations of political comradeship.

I should have been glad to stop at this point. Your speeches in the House of Commons were, of necessity, so scantily and inadequately reported that I make no comment upon them.

But I cannot pass by without notice the article which, entirely on your own account, you thought it right, when it was above all things necessary to demonstrate the essential unity of the country, to contribute to the American Press.

I have now had the opportunity of reading the full text. It contains a desponding, though highly-coloured, picture of our national straits. It predicts a long duration of the conflict, and the ultimate wearing down of the steadfastness of our people through "worry about their vanishing trade."

I cannot but deplore that such a presentation of the case should have been offered to the outside world, on the authority of an ex-Prime Minister of Great Britain and the Chairman of the Liberal Parliamentary Party.

It gives me real pain to have to write this letter. As you well know, it is not dictated by personal feelings.

Yours sincerely (signed)

OXFORD.

Mr. Lloyd George's Reply.

25, Old Queen Street, Westminster, S.W.1.

May 24th, 1926.

MY DEAR OXFORD,—I have given very careful consideration to your letter, and have done my utmost to prevent its unusual tone from deflecting calm judgment on its contents.

Since we decided two and a-half years ago to effect reunion amongst the divided forces of Liberalism, I have done my best in every way to make that reunion under your leadership an effective reality, and if open dissension is once more to be promoted in our ranks the responsibility must rest elsewhere. If it must come, let us be clear as to what the conflict is about, and whether it is on an issue of principle or on points of a purely personal character.

As I understand the gravamen of your letter, it consists of a charge

that, in criticising the Government and urging a return to negotiations during the progress of the strike, I was pursuing a course which was unworthy of my position in the party, and which contrasts unfavourably with the action of Lord Grey, Sir John Simon, and yourself, and that it calls for solemn rebuke and repudiation from you as Leader of the Party.

As to my criticisms of the Government, they were mainly contained in two speeches, both delivered before the strike actually began: one was delivered at Cambridge on Saturday, May 1st, and the other in the House of Commons on the following Monday. As to the former, may I remind you that, at the meeting of the Liberal "Shadow" Cabinet on May 3rd, summoned specially to consider the line to be adopted by the Liberal Party in face of the impending General Strike, you and my other colleagues expressed warm approval of the line I took in my Cambridge speech?

It was the only speech delivered by a Liberal leader which was at all fairly reported, and as the Liberal "Cabinet" approved of the declarations contained in it, I will summarise them. I took three points in the following order:—

(1) The Government of the day must be supported in any action it may take to defend order and to preserve the essential services. "The nation must come first, and all the time."

(2) The Government by their delays and dawdlings are primarily responsible for the present situation. It had been "all talking and no tackling."

(3) Let them get on with negotiations and for the first time really tackle the job.

Although negotiations had then been broken off by the Government and a general strike was imminent, no one at this important Liberal Council which settled our policy suggested that the unconditional surrender of the strikers should precede the resumption of negotiations.

From the line then taken I have never deviated in speech or writing. Fortified by the assent of my colleagues, I spoke in the same sense that afternoon in my speech in the House of Commons and in my observations from the chair at the meeting of the Party. I deprecated the general strike and the conduct of the negotiations by the Government, but as I was pleading for conciliation and a renewal of negotiations I spoke of the mistakes made by both parties with much restraint.

After the strike had actually commenced, I directed only two criticisms at the Government. I complained that the Ministerial Editor of the egregious *British Gazette*—the only means of communicating Parliamentary Debates to the public—had completely suppressed your speech in the House of Lords in the official Government journal, a speech, by the way, in which, as you pointed out in your letter, you had, after the strike had started, severely condemned the Government for their mishandling of the situation and put forward suggestions for which I am reproved.

All my protests, however, resulted merely that on the following day the *British Gazette* inserted a few lines torn from their context and giving no kind of idea of what you had proposed as a means of settle-

ment. I then endeavoured, with the assistance of the three Editors of the London Liberal papers, to have that speech reproduced in an independent paper, and on that failing, succeeded in publishing the vital suggestions of it in one of them.

I afterwards called attention to the action of the Government in suppressing the appeal for resumption of negotiations issued by the Archbishop of Canterbury on behalf of himself and the other Leaders of the Christian Churches.

Apart from these two criticisms my two speeches during the strike were confined to a support of the emergency measures taken by the Government; to a plea that these powers should be exercised with moderation and impartiality; and to a support of the Archbishop's appeal for an immediate resumption of negotiations on the basis of calling off the General Strike, a reopening of the mines, and a temporary subsidy.

These proposals were identical with those embodied in a document prepared by Sir John Simon, approved by the "Shadow" Cabinet, and by the Liberal Parliamentary Party. He summarised them subsequently in his second speech in the House of Commons—a summary which was also mutilated in the Government organ, which appeared to have adopted the policy that no Liberal statement should be issued except assertions that we were falling in behind the Conservative Party, and had no constructive policy to offer at all.

In what respect do these proposals differ from the policy I urged upon the Government? I was giving expression throughout to an elementary Liberal principle that force was no remedy. I applied it impartially to strikers and Government.

In both the Boer War and the Great War the Liberal Party disavowed the policy of refusing to announce terms or to engage in parleys or peace until there had first been an unconditional surrender. On other occasions that attitude was regarded as a Die-Hard policy.

But I gather you do not base your censure of my conduct on the speeches I delivered, as you state that you have had no opportunity of expressing approval of. The only one you read—the Cambridge speech—you expressed approval of. The other speeches will be found in Hansard when published, and as they are the only words I uttered in public during the strike, I am entitled to ask why they were not, at least, read before I was condemned for the course I pursued.

It is true I did not attend a meeting of the Liberal "Shadow" Cabinet on May 10th. I sent, however, from the country a full summary of my suggestions concerning the crisis addressed to Sir Godfrey Collins, with which I believe you entirely agreed. I append a copy for your perusal. It represents quite fairly the position I took.

May I point out that I have been a more regular attendant at the "Shadow" Cabinet meetings than any other of your leading colleagues. You say we were "to meet together for a full and free discussion, and to contribute our counsels to the common stock." I thought we had decided on our course of action during the strike at the Cabinet held on the 3rd. I took the decision arrived at then as my guidance, and I never departed from the direction then given.

On this occasion I thought decision had been prejudged by the announcements in the *British Gazette* which I considered a complete departure from our agreed policy—announcements which bear no kind of relationship to the Liberal policy as outlined by you, and which the Government had previously suppressed. They had been issued to the Government Press without any previous consultation amongst us, but I feared it was too late to amend them and that it would be wiser for me not to come up from the country merely to criticise a policy to which we had already been committed by these fresh declarations, but to send a letter expressing my view.

A discussion under these conditions might lead to friction over a situation which was in its nature temporary. I need hardly explain that no discourtesy was intended towards you. I was only anxious to avoid the unpleasantness of provoking discussion upon the communications of you and other of my colleagues which appeared in a paper which has previously refused to publish your full ideas on the subject.

It was too late to do anything but exhibit differences, when I hope that in a few weeks the whole controversy would have blown over. I made no public comment on any of the declarations as representing only half the policy on which we had agreed.

I know how difficult it has been during the past two and a-half years to avoid tensions. I have done my best to prevent any outbreak, but often at the cost of some humiliation.

As to whether it would have been wiser for me to risk friction, and attend that meeting, there may be some difference of opinion; but seeing that amongst those who condemn my action are men who habitually disregard your invitation, my failure to attend on this occasion hardly justifies so provocative a document as you have addressed to one of your colleagues.

It is within your knowledge that this was not the first occasion on which decisions have been taken on matters of serious importance to the party without my having had any previous opportunity of expressing an opinion on the subject.

As to my American article, you clearly cannot have read it with any care. It was one of the fortnightly articles I contribute to the Press of many countries, the first garbled reports of which did not appear in this country until the strike was well over. It was there misrepresented up to the point of inventing sentences I never wrote. It was written on the first day of the strike. I only give my first impression of it from what I saw—an impression which corresponded with that of scores of articles which were printed in the American papers, and which was a substantially correct description of what was actually happening.

I do not profess to discuss the merits of the dispute. The concluding words fairly summarise its contents:—

“Up to now it is in essence an industrial dispute over wages, unfortunately complicated by this ‘sympathetic strike.’ There is no revolutionary purpose animating the union leaders, who are now in charge. There has so far been no bloodshed, there has been no interference with property, and no personal violence. The whole influence of the strike leaders will be exerted in the interests of law and order.

Let us trust that a settlement will be reached whilst calm and restraint are being maintained on both sides. There are grave risks in the whole situation. I put my faith on British coolness and in the British Parliament."

Is not this an element which has been regarded with astonishment and admiration throughout the whole world?

The *Manchester Guardian*, in its issue of Friday, May 21st, summarises the position in the following words:—

"It is just such an article as any sensible and moderately minded man might have written, and though it is unlikely that Mr. Churchill would have permitted its publication in the *British Gazette*, the Archbishop of Canterbury would certainly have been ready to give it his blessing."

I am content with this opinion on my article expressed by the most honoured and venerated figure in British journalism.

You complain that I predict a prolonged struggle unless the public and Parliament intervene to protect our damaged trade. Are you sure the industrial struggle even now will not be prolonged unless "Parliament takes a hand," as I put it?

I point out that the miners are accustomed to prolonged strikes. You and I have had a painful experience of that fact. It is true I assumed that the Trade Union Council would stand by the miners to the end. There I miscalculated. But was it so outrageous an assumption as to deserve censure? The net result of a failure to press negotiations has been this deadlock so disastrous to our trade at home.

In conclusion, I again ask if there is to be another schism in the party, one would like to know what it is about. Is it on a question of policy? If so, what?

It cannot be anything I have written to America. So far as I know, we exercise no censorship in the Liberal Party on each other's books or publications. Is it my absence from one "Shadow" Cabinet meeting, not to create dissension amongst my colleagues? Surely this is an inadequate reason for commencing a fresh feud in the Liberal Party.

Is it because before the strike began I offered the same criticism of the Government conduct of negotiations as you tendered during the progress of the strike, or that I pressed upon the House of Commons the sound counsel offered to the nation by the leaders of the Christian Churches? This is surely unthinkable.

From that advice, which the Liberal Cabinet endorsed at its May 3rd meeting, I did not recede and I cannot now repudiate it. Throughout this grave national trouble I have given what I considered to be the best advice to my countrymen as one who has taken part often in the accommodation of industrial disputes in Campbell-Bannerman's Government, yours, and my own.

I need hardly say I shall be prepared to meet you and the rest of my colleagues to discuss the whole position if you consider such a discussion will be helpful to the Party.

Ever sincerely,
(Signed) D. LLOYD GEORGE.

Extract from Lord Grey's Speech at the National Liberal Club, May 28th.

"When you were first kind enough to make these arrangements at the National Liberal Club the intention was that I should make some reflections upon the industrial crisis through which we have passed, and express some thoughts about the future. We were thinking not of the future of any party but of the future of this country. I do not propose to put this meeting to any purpose other than that for which it was intended. But I cannot, of course, ignore what has recently appeared in the papers altogether, the letters of Lord Oxford and Mr. Lloyd George. But I will only refer to them for the purpose of defining my own personal position without arguing about it. I must say where I stand. The justification may be reserved for another occasion. I stand entirely with and behind Lord Oxford. Everyone knows enough to know that he has been through most trying times, always the most patient and chivalrous of colleagues. If there are and have been difficulties inside the Liberal Party they are not difficulties of his making. Those of us who have been closely associated with him feel that the surprise is not that something should have appeared now, but that it has been so long delayed. More than that I will not say, because no doubt the difficulties in the party and what has happened will be the subject of further comment on other occasions. I felt, however, it was necessary for me to define my own personal position."

Lord Oxford's Letter to Sir Godfrey Collins.

44, Bedford Square, W.C.1.

June 1st, 1926.

MY DEAR GODFREY COLLINS,—I address these few lines to you that there may be no doubt in the minds of the rank and file of the party, as to the line which I have taken in recent transactions, or as to my present position.

I will deal first with the General Strike, and next with the Coal dispute. The General Strike attacked some of the root principles of Liberalism—the supremacy of Parliament, the freedom of the Press, the right of the individual man to carry on his work, the protection of the elementary liberties of the whole community against the organised invasion of a self-constituted dictatorship. It was in fact a war against society, in which society was bound with all the resources at its command to make certain of victory. This was the united opinion of the Liberal leaders who met in the "Shadow" Cabinet on May 3rd. It was the view to which I gave emphatic expression, at the earliest opportunity, in my speech in the House of Lords the following day.

Later on in the same week both I and Lord Grey sent messages through the only available organ, the *British Gazette*, which were framed with the sole object of encouraging and stimulating the magnificent efforts of the nation. They were sent (of necessity) without any preceding consultation either between ourselves or our colleagues as was Mr. Lloyd George's simultaneous communication to the American Press.

I summoned a further meeting of the "Shadow" Cabinet for May 10th in order that we might explore again the possible roads to an ultimate settlement of the Coal dispute. Mr. Lloyd George declined to

attend the meeting (in a letter not marked " private ") on the ground that the messages sent by myself and others were " declarations of policy made in the Government Press " from which he dissented, and that denunciations on our part of the strike ought to be accompanied by denunciations of the Government, who were " equally if not more responsible."

The " Shadow " Cabinet is the substitute when the leaders of a party are in opposition, for the actual Cabinet when they are in office, and it has always been understood that membership of it involves similar obligations. I have sat in many Cabinets under various Prime Ministers, and I have not known one of them who would not have treated such a communication from a colleague, sent at such a time, as equivalent to a resignation. I certainly so regarded it. Nor was the difference of attitude and policy which it announced one that in my judgment could be smoothed away, as a trivial matter of transient importance. It was clear and clean cut. If the leaders of the Liberal Party as a body had adopted Mr. Lloyd George's view, we should have been doing our best to weaken the authority of the Government, which was for the moment the embodiment and organ of the national self-defence against the gravest domestic danger which has threatened the country in our time. We felt that we were trustees of the traditions of the party and were under a special responsibility to see that it played a part worthy of its past.

I did not think it necessary to reply to Mr. Lloyd George's letter until after the General Strike was recalled. My answer, which like his letter of May 10th, was in no sense a private communication, was not published until I had waited for the best part of five days for a reply. I need hardly say that it was written on my own initiative, and that I take full responsibility for it.

There is no question here of " excommunication " or " ostracism." There is no such process known in the Liberal Party. The leader of a party is neither a Pope nor an autocrat; but he has always claimed and exercised full liberty of choice as to his colleagues and advisers. Mr. Lloyd George, in the exercise of his own judgment, and for reasons of which I am the last to question the gravity, chose to separate himself, in the most formal manner, from our deliberations in a moment of great emergency. He was not driven out; he refused to come in.

I come now to the coal dispute. It is a complete and wilful travesty of the facts to represent those who, like myself and the large majority of my colleagues, differed from Mr. Lloyd George's attitude on the General Strike, as having adopted and pursued, in regard to the coal dispute, what is absurdly called an anti-Liberal or reactionary line. We are accused, I see, by some of our new monitors in the Press of being content with " sterile platitudes " and " constitutional pedantries." In my speech in the House of Lords, I pointed out in a practical spirit the lines upon which, as soon as the General Strike had been cleared out of the way, roads might be found to a peaceful and practicable winding-up of the quarrel between the coalowners and the miners. Some of my suggestions were subsequently adopted in substance by the Archbishop of Canterbury and those associated with him. Others, and in particular my advocacy of a return to the precedent set by my

own Liberal Government in 1912, when we stepped over the heads of both the recalcitrant parties to the dispute with legislation of our own are, I believe, now regarded by practically all Liberals, and by many who belong to no party, as still indicating the most hopeful way to settlement. The attempt to claim for any section of Liberals a monopoly of interest, or of constructive suggestion, in this or in any other department of social and industrial reform, is wholly unwarranted in fact.

In conclusion, I must add a few words as to my own personal position. I see that it is insinuated that I have been the, perhaps passive, vehicle of personal animosities. My record in these matters is well known to my fellow-countrymen, and I can afford to disregard base imputations upon my honour. I am this month completing forty years of service to the Liberal Party. For a considerable part of that time I have been its Leader, and I have honestly striven, during the last two years, to recreate and to revive the broken fabric of Liberal unity. It has been a burdensome, and in some of its aspects, a thankless task. I will not continue to hold the leadership for a day unless I am satisfied that I retain in full measure the confidence of the party.

Yours sincerely,
OXFORD.

Letter to Lord Oxford Signed by Twelve Members of the Liberal Shadow Cabinet.

June 1st, 1926.

DEAR LORD OXFORD,—We cannot allow you to bear the whole brunt of the criticism which has been directed against you on the ground of your letter to Mr. Lloyd George. It is due to you that we should say unreservedly that we support the course which you, after endless patience and life-long service to Liberalism, have felt obliged to take. Since Mr. Lloyd George broke up the first Coalition and became Prime Minister, he has played many parts, and when he rejoined you at the General Election of 1923, it was obvious to everybody that nothing could make this reunion effective, except a willingness to forget past differences and an identity both in machinery and in single-minded devotion to the party. We have done our best to follow your lead in securing these objects, and your own forbearance and chivalry are known to every Liberal; but Mr. Lloyd George has insisted upon retaining separate headquarters and a separate fund. He discouraged the putting forward of more than 300 Liberal candidates at the last election and his methods have often made us suspect that he has not abandoned the idea of a new Coalition.

His action during the recent General Strike has to be regarded in the light of this record. It is obvious to us that his letter to Sir Godfrey Collins was written with an eye to its possible future use, if events have turned out as he anticipated in his communications to the foreign Press. When the strike was over, he stated at Llandudno Junction (May 26th) "During the progress of the General Strike, I refrained from urging criticism as to the past. The nation had to concentrate on fighting the stranglehold." It is astonishing that Mr. Lloyd George should have

persuaded himself that this version represents his attitude. In his letter to Sir Godfrey Collins (May 10th), refusing to read you, he wrote:—"I cannot see my way to join in declarations which condemn the General Strike while refraining from criticism of the Government, who are equally, if not more, responsible."

Practical suggestions for dealing with the Coal dispute are welcomed by all of us and have been made by none more clearly and usefully than yourself; but it seems to us to be pure opportunism to taunt the Government, as Mr. Lloyd George did nine months ago, with being "afraid of facing cold steel"; to refuse to meet his colleagues at the crisis of the strike on the ground that he was opposed to the demand for unconditional withdrawal; and, when that withdrawal took place, to tell his constituents that he was always in favour of the policy that he refused to discuss with you. The difficulties of co-operation in such circumstances are well known to you and to us, although they may not be always appreciated by the general public.

We should therefore think ourselves failing in the duty which we owe to you, and to the Liberal Party, to say nothing of the affection and admiration with which we regard you, if we did not make it plain where we stand. We have done our best in the interests of Liberalism to work with Mr. Lloyd George in the councils of the party, but we cannot feel surprised at your feeling that confidential relations are impossible with one whose instability destroys confidence.

Yours sincerely,

GREY OF FALLODON.
JOHN SIMON.
WALTER RUNCIMAN.
LINCOLNSHIRE.
BUCKMASTER.
BUXTON.

DONALD MACLEAN.
COWDRAY.
VIVIAN PHILLIPPS.
GEOFFREY HOWARD.
W. M. R. PRINGLE.
GODFREY P. COLLINS.