

SOCIALISM
and
RAILWAYS

By
F. E. LAWLEY

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SOCIALISM *and* RAILWAYS

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RAILWAYS & NATIONALISATION

By F. E. LAWLEY

CHAPTER I.

THE BEGINNINGS OF MODERN TRANSPORT.

THE importance of Railways to the modern community cannot be over-estimated, for they are bound up so intimately with its economic life. A great part of the economic history of the last century is due to progress in the means of communication and the problems of transport present very clearly and urgently the nature of the case for public ownership and control. Students of modern life who desire sweeping changes in our social structure, but who realise that the advent to power of any progressive government because of general discontent will not provide a solid basis for permanent reform, cannot do better than study closely a great problem like this in order to grasp just where we are in the process of capitalist evolution, and so help to build that public opinion of informed conviction which is essential to all real and lasting change. There would be better citizens to-day if less space had been given by historians to the records of kings, soldiers, and politicians, and more to the men who really laid the foundations of our progress and industrial organisation.

Railway history can be made to live once it is seen how much the commonwealth needs railways and how predominant is the human factor in them. The contraction of the modern world is due almost entirely to improved communications. Contact with distant countries has become easier and the problems of remote parts of the world tend to affect us more intimately. There has also been made possible a fuller exploitation of natural resources. The complexity of modern conditions is derived from this source, as are most of the social amenities of this generation which distinguish it from its predecessors. Increased facilities for travel, reading and news, general recreation and food supply, are given to us by our railway system. Our indebtedness to these great arteries along which our national life largely flows, is realised whenever a strike or a lock-out occurs. All sections of the community are concerned, as we shall see in our survey of railway matters as they affect the State, the shareholders, the staff, passengers and traders.

Many changes have come over the face of the country during the last hundred years. In the eighteenth century there were no railways; travelling was done by means of coaches and horses, along turnpike roads often axle deep in mire. Tolls were paid to the owners. It took several days to make fatiguing journeys that now occupy but a few hours, and robbers often threatened the safety of the journey. Not only did it require courage to travel far, but also the roads progressively deteriorated, sometimes becoming impossible for haulage. River transport supplemented that of the defective roads but its disadvantages were great. When

the canal era commenced, in the middle of the eighteenth century, it was greeted by the familiar outcry. Towns foresaw their ruin; innkeepers, packhorse drivers, farmers, and navy enthusiasts all defended vested interests which they feared would be extinguished. Then, when profit appeared certain, there was a mania for speculation with the natural consequences.

The Industrial Revolution, with the accompanying application of steam-power to industry, ushered in the modern railway. The first was laid on Tyneside in connection with the transit of coal from the pit banks to the barges on the river. First of all, parallel courses of stone were used for waggon wheels to run on. Later, wooden rails were fastened to sleepers on the track; then cast-iron rails were used about 1767. Similar developments went on in South Wales. Railways, however, were only regarded by Parliament as accessories to canals. Thomas Gray, the railway prophet, warned the canal investors how blind they were in hindering railway development, but he was allowed to die in penury after insisting that his scheme for a huge iron railway system would soon be carried out.¹ The first public railway granted by an Act, the Surrey Iron Railway, was in 1801, from Wandsworth to Croydon. Only horse power was contemplated there. In 1814, George Stephenson's first locomotive, "My Lord," ran six miles per hour. It carried Mr. Pease, Stephenson running by its side poking up the fire.² In 1825 the Stockton and Darlington Railway was started by the Quaker, Edward Pease, a locomotive being used, with George Stephenson as engineer. The excitement of those who witnessed the start was extraordinary. "Many did not sleep the night before," though others were greatly alarmed.³ The first great Parliamentary Railway struggle was waged over the Liverpool and Manchester line. George Stephenson appeared before the great Committee, himself an untutored mechanic, to advocate the wisdom of proceeding with his line, before learned lawyers, road-trustees, canal owners and landed gentry, who ridiculed, sneered, and even questioned his sanity.⁴ After a hard fight, and defeat on the first reading, victory was gained, and, in 1830, the Prime Minister, Huskisson and Peel prepared to go in the first train—a date memorable in our scientific history though Huskisson met with a tragic death. This success led to a rapid growth in railway enterprise.

At this point we shall do well to consider some of the general economic effects of this revolution, for such indeed it was, in our social and industrial life. The effect upon rural life is most marked: there is an exodus to the great towns that are springing up; the countryside is depopulated and our slum areas in the big cities come into being. New markets are opened up, at home and abroad, both for imports and exports. Markets become wider

¹ "Observations on a General Iron Railway, 1820."

² "Railway Nationalisation." W. CUNNINGHAM. p. 16.

³ "Our Iron Roads." F. S. WILLIAMS. p. 10.

⁴ "Our Iron Roads." F. S. WILLIAMS. p. 16.

in their extent now that the factor of distance has been reduced. The geographical division of labour is carried a stage further and industry is localised, this leading to more intense and cheaper production, and to monopoly. Inequalities in the distribution of wealth are fostered, especially in regard to the new values given to land. Speculation is great and economic power tends to become concentrated. New vested interests are created which threaten to dominate the political life of the country for many years; a new chapter in finance is opened and the rise of the Joint Stock Company completes the depression of the wage earner. Impetus is given to the engineering industry to meet the requirements of the huge transport system. The political influence of railways, particularly in the United States, is enormous. "In no sphere do economics and politics blend more completely than in that of railway policy,"⁴ says Dr. Clapham, in discussing the place of railways in French and German history.⁵ Another thing to be noticed is that a number of fresh utilities has been created by the added value given to certain raw materials as finished products.

Perhaps the effects are nowhere more remarkable than in the United States where distances are so great. Consider the tremendous change in a very short time during the period of railway construction when East and West were no longer to be separated by the Ohio, the Mississippi and the Alleghanies. The colonisation of Australia, the unification of Canada, and the civilising of great tracts of Africa have been due to the existence of railways, though in the case of Africa one is tempted to note that the benefits have not been altogether a blessing to the natives. After the Ashanti wars of 1875, 1896 and 1901, when the railway was taken up to Coomassie, "Strife ceased and now the natives work in the gold-mines instead; and the railway that brings the gold down to the coast has paid a five per cent. dividend from the day it was opened!"⁶

The actual course taken by many of the early railways was determined by the opposition of various interests. For example, the London and Birmingham Railway was not allowed to pass through Northampton and £300,000 had to be spent on construct-

⁴ "The Economic Development of France and Germany," p. 155.

⁵ With regard to Germany he agrees that by the end of the '40's Treitschke's saying that the Railways changed the whole face of the land was certainly true. Ludwig, King of Bavaria, was responsible for the first German line from Nurnburg to Furth (1835); but List, on returning from the United States and Great Britain, where he had studied Railway possibilities, by his passionate enthusiasm stimulated the development of Railways, and he initiated the Leipzig-Dresden line (1830), which carried "ladies who kept needles between their lips to check familiarity in the single tunnel!" (CLAPHAM, p. 151.)

In France, the introduction of Railways changed the whole character of peasant agriculture, though in 1835 Thiers stated "Il faut donner ça a Paris, comme un joujou; mais ça ne transportera jamais un voyageur ou un colis." (Quoted from Guillaumott's "L'organisation des chemins de fer en France" (1829), p. 7.)

⁶ "A History of Inland Transport." E. A. PRATT. p. 403.

ing a difficult tunnel at Kilsley, five miles away. Northampton's trade, in consequence, suffered. The Nottingham coal owners were driven to starting a railway solely because of the monopolist tendencies of the canal companies. It is hardly possible that any great social and economic change, such as the railways brought about, could have had to contend with more prejudice. Turnpike road trustees, and investors, coaching interests, landowners, the Press and writers all denounced these "new-fangled absurdities."

The first railways were simply privately owned roads, accessible to all carriers or individuals using their own rolling-stock on payment of a toll, and it was believed that their functions would be those of canals and roadways. Later the railways became their own carriers. The attitude to these changes taken by the canal interests exemplified the usual position of vested interests towards progress. They lacked enterprise and energy, and simply claimed assistance from Parliament instead of altering their methods.

After 1825 railway development was rapid. In 1833 the first trunk line, London to Birmingham, was allowed by Parliament. In addition to the opposition of the towns it is important, as a general illustration, to observe the behaviour of the landed gentry to this project. In the eighty years preceding 1830 the population of Birmingham had more than doubled itself and the Black Country was expanding industrially very fast. Trade, however, was hindered by the slowness of canal transit, the Continental orders were often lost or ruined. Not even national, patriotic considerations won the sympathy of the landed aristocracy, who only gave in after a great struggle and on receipt of enormous sums of money.* John Francis, in discussing this and similar difficulties in connection with the Great Western Bill, 1834, and Eastern Counties Bill, 1836, gives many striking facts.

Whereas in 1835 only one passenger line existed, thirty-five bills went through Parliament in 1836, mostly for new railways, and many more in 1837. As early as 1834 the Poor Law Commissioners confidently hoped that the surplus labour would soon be utilised in this work. There was a temporary check in 1837, foreshadowing the more severe depression of the forties. Before 1840 the main outline of our Railway system had been sketched and fresh work was everywhere being attempted.

In 1836, Morrison, one of the foremost figures in this period of railway history, proposed that Parliament, in granting fresh railroads or canals, should keep to itself the power to revise rates and charges regularly, but the interests hated to think of any limitation of their dividends, and the proposal was defeated. The Government did nothing to promote railways, but it used them to benefit the Exchequer and the Post Office. By 1831 it was collecting a tax of $\frac{1}{4}$ d. per mile for each passenger of the Liverpool and Manchester railway. In 1842 Peel altered this to a five per cent. charge on total passenger receipts, though in 1844 in the

* "A History of Inland Transport." E. A. PRATT. p. 249.

case of the hard-hit poor passengers this tax was lifted. Local authorities also taxed railways excessively.

The gauge war between 1830 and 1840 is worthy of note, Stephenson's narrow 4ft. 8½in. triumphing against Brunel's 6ft.

Thus our railways commenced. They have come to occupy a great part of our industrial and political life. Their development has been followed by that of motor and electrically propelled vehicles, and no doubt, in air, land, and sea communication, oil and electricity will dominate the coming, as did steam the last century; but in any case the origins of our railways will remain full of interest.

BOOKS RECOMMENDED.

Best General Introduction.

"Men and Rails." ROWLAND KENNEY.

Text Books.

"English Railways: their Development and Relation to the State." CLEVELAND STEVENS.

"A History of Inland Transport." E. A. PRATT.

Reference.

"Our Iron Roads." F. S. WILLIAMS.

"History of the English Railway, 1820 to 1845."

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F. S. WILLIAMS.

"Transportation in Modern England," vol. 2. W. T. JACKMAN.

"Old Coaching Days." S. HARRIS.

"Daniel Defoe's Tours."

"Observations on a General Iron Railway." THOMAS GRAY.

"A Six Months' Tour through the North of England." A. YOUNG.

"Railway Nationalisation." C. EDWARDS.

"Life and Labour in the 19th Century." C. R. FAY.

"Economic Development of France and Germany." J. H. CLAPHAM.

"Industrial and Commercial Revolution in Great Britain during the 19th Century." L. KNOWLES.

Parliamentary Reports.

Questions.

1. *How did the invention of Railways alter conditions and help to produce the modern industrial system?*
2. *Have Railways done more harm than good to the countryside?*
3. *Indicate the probable transport developments of the near future and discuss their general consequences.*
4. *Why was there so much opposition to the first railways?*

* "The Progress of the Nation." G. R. PORTER. p. 551.

CHAPTER II.

COMPETITION V. CO-OPERATION.

RAILWAY enterprise in the early forties was something entirely new in the history of the world, and Parliament, inexperienced, hesitated between conflicting principles and interests. The only precedent to guide it was that of the canals, notorious examples of the evils of monopoly. Exorbitant charges were in force, huge dividends were often made, occasionally rising to 100 per cent., and there was the most patent disregard of the requirements and convenience of the public. For example, the main stimulus to the construction of the Liverpool and Manchester Railway was the indifference and obstruction of the Bridgewater canal authorities, secure in their monopoly of the transport between these growing towns. Hence, in the struggle between the rival principles of co-operation and competition on the Railways, the keynote of their development to the present day, Parliament used all its influence in the interests of competition, in directions abandoned one by one throughout the century.

In the early days of railway history everyone thought that the railways like the roads should be open for public use on the payment of tolls. Even in 1838 engines belonging to different parties, coach proprietors and others were running upon the Liverpool and Manchester line. On the Darlington and Stockton Railway, Stephenson's engine had to compete with horse and even ox-drawn carts, owned by local traders, all running on the same stretch of rails; but it was soon seen that this was not compatible with public convenience, nor even with safety. At last it was decided in 1840 that the Railway Companies should have a practical monopoly over their own lines. The Railways thus took their first step in the direction of monopoly. From this date onwards the whole trend of development is more and more towards the elimination of competition, not, be it remarked, as the result of the theories of Parliament or public opinion, but as the inevitable and practical outcome of experience.

The principle of monopoly of carriage once recognised, the struggle was now to centre round the absorption of the smaller lines into the greater systems.

The next landmark in Railway history is the famous boom period from 1842 to 1847, during which the main lines of communication throughout the kingdom were sanctioned. Excitement in speculation grew, optimistic reports were current everywhere, encouraged by the well-known huge profits of the old canal companies. The public rushed to invest its money and a rich harvest was reaped by land profiteer and bogus company promoter alike. In the rush of private Railway bills no comprehensive system of lines was traced and such a benefit was only incidentally considered by committees. Rival lines were often sanctioned purely to introduce an element of competition. Robert Stephenson, in his evidence before Morrison's Committee, quotes a case

at Wisbech "where within half a mile of that town there were actually fourteen different schemes . . . now all the legal expenses and the expenses of engineers have been thrown away." The boom period, however, could not last long, and by 1847 the financial depression had become so acute that for five years Railway promotion was almost entirely suspended. This period, beyond illustrating the immutable economic law of boom and collapse, is of supreme importance as it closely coincided with the first period of amalgamation in railway history. Amalgamation was not only aided by the enthusiasm, but it actually formed a part of the speculation movement. Just as the Railway Companies almost at once established a monopoly of carriage on their own lines, so the period of competition between one small line and another soon gave way to the era of amalgamation into connected systems. Precedents for combinations and the establishment of trusts existed both among canal and turnpike companies, but the main incentive was financial gain. Robert Stephenson stated in 1846¹ that "there were few lines now in this country which could be made as independent lines to pay," "that competition had invariably led to combination in the past, and would inevitably do so in the future." Such an amalgamation was an advantage to the companies who pooled capital and saved expense, to the trader and traveller who could make use of a continuous system without change of coach, trucks, or gauge, and to the general public which benefited from having one good service instead of two indifferent ones. Fares, indeed, as a consequence, were often reduced. Beginning in 1834, the amalgamation movement was in full swing ten years later. By 1846 the L.B. & S.C. Railway, the Midland Railway and the G.W. had made their first fusions. Perhaps the most important of all was the London and North Western fusion, the first of the "50 odd amalgamations, leases and purchases made by it between 1846 and 1870 alone, by which 1,000 miles were added to the system."² In fact, by 1847 of all the greater systems of later days only the N.E. and Great Eastern remained to be formed in 1854 and 1862. In spite of public suspicion, and Select Committees in 1854 and 1872, the process of combination went steadily forward to its culmination in the Railways Act of 1921, which will be dealt with later.

Thus, as has been well said, "the history of English Railways is the history of amalgamation."³ The process of consolidation and monopoly has gone steadily forward; a continuous progress of the absorption of one unit into another. The Railway companies became supreme first on their own lines, then the scattered lines were assembled into systems and one system was absorbed into another. Only the final and culminating step remains to be taken, that of one cohesive centralised system, the crown of nationalisation.

¹ Select Committee, 1846.

² Cleveland-Stevens, p. 56.

³ Cleveland-Stevens, p. 9.

At this point, perhaps, we should consider what we mean by competition on the Railways and why it was displaced by co-operation in spite of the intervention of Parliament. The champion of co-operation, from the outset, has to face the biased outlook of public opinion, a stray survival from the Victorian era. The man in the street too often assumes that the actions of Railway Companies of which he approves are due to competition, while high fares are the direct result of combination. The term "competition" seems, in fact, to be sometimes used by critics of Railway management to describe the obscure and inexplicable causes which they think occasionally induce Railway companies to act reasonably. Competition is a loose phrase. Rather we should ask what kind of competition, if any, on the Railways is to the advantage of the consumer, the employee and the State.

Why was competition on the Railways a failure from the first? The chief reason is that it was to their advantage to combine, and there were no effective means of preventing this. In the beginning it was very soon realised that the existence of competitive routes did not secure that they would be used in a competitive manner. In 1872 it was realised that "competition . . . will in the long run be succeeded by combination." The promotion of a Railway is such an elaborate and costly undertaking that its promoters must be sure of a large proportion of the travelling public and goods before it can be considered at all. For this reason, except in the first few years of Railway history, competition on the railways has always been limited, and, at most, restricted to between two or three companies. It was soon seen therefore, that competition between Railway companies was purely voluntary, and would only continue as long as the competing companies thought it was to their interest to continue it. As soon as they realised that it was more to their interests to co-operate, whether openly, or by secret working agreement, they did so. The Select Committee of 1911 recognised that apparent competition between line and line, and system and system, had long ceased to secure material advantages for passenger and trader. It stated "That the effects of the limited degree of competition still existing between Railway companies are not necessarily to the public advantage . . . and even had we come to a different conclusion with regard to the value of competition we should have been unable to suggest means for securing its continuance." Take the example of rates and fares. At the present time those in force between two places connected by more than one Railway are no lower than those between places served by one. There are many low rates in force between London and Liverpool where there are five alternate routes, but sea competition is the real cause of these low rates, and has a similar effect on the rates between London and Southampton where there is only one. Its only effect in this case is the minor advantage to the public, that where there may be two alternative lines, and one is longer than the other, they both charge the same fares and give

the passenger the choice of routes. Again, the chapter on rates and fares will show that owing to overhead charges it will always be to a railway's interest to charge low fares, whether in possession of a monopoly or not.

The same is true in regard to facilities. As long ago as 1872 even the speed of competing trains seems to have been settled between the companies concerned; but such luxury competition can be said to exist no longer. Indirect competition, however, exists, and tends to increase with the development of international trade and travel. For instance the development of the Cornish Riviera by the G.W.R. is a real rival to Continental travel stimulated by the Southern railway. Amalgamation is not likely to do away with this wider competition, nor its effects on general efficiency. Sometimes indeed it may increase it.

In conclusion, it may be said that the amalgamation movement, the era of one cohesive centralised system, has come to stay. It is no new thing, but has existed from the very beginning of our Railway system. It has built the foundations of efficiency and often cheap fares, by effecting economies of management and control, and it has created an elaborate organisation, which can enormously facilitate the process of Nationalisation. The movement has not been an evil one, it "has rather enabled the companies to keep their heads above water than given them the monopolist power of oppression which it was constantly thought they would possess." The case for internal competition, one of the chief arguments against Nationalisation, no longer holds good; competition in the future will probably exist, and act as a check; but it will be external, between inland and sea-borne goods, between home goods conveyed by inland trains and foreign goods brought by foreign lines and steamers. Nationalisation will be no revolution but the logical development of a century's work.

Books.

"English Railways and their Development in Relation to the State." CLEVELAND STEVENS.

"Railway Amalgamation." W. E. SIMNETT.

"A History of Inland Transport." E. A. PRATT.

"Men and Rails." ROWLAND KENNEY.

Reports of Select Committees 1846, 1852, 1911, the last of first-class importance.

Questions.

1. *How far would it have affected the present railway situation if Parliament had controlled the Railways from 1810?*
2. *Why and when is competition harmful to the interests of the worker?*
3. *Discuss why Railways are a "natural monopoly."*
4. *How far does competition at present affect Railway fares?*
5. *Should any form of competition be retained in the Socialist State?*

CHAPTER III.

RAILWAY CAPITAL.

THE most salient fact about British Railways, and the most striking example of how the dead hand of the past can strangle the future, is that of Railway Capital. British Railways have been enormously over-capitalised. They have cost an average of £54,000 per mile against the United States £12,000 and Australia and New Zealand £7,650. The North London cost £330,000 per mile, and in 1904 devoted £42 out of every £100 it earned to dividends.¹ At the time of the boom in 1846, critics compared the huge loans being raised by the Railway Companies to a second national debt. The parallel is only too exact. While at the present moment the British workers are still paying for the battle of Waterloo and the huge load of debt incurred in the last war, for sixty years the Railways have been burdened with a colossal debt; to defray dividends every year the worker pays again, this time in fares.

In 1920 it was estimated that British Railways represented some £1,327,500,000 of invested capital.² The greater part of this was raised to defray preliminary expenses in the expansion period from 1830 to 1847. This was the golden age of the Railway highwayman, the speculator and swindler, the land profiteer, lawyers battenning on delay after delay in the House, all from peers to bogus company promoters combining to fasten a gigantic burden on the Railways on which dividends are still being paid. Let us examine these figures a little closer.

When the Railway era began the landed proprietors saw a heaven-sent opportunity for making money. It was only proper that Railway speculators should pay very largely for rights which they acquired over the property of others—and they did. The law gave their rich opponents the power of practically stopping the progress of the line. Small holders received barely the worth of their land, but fancy prices were given for fancy prospects in proportion to the power of the landowner. Noblemen were persuaded to allow their castles to be desecrated for a consideration.³ Herbert Spencer describes how one man asked £8,000, and was content with £80, and mentions another case where a sum so exorbitant was extorted that the heir returned the greater part as conscience money.⁴ Powerful local magnates could intimidate the Companies into paying their "claims" by threatening petition to Parliament, but their hands were immensely strengthened if they were actually Members. If a Bill were held held up one session judicious settlements might ensure its passing the next. It was acknowledged that every Railway to a large

¹ W. CUNNINGHAM. p. 18.

² Cmd. 1430 (1920).

³ John Francis, 1851, quoted by E. A. Pratt, p. 252. For further evidence refer to John Duncan's (the solicitor to the Eastern Counties Railway) examination by Select Committee, House of Lords, 1845.

⁴ "Railway Management and Railway Morals."

extent gave great landed proprietors more than the value of their land to gain their assent to a Bill. £5,000 was admittedly paid to one M.P., and his land was not even used.⁵

Again, actual Parliamentary expenses were heavy. Witnesses came from long distances, and proceedings were delayed. One company spent £10,000 merely to keep witnesses in town before their case was heard at all.⁶ The Stone and Rugby Railway was even more unfortunate. Its promoters spent £146,000 on attempts made in two successive sessions to get an Act, and then failed.⁷ Robert Stephenson, in 1846, stated that one of the chief reasons why the State Railways of Belgium charged lower fares than the English ones was the total absence of Parliamentary expenses. In England, those varied from £500 to £1,000 a mile, and Pratt quotes a case of £14,400.⁸ These expenses were chiefly due to three elements, the opposition of the landowners, the canal and turnpike vested interests, and rival companies who were encouraged on principle. The second was dealt with as the first had been. Sooner than face actual competition, or rather the opposition of the canal interests in Parliament, the Railways bought up from 50 to 60 of the Canal Companies. Sometimes the capital expended proved a dead loss. The G.N.R. for instance, agreed to pay the Channel of Fosdyke £9,570 yearly for giving up an income of £689.⁹ It has been pointed out that these annual subsidies to the canals must have been capitalised. In default of any evidence to the contrary no other conclusion is possible. Thus dividends must be paid on "Assets" which are in reality "Liabilities."¹⁰ The third was more difficult to deal with. Public credulity was unbounded. Parliament was strongly in favour of the principle of competing companies, and so a cunning speculator would often float a company to run in competition with one already founded. Often the traffic was not large enough to make both lines pay, and rather than have this cut-throat competition the old company was compelled to buy out the new one on its own terms or propose amalgamation. Sometimes the promoters would be bought out before their scheme ever reached the Parliamentary Committee. Had English railways been promoted by the State, as in Prussia or Belgium, they would not have started with this enormous initial handicap. They would not have incurred the enormous cost of Parliamentary proceedings, nor have had to pay an exorbitant price for land. State control from the first would have resulted in lower fares to-day. Parliament missed its opportunity, and the Railway Companies continued heaping burdens on the trading and travelling public.

As if this initial handicap were not enough, it was further increased by bonus awards and watered capital from the first

⁵ Select Committee, House of Lords, 1845.

⁶ *Ibid.*

⁷ E. A. PRATT. p. 257.

⁸ *Ibid.* p. 255.

⁹ W. CUNNINGHAM.

¹⁰ "Labour and Capital on the Railways." I.R.D.

Railway boom right up to the present day. The London and Birmingham Company led the way in 1846 by making a further issue of 500,000 ordinary shares to the shareholders, at par, when they were quoted in the market at £220 per £100 stock. Had they issued 300,000 shares in the open market at higher terms, they could easily have raised the capital they required. As it was the shareholders made a huge profit. The public paid the difference then, and pays it now. This is only one specimen of financial juggling; another is the series of operations carried out by the Railway companies especially between the years 1890 and 1900, under the name of nominal additions to capital.

The Labour Research Department booklet describes these operations minutely. There were Stock Conversion Companies and other means of splitting shares in order to make dividends appear smaller.¹¹ In 1898, for example, 45 millions were added to stock capital by means of book manipulations. By the Board of Trade figures in that year, out of the 1,100 millions of capital on the Railways not less than 180 millions were due to nominal additions.

How do these figures affect the workers? Before the war it was estimated that the railways belonged to about 566,400 shareholders having an average investment of £2,074 each,¹² while the Railway employees numbered some 58,664 men; approximately, therefore, ten shareholders to every employee. In 1913, when a shareholder in the London and North Western Railway Ordinary would be "earning" on this average investment £145 a year, the average wage of the workers, including overtime pay, was £72 12s. 9d. or just about half. By 1923, of this enormous amount of capital (£1,170,258,632), on which dividends were payable, some £200 millions consisted of nominal additions, and if one adds to that the unnecessary expenditure on Preliminary Expenses, land and competition and the dividends paid thereon, one arrives at a grand total of some £400 millions; even after the reduction in nominal capital effected by the combines since 1921; on which an annual dividend of some £19 millions is still being paid,¹³ although this capital represents no assets and earns no profits at all. All this huge sum, which could have been used in bettering housing conditions, in higher wages and in lower fares, was paid to shareholders who were the privileged owners of watered stock. Nor is this all. The user of their Railways not only pays in heavy rates and fares, but in taxation. The Railway companies received £60 millions from the Government for war time control to defray "heavy war losses." Yet while the reserve funds in 1913 were £29,064,000, they now stand at £145,064,000, an increase of 389 per cent. The amount of capital on our Railways is higher than anywhere else in the world except China. The greatest problem a

¹¹ For instance, the Taff Vale Railway, when dividends rose to 18 per cent. turned its £100 shares into £250 and was followed by the Midland and Great Northern.

¹² CUNNINGHAM, *op. cit.*

¹³ General average dividend 1923, 4.55%; on ordinary shares, 5.25%

nationalising Government will have to face will be that of reducing this burden and of deciding to what extent, if any, and in what way the holders of Railway capital should be compensated.

Books.

E. A. PRATT.

CLEVELAND STEVENS.

"The Elements of Railway Economics." ACWORTH.

"A History of Private Bill Legislation. Vol. I. CLIFFORD.

"Labour and Capital on the Railways." L.R.D.

"Railway Nationalisation." W. CUNNINGHAM.

"Railway Morals and Railway Policy." HERBERT SPENCER.

"Select Commission (House of Lords) Compensation to Owners and Occupiers of Land, 1845."

Cmd. 1430 (1920).

Questions.

1. *How and in what way does the over-capitalisation of English Railways affect the prosperity of industry and the community?*
2. *Discuss how much capital represents justifiable expenditure and why the remainder does not.*
3. *In what way could the "water" be squeezed out of the Railways?*
4. *Discuss how the question of compensation could be dealt with if the railways were nationalised.*

CHAPTER IV.

GOODS RATES AND PASSENGER FARES.

IN order to understand Railway problems it is essential to know some elementary economics and to be familiar with the main outline of the history of the various charges.

A Railway owns its road and the requisite rolling-stock, and caters for all kinds of traffic. Its rates, therefore, differ, on the one hand, from those of canals, which carry only goods and whose charges are almost entirely interest on capital; and on the other from those of omnibuses which carry only passengers, and charge very largely for cost of service. They must cover interest on capital and cost of services rendered. Railway construction is a costly undertaking. Capital once expended is sunk for ever; in making, for example, embankments, viaducts, bridges, tunnels and stations. If insufficient traffic is forthcoming and the railway is useless, the money is practically wasted. If it is not in continuous use it is unprofitable. The maintenance of the Railway costs comparatively little. The greater the traffic, the lower the proportion of total income which goes as a return on capital. It is better to carry very cheaply than not at all, because capital expenditure is so high. Whenever, owing to early competition, several railways were constructed between the same places, the

total receipts had to be spread over the whole capital of all the railways, and there was thus less surplus to reduce fares. It is important to notice that cheap Railways involve a heavier return to capital than expensive ones, because the latter are assured of a vast volume of traffic. Expenditure is mainly made for goods and passenger traffic alike. Maintenance charges are apportioned to the class of traffic according to circumstances.

There is an important distinction between goods and passenger traffic. Goods are classified by the Railway company, and expensive classes must pay the high rate fixed. Passengers can choose how they will travel, and therefore rates cannot vary so much. The classification of goods is a tremendous business. For example there are heavy and light, perishable and durable, bulky and small, expensive and cheap, long and short distance goods, and regular and irregular consignments. In England rates and tables are very complicated. Traders often have complained about this. Owing to physical conditions water competition affects the fixing of rates. The tendency has been for classifying to become simple and through rates to be made easier. It is said that rates should be based upon cost of carriage. The ideal is that each item of traffic should bear its fair share of the total cost but it is almost impossible to estimate and apportion the exact cost as between goods and passengers. It is equable that rates should broadly be based upon mileage, but there are many difficulties. Equal mileage rates ignore largely the varying cost of construction and carriage according to physical and other conditions. A study of the American "long and short haul" in the 37 Act illustrates this point. The main principle which has governed the evolution of these charges is "what the traffic will bear." This notion is widely applicable outside Railway considerations. It may mean, roughly, equality of sacrifice on the part of those who pay or that the poorer classes always pay; although, of course, there is a limit—the highest amount the traffic can pay and the lowest rate at which the Railway can afford to take it. Railway passengers naturally mean the former, workers the latter. Strictly speaking both views are right; for while from the workers' point of view, even low fares are disproportionately high in consideration of their income in relation to that of first-class passengers, it is in theory true that Railway rates do tend to make the rich, the valuable goods, the favourably situated traffic, pay for their advantages, and to relieve the burden of the other contributors by covering a part of their cost. This is true even where a short distance trader pays more than a long distance one; for sometimes the latter, owing to sea or other competition, would not patronise the Railway at all unless he had the inducement of low rates; and then the former would have to cover the whole cost of the Railway. In any case, the main need is to give consumers cheap goods.

Parliament has spent much time in considering the problems of Railway rates though without much success. First of all it en-

couraged canal competition by allowing canals to become carriers of goods. Immediately Railways began to absorb canals. Morrison's proposal in 1836 to restrict dividends and revise rates every twenty years was negated. In 1845 a maximum rate was fixed. Later the companies were compelled to provide proper facilities, interchange of traffic and through rates. In 1873 jurisdiction over Railways was transferred from the Court of Common Pleas to three Railway Commissioners who cost £12,000 per annum. The Railway Clearing House, formed in 1847 to mitigate some of the evils of competition, in turn grew to huge dimensions and involved a huge waste of labour which would be saved by greater centralisation. The Royal Commission of 1867 and the Joint Council of 1872 complained of the inadequate classification and of high rates and terminal charges, but only suggested enforcing the maximum rates. Terminal charges involve waste from the point of view of the public, for without competition London would have been spared from having numerous headquarters, each built without reference to needs other than its own, and necessitating recurring overhead charges. Later there was a new Railway Commission which enforced greater publicity, and the Board of Trade insisted on a uniform classification to prevent 20,000,000 rates existing. In 1894 the companies were prevented from increasing their charges even within the limits of the statutory maxima. All kinds of anomalies have resulted, and though the companies by pooling and other arrangements have minimised the bad effects of competition as far as they themselves are concerned, the traders and the public have suffered. One simple example presents itself of colossal waste. Trucks are often allowed to return empty, through bad organisation, thus causing low earning power per truck. The solution of fixing maximum legal rates has failed. Prof. Hadley¹ has concluded that fixed legal rates are next to no use to prevent extortion. Most goods have to be carried at low rates as exceptional privileges to regular and special traders, and the maximum falls heavily upon the small and retail trader.

Another great curse is that of the duplication and conflict of the various carriers, all of whom have bled the railways, and led to waste and inefficiency. The Gattie scheme, providing for a big centre for distributing goods, is an interesting alternative.²

The first Railways were built to carry goods, but by 1842 three-quarters of the Railway revenue was derived from passengers. After about 1850 the proportion was about half. The reason is clear. Early on high rates were charged for a small volume of high-class traffic, as the Railways expanded, and particularly in the case of passengers, as Parliament compelled the interests of the poorer passengers to be considered, goods of greater bulk and less value, and third-class passengers had to be attracted and catered for—the greater the traffic the lower the rate until the marginal rate is reached, where it is only just worth while to carry

¹ "Railway Transportation," p. 178.

² See book.

the lowest rated traffic. It is interesting to recall that an early director of the London and Birmingham Railway once said, when it was suggested that his wonderful line should carry coal—"Coal! Why, they'll be asking us to carry dung next!"

In the earliest days the railways derived their revenue mainly from the first-class passengers. Before 1845 legal status was not possessed by the third-class passenger, who was despised, "often being put in open goods trucks or conveyed with cattle."³ It took him two days to journey from Liverpool to London.⁴ To-day the third-class passenger provides the Railways with their greatest remuneration. In 1902 it cost the companies £97 to earn £100 from first-class, £104 in the case of second-class, and only £41 for third-class passengers.⁵ Compare this with the difference in accommodation and facilities accorded. In 1844 the companies were compelled to run at least one Parliamentary train per day, carrying third-class passengers at one penny per mile, and to protect them from the weather. Whereupon the Duke of Wellington lamented that "third-class facilities are a premium to the lower orders to go aimlessly wandering about the country."⁶ But in 1844 Mr. Gladstone declared that "there is no likelihood that the great experiment of the greatest possible cheapness to the public will be tried under the present system." By the Act of 1883 the companies were relieved of passenger duty⁷ to the extent of £12,000,000, says Cunningham,⁸ to persuade them to provide cheap trains for workers into the big cities from 6—8 a.m.,⁹ but proper and sufficient facilities have never been forthcoming. Consider, too, the restriction upon the workman who must not return home by fast train, even where third-class carriages are provided. And why is a third-class passenger not allowed to travel in an empty first-class carriage when proper third-class accommodation is lacking? It is notorious that first-class carriages are never fully loaded. Also poor compensation in case of death or disablement is offered to the worker: journeys are not allowed to be broken. The slums and the overcrowding in our huge cities would be improved if poor folk were enabled by cheap fares to live in houses with cheap rents in the suburbs. Why is a one zone system not tried? This failed in Hungary and would fail here over large areas: but it would be fair to charge high fares to wealthy people who could afford to live near the city, or outside a 20 mile radius (for example) right in the country, and to offer a very cheap uniform rate to workers living in the suburbs. Young workers in South London to-day spend nearly 6/6 of their weekly wages of 22s. on their "workman's" fares or season tickets. Road competition in London has brought down fares, especially during

³ Quoted by Cunningham, p. 30.

⁴ Clifford, p. 108.

⁵ *Ibid.*, p. 28.

⁶ "Railway Nationalisation." C. EDWARDS. pp. 79-80.

⁷ "Hansard," June, 1844.

⁸ *Ibid.*, p. 28.

⁹ Cheap trains do not run late enough, and workers have to wait about.

noon-day hours, but even now British fares are admittedly the highest in Europe; and although perhaps on the whole in speed and comfort British railways are the best, and, distances being shorter charges tend to be higher and also owing to over-capitalisation much relief has been impossible; these facts do not necessitate the great difference in fares and rates. Competition has had nothing to do with the fixing of fares, that is done by combination. There has been competition in accommodation, and much wasteful advertising has been indulged in.

Under the new Act of 1921, which will be discussed fully later, provision is made for complaint as to high charges to be made to a Rates' Tribunal, but little is likely to result from this in the way of speedy reductions of rates and fares.

Books.

- "Elements of Economics." ACWORTH.
- "The Railways and the Traders." ACWORTH.
- "Railway Nationalisation." W. CUNNINGHAM.
- "Railway Nationalisation." C. EDWARDS.
- "Railways and their Rates." PRATT.
- "Railroad Transportation." PROF. HADLEY.
- "Gattie Scheme." GATTIE.

Questions.

1. *Is the principle of charging "what the traffic will bear" a fair one?*
2. *How far has it been to the advantage of the community to charge extra low rates for foreign goods?*
3. *What is meant by over-capitalisation and how does this concern the fixing of fares?*
4. *Would the arguments in favour of the Gattie scheme apply equally under a system of nationalisation?*
5. *What improvements would nationalisation make possible in the transport of goods?*

CHAPTER V.

RAILWAY CONDITIONS AND RAILWAY TRADES UNIONISM.

THE most striking fact about English Railways with their highly organised Trades Unions of to-day is that the union movement came so late and so long after that of other trades. The need for it was there, conditions were terrible, but it was a whole generation before Trades Unionism took root.

The chief obstacle was the character of Railway labour, with the division of interests between the craftsmen of the shops, the engineers, the locomotive drivers, the general labourers and the clerical grades, accentuated by the number of grades within each category, each with its own needs and problems. The more highly skilled and highly paid workers were not willing to unite with unskilled grades. It was, and still remains a problem how far a general "all-grades" union can represent specialised sections of

workers within one great industry. The question of union demarcation was another difficulty especially in the engineering shops. Again the workers for one company might feel their interests differed from those of another and might make special agreements with the company directors. Even after the strike of 1907 the Great Eastern workers were under such an agreement as distinct from those of other companies. Finally the industry was not only split horizontally but vertically. Units scattered widely all over the country in isolated stations, towns and junctions made joint action difficult, and greatly hindered the spirit of self-help and cohesion. In short it was only the terrible conditions of Railway employment which forced the Railway workers to organise.

Conditions on the first Railways were very similar to those in other industries at the beginning of the nineteenth century and presented all their worst features. Railway construction employed the very lowest class of labour. The navvies were herded in gangs which were feared and hated wherever they went, leaving behind them a trail of vice and crime. So great was the scandal that a Royal Commission was appointed to enquire into Railway conditions and revealed terrible things.¹ For some ten years, on an average 200,000 men were employed in constructing the Railways. Practically no housing was provided; they had to sleep in improvised tents and shelters under the worst conditions of overcrowding and an entire lack of sanitary arrangements; in short where "a humane person would hardly put a pig."² Pay was irregular and the truck system was in force. In fact the workers were so brutalised that every pay day was marked by an outbreak of debauch and disorder. Safety appliances were hardly known and the early casualties were fearful. On the construction of the Summit Tunnel between Manchester and Sheffield alone, 32 men were killed and 140 very seriously injured out of 1,000 men employed. Every interest profited by the Railway boom except human labour, the one essential to it all.

The first real attempt to organise railwaymen was the Railway Working Men's Provident Benefit Society among the guards on the G.W.R. in 1865, and an Engine Drivers' and Firemen's Society on the N.E.R.; but both were smashed, one by wholesale dismissal of its members, and the other after an unsuccessful strike. It was not till 1871 that The Amalgamated Society of Railway Servants was founded, and then mainly through the exertions of Michael Bass, M.P., a prominent Railway shareholder. In spite of quarrels between executive officers, and moments when the whole movement seemed about to collapse, it, at least, ventilated some of the existing abuses. In 1877 a Commission on Railway Accidents was set up which exposed cases of stretches of 35 and 40 hours being worked by drivers and guards and even of men only having six hours' sleep in a week. A large proportion

¹ 1815.

² *Ibid.*

of the huge total of accidents was reported to be due to neglect by the companies to provide automatic brakes, a proper block system of signalling, a reasonably developed permanent way, and, above all, to exhaustion, from overwork, of drivers and signallers. Under these conditions the general policy of the A.S.R.S. was naturally concerned with questions of hours and accidents. Even though a strike policy was adopted in 1880, it has been pointed out that in 1894 Mr. and Mrs. Sidney Webb could still refer to it as a "trade friendly society of the old type."¹ Hampered by its long list of non-working class patrons, lack of support among the rank and file and by the wide variety of workers it attempted to include, it was not till the "all grades" movement of 1896-7 that it began to become a real force among the railway workers.

Meanwhile a new, vigorous, sectional society, the A.S.L.E. & F. had been formed in 1880. It was founded in the great indignation among the drivers and locomotive men, against the A.S.R.S. when it merely reaffirmed its belief in the principle of arbitration at the very time when the companies were reducing wages and lengthening hours all round in order to increase dividends. The new union included in its rules the first provision made on the Railways for a protection fund, strike pay and grants to victimised members. Heralded by acrimonious discussion in the "Gazette" there began the rivalry between the two unions which still exists to-day.

The unions were to be severely tested in the following ten years. Difficulties with their own officers and the companies occur again and again. Even after unionism had been founded for 20 years the Railway autocrats considered recognition of Trades Unions out of the question, and met a deputation for shorter hours with veiled threats of dismissal. In addition, the whole weight of the law was on the side of the capitalist. A driver was imprisoned for four months for being involved in a minor accident, two others were charged with manslaughter after another accident and were acquitted with difficulty; but no prosecutions were made after the terrible Tay Bridge disaster was proved to have been due to "economy" and gross neglect by the contractors.

The first "all-grades" movement to better all classes of Railway workers dates from the year 1889. Again little was done although a Select Committee brought to light terrible cases of overwork. The directors did their best to stifle complaint by dismissing some of those who had given evidence. For this breach of privilege they were merely "admonished" at the Bar of the House. The second "all-grades" movement of 1906-7, however, marks a great advance. It demanded an eight-hour day for traffic grades and a ten-hour day for others, time-and-a-quarter for overtime and time-and-a-half for Sunday work, and an advance of 2s. per week for all traffic grades. At this time nearly 100,000 Railway workers were getting less than £1 a week, but the actual strike threat was to centre round the question of recognition. The unsatisfactory settlement which ended it, engineered by Mr. Lloyd George, has

¹ G. D. H. COLE and R. PAGE ARNOT. "Trades Unionism on the Railways."

left among all Railway workers a deep-seated prejudice against arbitration veiled as "conciliation" in any form. Under the elaborate Boards which were set up the wages of the men in 1910 were lower than in 1907, and meanwhile the companies had been doing their best to suppress the R.C.A. without success.

The breaking point came in 1911. The first national strike was called on the 17th August and lasted five days amid great public excitement. The temporary settlement and the improvement of the Conciliation Boards which followed, however, perpetuated the old principle of arbitration. Meanwhile, the Railway Unions had realised the lesson of the strike. The A.S.L.E. & F. stood aloof as did the R.C.A.,⁴ but the other three, the A.S.R.S., Pointsmen and Signalmen, and the General Railway Workers' Union, united to form the N.U.R. in 1913.

The Railways now became for the first time a well-organised industry. Membership was doubled and trebled and the recognition question was finally dropped during the war period. It led directly to the formation of the Triple Industrial Alliance between the N.U.R., the Miners' Federation and the Transport Workers' Federation, which broke down in 1919. With the establishment of Wages Boards under the 1920 agreement real recognition was achieved by the Unions, including the R.C.A., which had won recognition earlier in the year.⁵ Above all the ideals were raised of one industry, one union, and of democratic control by the workers themselves. Unfortunately the existence of so great an "all-grades" union with its claim to speak for the industry as a whole has tended to embitter relations with the craft organisations, the R.C.A., the A.S.L.E. & F., and the question of a single industrial union remains the great problem of the future.

Books.

"Engines and Men." RAYNES.

"Fifty Years of Railway Trade Unionism." ALCOCK.

"Trade Unionism on the Railways." COLE and ARNOT.

"Industrial Democracy" and

"History of Trades Unionism." S. and B. WEBB.

Select Commission, 1891-2.

Report of Select Committee, July, 1846.

History of various Railway Companies.

⁴ Now, however, the R.C.A. is always willing to co-operate with the N.U.R., and no hostility exists between the two Unions like that between the A.S.L.E.F. and the N.U.R. The R.C.A. executive's opinion is in advance of that of its rank and file. The difficulty in the way of amalgamation is that of rivalry for supervisory grades, but if union came it would be amalgamation and not federation as would happen in the case of the A.S.L.E.F.

⁵ Note that under the 1911 agreement a Trades Union secretary was to represent the men on the Wages Board but was officially only a representative of the men and did not stand as a representative of a Trades Union. During war-time control the railway authorities used to address the railway unions with the expression that they were "acting under Government orders," thus tacitly shelving the question of recognition.

Questions.

1. *Discuss why Unionism came so late upon the Railways.*
2. *Was the foundation of the A.S.L.E. & F. justified?*
3. *Can an "all grades" union successfully represent the interests of a skilled and specialised section of workers?*
4. *Why is the principle "one industry one union" of such importance when discussing the nationalisation of the Railways?*
5. *How can this unity be achieved?*
6. *Are the Railways an industry?*

CHAPTER VI.

RAILWAYS IN WAR TIME: GOVERNMENT CONTROL.

UPON the outbreak of war in 1914 the Railways immediately came under the control of the Government, through the Regulation of the Forces Act (1871), and the Government guaranteed to the companies their 1913 profits. It is important to notice that there was Government control and not Government administration of the Railways, which were managed by a group of private individuals composing the Railway Executive Committee. This was formed in 1912 to work out preparations—naval, military and civil—for a war emergency; and consisting of the chief general managers and the President of the Board of Trade as nominal chairman. The companies profited by the financial arrangements, 1913 being an unusual year, owing to the companies having been able to raise their charges and inflate their revenue in order to cover the losses due to the increases in wages resulting from the 1911 struggle. Later it will be seen how adequately they were compensated for inconvenience to which it is alleged that the war subjected them.

While the companies were reaping this glorious harvest which would enable them to emerge from the war on an extraordinarily sound financial footing, the workers in the supposed interest of the country as a whole were sacrificing, one by one, their hard-won rights. An Industrial Truce was agreed upon which prevented the unions from urging their schemes for economic advance which had been launched. Labour was diluted, with the introduction of unskilled men and badly-paid women, longer hours had to be worked by lessened staffs, the cost of living rose and negotiations became increasingly difficult.

Before the war railway workers were badly under-paid. When the war broke out in 1914 an all-round increase of 5s. per week was about to be demanded, but the acceptance of the "Industrial Truce" frustrated this advance. Soon, however, it was found that the "Industrial Truce" operated unfairly concerning the workers, and, with prices rising, in 1915 a general increase of 5s. per week was demanded, and an offer of about half their claim was accepted, this being, however, in the nature of a war bonus. This was accepted by both sides because the alternative was a strike or the slow process of a series of sectional struggles with individual com-

panies; further, to the railwaymen the direct negotiations involved marked an advance towards recognition. Seventy-five per cent. of this advance was paid by the Government, though it did not officially enter the negotiations. From time to time this "war bonus" was increased, by Union pressure and threats of strike action, though usually the workers were forced to accept much less than they demanded. At the end of the war the bonus amounted to about £2 per week, though prices had risen twice as fast as wages. There was a growing revolt among the rank and file for better conditions, as distinct from wages.

In 1917 the Government promised not to decontrol the railways and to consider proposals for the eight-hour day at the conclusion of the war.¹ The eight-hour day was granted in 1919. After the war an attempt was made to secure permanently the war gains in respect of wages. The Government retaliated, trying to lower the wage standard by means of a sliding-scale. A strike ensued, but no real settlement came as a result. The bonus was reduced by 14s., at which level wages were stabilised until September, 1920, when a new agreement was concluded. The cost of living sliding-scale was introduced and Central and National Wages Boards established. To-day this agreement still holds good, which means that real wages have been lowered considerably.

Another notable feature of the war period, from the workers' point of view, is the completion of the Triple Alliance. Its breakdown in 1921 has already been dealt with, this greatly influencing the Government in resisting wages advances.

During the war the Railwaymen began to formulate their demand for nationalisation, and a Bill was drawn up by two of the unions, the R.C.A. and the A.S.L.E.F. They also tried to get the eight-hour day conceded and this subsequently was granted in 1919 to redeem a pledge given in 1917 by the Government.

In 1918 a Select Committee was appointed to consider the necessary steps towards the post-war reorganisation of British Railways; this Select Committee advocated "the unification of the Railway system, whether the ownership be in public or private hands." In February, 1919, the Government introduced a Bill to establish a Ministry of Transport, and Sir Eric Geddes came into the limelight. In other words it was fully realised that the small measure of State control experienced during the war had created many economies and shown how efficiency could be increased by effective co-ordination and supervision. This Ministry led up to the great 1921 Act which will be dealt with in the next chapter.

It is important to observe, growing side by side, the insistent demand of the rank and file of the railwaymen for some share in the control of the industry, as well as in the machinery and policy of their union; and also the general conviction that co-operation between the various companies to meet the need of a national emergency was infinitely preferable to the wasteful competition of pre-war conditions.

¹ "Labour and Capital on the Railways," p. 58.

These factors are all of profound significance in relation to the question of nationalisation. The following paragraphs will show that to some extent Government control in war-time created a precedent in favour of nationalisation, but that the real value of war legislation and experience is in the emphasis upon certain fundamental problems.

It was recognised that in the war emergency the interests of the State came before those of private companies, and that co-operation could be carried much further than in the past, but it was equally true that partial State control without ownership and financial limitations resulted only in burdens being placed upon the consumer and taxpayer. For example, although the revenue of the railways was increased through the destruction of the competition of coasting vessels, this did not benefit the community; the cost of meeting the demands of the workers for higher wages because of the rise in the cost of living was borne by the travelling public, fares being raised to protect profits. Thus while Government control conceded the principle of the supremacy of the community's interest in the transport system the reality of public ownership did not exist. This must always be borne in mind. The critic sometimes argues that nationalisation would be bad because the Railways did not earn huge dividends under Government control, overlooking the fact that Railway dividends never were uniformly high and in some cases were notoriously low, and that goods rates remained stationary and wages rose tremendously.

While the experience of Government control paved the way for the 1921 Act, pointing in the direction of ultimate nationalisation and strengthening the actual financial position of the Railway companies, the case for real nationalisation stands apart from this experience.

During the war it was found that while unification was essential, too much centralisation could be a bad thing, so that, under nationalisation, care would have to be taken to secure a large measure of devolution of function and responsibility as has happened in the United States. This factor is also of paramount importance in reference to the Unions. War-time experience showed the necessity revealed in the revolt of the rank and file of the union membership of discarding the old, centralised Railway unionism and providing for the effective exercise of responsibility and control by the men. When nationalisation comes it must provide for control at every stage and not merely central control.

One other problem made acute by this war experience is that of the strike. There were no strikes during the war on account of the patriotism of railwaymen; but when the Railways are publicly owned a strike will tend to appear as being against the community. All kinds of problems would then arise. It is said that strikes will be more frequent under nationalisation. Experience abroad and in the Post Office, for example, at home, does not support this view; and in any case, if the producers' welfare is put before profits, they will get a larger share of the product and will

therefore have less grievance. Also the men would not feel that the machinery of government was merely for the companies' benefit. The war-time conflict was not between the railwaymen and the community for the ownership of the railways was in private hands.

Books.

- "British Railways and the Great War." E. A. PRATT.
- "Labour and Capital on the Railways." L.R.D.
- "Workshop Organisation." G. D. H. COLE.
- "Trade Unionism on the Railways." COLE and ARNOT.
- "Railway Amalgamation in Great Britain."

Questions.

1. *What is the difference between conciliation and arbitration and what is the workers' attitude to them?*
2. *What are the advantages and disadvantages of the sliding-scale method of wage adjustment?*
3. *Indicate carefully the value of war-time Railway experience in relation to Nationalisation.*
4. *Distinguish between Government ownership and control and administration.*
5. *How can the Railway Trade Unions profit by their experience of Government control during the war?*

CHAPTER VII.

RAILWAYS ACT, 1921.

IT has been seen that the Government, realising the undesirability of allowing the Railways to return to their pre-war position, instituted the Ministry of Transport in 1919, to enable some measure of control to be exercised during the transition period in which the best method of re-organisation could be worked out. Experience had shown the necessity for public unification in the interest of efficiency.

In 1920 a White Paper was issued by the Ministry of Transport indicating "Proposals as to the future organisation of Transport undertakings in Great Britain and their relations to the State," and these constituted the framework of the Railways Act, 1921, though they had to be modified very largely.

The seven systems proposed were ultimately reduced to the four suggested by the Railway Companies' Association. The Trade Unions could not accept representation of the manual workers on the board of management, for obvious reasons; the idea of devoting the Government's share of surplus revenue to the creation of a development fund for helping backward districts, for example, was rejected. While discussions were taking place between the Government, the Companies, Trades Unions and traders, the Rates Advisory Committee and the Colwyn Committee on Railway agreements published their reports, their findings being embodied subsequently in the new Act (1921) which came into force in August, 1921.

Few people seem to grasp the extraordinary importance of this Act, which from whatever point of view it is approached can be

regarded as the culmination of a long process of development and also as a revolutionary measure. It is the biggest practical demonstration of the necessity for nationalisation. Of course there are two ways of looking at it, one of which is emphasised in the L.R.D. pamphlet, and the other in two excellent contributions of Mr. Philip Burt (General Traffic Manager, N.E.R., 1900-11, and then Passenger Manager) to the "Westminster Gazette" on 29-30th December, 1922. The former sees the Act as "The Charter of Railway Capitalism," the latter as the embodiment of the new principle of co-operation. Both are to some extent true, but, to the student it is most profitable to see in it a tremendous advance in the direction of Socialism and communal control.

The chief features of the Act, which is a lengthy document, are (1) the new system of grouping; (2) the financial clause; (3) the Rates Tribunal; and (4) the specific provision for Whitley Councils. Let them be examined in some detail.

(1) We are living in a world of "Big Fours and Fives"—after international affairs and banking come the Railways. Striking changes indeed in organisation are here made. The 125 former companies, with all their chief officers and hordes of directors are now reduced to four companies with only four general managers and only a limited number of directors (102). The Metropolitan Railways and a few light Railways and others are excluded from the grouping of the Act. "It was stated in Parliament," says Mr. Burt (W.G. 29/12/22), "that the present number of directors is 700—drawing fees last year amounting to £154,000." Compensation of course, many of the "unfortunate" directors will get, but what a great economy is their disappearance! And what a big step forward this is! The preliminary conclusions of the 1918 Committee included:—That unification of the Railway system is desirable under suitable safeguards whether the ownership be in public or private hands, and any one of the following courses would be consistent with their conclusions:

1. Further amalgamation as a step towards unification.
2. Unification accompanied by private ownership and commercial management.
3. Unification by means of nationalisation, followed by
 - (a) establishment of a Government Department to manage the railways;
 - (b) constitution of a Board of Management not directly represented in Parliament;
 - (c) leasing of the system to a commercial company.¹

Parliament has at last overcome the hesitation and impotence of the last century's legislation, and all these conclusions, lying behind the Act itself, point only to ultimate nationalisation.

The new systems are

1. The Southern—merging the L. & S.W., the L.B. & S.C. and S.E. & C. Railways.

¹ Simnett, p. 24.

2. The Western—mainly the old G.W. Railway.
3. The London Midland & Scottish—mainly the L. & N. W., Midland, Lancashire & Yorkshire, Caledonian and Highland Railways.
4. London & North-Eastern—mainly the G.E., N.E., Great Central, G.N., N.B. and North of Scotland Railways.

Each new company has also absorbed many subsidiary companies.

It is important to notice the new method of amalgamation superseding the wasteful Private Bill system. The Amalgamation Tribunal was empowered to carry through the whole business, the few necessary officials being paid by the companies themselves.

(2) The next most important clause relates to financial matters. Here the emphasis of the L.R.D. booklet is most appropriate. Under the Act the total capital in the new combines is about £1,200,000,000.² Though the total amount of capital has been reduced by the amalgamations, there remains over £400,000,000 of water. The workers have to pay for the interest on this non-productive capital. The actual dividends paid have increased on a lessened capital.³

The Act guaranteed to the companies the 1913 revenue. 1913 is admitted to have been an abnormal year, and leading Railway magnates have declared that the Government guarantee of the 1913 standard during the war and in this Act is treating the Railways very generously. The Railways Bill (1912), in any case, had allowed the increased charges resulting from the workers' 1911 strike to be passed on to the consumers, so that 1913 was bound to be a year of inflated revenue.

The question of war compensation was discussed by the Colwyn Committee; the Railways claiming £150,000,000. Eventually they were awarded £60,000,000—and this amount was specified in the Act. Thus huge reserves were able to be built up openly and secretly, and the Railwaymen are further handicapped in their struggle for better conditions. It is estimated, according to the reply to a question in Parliament, that the known reserves alone increased from £23,000,000 in 1913 to £130,000,000 in 1923 (without reckoning the second instalment of compensation).⁴ Despite the glaring evils, however, this section does definitely recognise the principle of the limitation of dividends.

(3) Then there is the section dealing with Rates and Charges. A new scale of goods' rates and passenger fares is being substituted, with the abolition of exceptional and preferential treatment. The maximum rate system, which was in force since the start

² Total 1923, £1,170,258,632.

³ L.R.D., pp. 32-37, plus 20 per cent. of any increased revenue. Also note:—

Capital issued:—
1921, £1,318,377,747; 1922, £1,291,935,670; 1923, £1,170,258,632.

Rate of dividend on ordinary shares:—

1921, 3.99%	1922, 4.83%	1923, 5.25%
General average, 1923, 4.55%		

⁴ Simnett, p. 83.

of Railways, is abolished, and charges have to bear a direct relation to net revenue. Here again is the enthroning of a new principle in Railway management, and Section 58 of the Act says: The new charges must be such as will yield in the opinion of the Rates Tribunal *with effective and economical working and management* the 1913 net revenue. This means at any rate that earning dividend is less important than helping the community of consumers. These charges must come under annual or periodic review or revision before the Rates Tribunal which the Act creates. If the revenue is found to exceed the limit, 80 per cent of the excess has to be handed back to the trading and travelling public in the shape of lower charges, while the Railways pocket the extra 20 per cent. The Tribunal consists of three permanent members, including a business man, a Railway business man and a lawyer. Here is a most important precedent for consumers' representation; at any rate in theory, which takes place even though passengers have no direct voice.

(4) The last main section deals with wages and conditions of service, and expresses the meaning of agreements reached at the time by the Government, the companies and the Trade Unions. The Central and National Wages Boards are definitely sanctioned and the former now comprises eight representatives of the Railway companies, eight representatives of the three Railway Unions (two A.S.L.E. & F., four N.U.R., and two R.C.A.), and the latter six representatives appointed by the companies, six by the unions (two each) and four representatives of the consumers—one appointed by each of the following—General Council of the Trades Union Congress, Co-operative Union, Association of British Chambers of Commerce and Federation of British Industries—with an independent chairman appointed by the Ministry of Labour. Thus on the National Wages Board there is consumers' representation and the capitalists and workers' sides are balanced. The Railways are now the sole industry where it is impossible for authorities to alter wages and hours, sliding scales, etc., without reference to the National Wages Board.

The sliding scale adjustment of wages is to continue.

Joint control and local councils are provided for, on each Railway, and the schemes are now in operation in many places. All this will be invaluable experience in the direction of workers' control, and will make nationalisation a much more possible expedient.^a

Of course, Industrial Councils have nothing like the prestige of the German Betriebsräte, which are a definite part of the constitution, but, in making further advances all these experiments and precedents would be intensely important.

^a Note two other points:—(a) The significant refusal by the Unions to have representation on any board of directors because it would tie the Unions' hands in the case of a strike and weaken their standpoint. Representation is only to be accepted on equal terms. (b) It is very important that for the first time in Railway regulation a great part of the Act is devoted to the employees.

Viewed in conjunction with developments abroad, which will be dealt with in a subsequent chapter, the Act is of profound significance.

The process of consolidation and the movement towards complete unification have received a tremendous impetus. Says Mr. Burt in the "Westminster Gazette," 30/12/22, "There is now a new era of unified control and united effort surpassing anything hitherto attained in this country, catering for the public weal rather than the private gain of shareholders." Immense economies will result and the progress of electrification will become more rapid; saving in staff, joint use of rolling stock, etc., standardisation, are some of the advantages of amalgamation, and there is bound to be increasing co-operation between the four companies.

While this is so, it should be always remembered that the new system leaves the main evils of finance and control untouched, and does not prevent the companies from robbing the workers of millions of pounds in wages.

Books.

- "Labour and Capital on the Railways." L.R.D.
- "The Reorganisation of British Railways." WALKDEN.
- "Railway Amalgamation in Great Britain." SIMNETT.
- "Railways Act, 1921."
- "Westminster Gazette," 29 and 30 December, 1922.
- "Railway Review."
- "Railway Gazette."

Questions.

1. *Is it preferable to regard this Act as "the charter of Railway Capitalism" or "the embodiment of the new principle of co-operation"?*
2. *What are the various ways in which consumers' representation is allowed by the Act; and how would you extend this principle?*
3. *How do the German Workers' Councils differ from those operating here?*
4. *Criticise the financial provisions.*
5. *Outline the main economics which follow from it.*

CHAPTER VIII.

FOREIGN RAILWAY EXPERIENCE.

OPponents of nationalisation have long found that their best argument against the abolition of private ownership of English Railways lies in the so-called experience of State management and State ownership abroad. The inevitable evils of over-centralisation, bureaucracy and even of Railway management closely bound up with political parties, as in Belgium before the war and Italy after the war, are pointed out as the natural results

of nationalisation. They are nothing of the kind. The fact remains that post-war Railway development in all the principal European powers and in the U.S.A. bears a remarkable resemblance to recent English legislation and leaves no doubt that all over the world the archaic system of competitive private ownership is being discarded as unworkable and that in the new theory of what is called the "industrialisation" of State-owned Railways lies the principle of Railway management of the future.

It is said that foreign Railway experience shows that State Railways, far from promoting Railway expansion actually discourage it. The examples are cited, of Prussia whose Railways under bureaucratic control from Berlin brought millions into the State exchequer, because they were co-ordinated and fairly inexpensively run, but entirely failed to provide facilities for the new industrial areas on the Ruhr and forced this district to rely on the national waterway of the Rhine; and of Australia where the State stepped in when private enterprise failed and yet has not opened up the interior. On the other hand, the pre-war monarchial States were only too ready to build military lines.

The succeeding paragraphs will show that the stock objections to nationalisation from foreign experience are almost always founded on false hypotheses. The real difficulties will be faced and discussed in Chapter IX.

While it may be contested that private ownership may be ready to build a line as a speculation, whereas the more responsible employee of the State may hesitate to do so, the chief exploit of private Railway ownership in England, as has already been pointed out, has been to produce a random network of lines in expensive competition with one another and to burden the Railways with a colossal load of debt unparalleled in Europe. At all events the period of Railway expansion in England is long since over and the problem which remains is that of running them to the best advantage of the worker and of the community. The objection of political influence again may be raised against State ownership. To take the most typical example, in Belgium for almost half a century consecutively the Catholic Party was in power principally owing to the influence the political control of the Railways gave them. The Railway and political budgets were inextricably entangled, fares were used as vote-catching expedients and full use was made of all this patronage and influence in the hands of the Government. In France the crisis on the State system just before the war was ascribed to the fact that the higher staff changed at the will of the Ministers then in office, and indiscipline was encouraged among the lower staff by the latitude given them by the Ministry owing to their greater influence from the electoral point of view.

In answer it is uncontested that the control of the Railways by a changing political group must result in danger to the community. In England this principle was recognised when the Bank of England was placed under Governors uninfluenced by political

considerations, and this principle has since been recognised abroad. In Belgium in 1922 it was reported that in face of the huge deficits on account of the Railways, the necessity for their industrialisation makes itself felt more keenly than before. A Bill has been prepared giving the Railways financial autonomy with independent industrial methods of accounting and administrative autonomy by which the Railways are to be governed by a Council of Administrators and a decentralised General Executive. The Ministry of Railways, it is true, possesses the right of veto and the State has certain rights as affecting the public interest, but generally speaking the entire working of the Railways is entrusted to the Council and General Manager. In France, again, a Supreme Council has been established consisting of the delegates from State lines and companies trading and other interests of the community and representatives of the employees, which controls the Railways and removes them from the political sphere. An interesting clause is that which, in order to prevent the poorer and less energetic systems relying passively upon the guaranteed minimum dividend agreed to, a bonus is given to lines showing an increase in traffic and reduction in the ratio of operating expenses.¹ Two kinds of such bonuses go to the employees who have a second interest in the prosperity of the system for which they work.

Perhaps the chief argument against nationalisation is, however, that whenever the State takes over a Railway system, a reduction in profits and dividends invariably follows. This is ascribed to two factors, bureaucratic control, inefficient working and the usually enormous increase in the number of employees. The two conspicuous examples, it is contended, of financial success, are Germany* where the element of fourth class traffic and the poor provision made for stations in country districts have resulted in profits disproportionate to the general efficiency of the whole, and Japan where dividends and profits actually increased after the Railways were taken over, and the absence of the labour problem. The State as such has responsibilities the private employer rarely feels. It cannot, as an individual might do, cut down working expenses to a minimum by effecting economies in overworking employees and reducing wages. The increase in the ratio of working expenses due to higher wages, and the consequent reduction of profits, after overhead expenses have been deducted, is no criterion of the greater efficiency or inefficiency of the Railways. Well paid, contented, conscientious employees may be a greater asset than shareholders' dividends, as the Japanese are beginning to discover with their coolie labour. There is no doubt, however, that in the past some Continental lines were insolvent practically owing to their control by a bureaucracy, but in all the

¹ Simnett, *op. cit.*

* Since this was written the German State Railways, under the Dawes scheme, have been converted into a private concern. This was due solely to foreign pressure and was for the purpose of obtaining reparations.

larger States since the war a serious attempt has been made to supersede this system.

What is the alternative? No one would now contend that a Railway with all its specialised commercial problems should be controlled by non-experts, or even by a great State Department, but since the war a new double movement has sprung up, on the one hand the *amalgamation* of Railway systems to lift them out of the sphere of competition and to co-ordinate the industry into one national service, and on the other hand of *decentralisation* and democratic experiment to avoid the dangers of bureaucracy and to ensure that psychological attitude among the Railway servants which is indispensable to the efficient running of the service at all. In India¹ the recent Retrenchment Committee reported that "decentralisation is, in our opinion, essential if the Railways are to be run on economic lines. It is generally agreed that large economies could be effected by grouping the Railways on the lines recently adopted by Great Britain, and we recommend . . . the preparation of a scheme . . . forthwith." In Canada the same movement took place. In 1919 an Act was passed constituting the Canadian National Railway Company, which is a company to which was entrusted the task of carrying on the State Railways, which comprise more than one-half of the total mileage of Canada, on behalf of the community. These Railways are thus controlled by a Board of Directors, apart from the political Government of the State. Decentralisation, again, was adopted in 1923. The national system was divided into three regions and it is hoped that each region will have the maximum amount of initiative in local control. Finally even America, the citadel of private enterprise, has been faced with the problem of amalgamation and re-organisation under State control, and will, moreover, most probably solve it on the lines laid down by Great Britain.² The movement began before the war when returns on investments began to decrease, and culminated in 1915, when a sixth of the Railways were in the hands of receivers. A voluntary unification under a Railway Board was first tried, but finally in 1918 the U.S. Government took over the control of the Railways. They were controlled by a Director-General at the head of a Board including all the usual Railway personnel. Although under the Transport Act, 1920, they were returned to private ownership and have since improved their position, this is largely due to the organisation of Railway Users' Regional Advisory Boards, an interesting experiment in consumers' representation. Fusion is now being advocated, and a group system as in England is being discussed. The most serious difficulty is the legal one, and the effort to preserve a small measure of competition as required by Act of Congress. There seems little doubt, however, about the final outcome.

¹ Where the majority of the Railways are owned and managed by the State.

² Simnett, *op. cit.*

In conclusion it may be stated that while the continental State Railway schemes were, on the whole, unsuccessful before the war, this was due to control by an elaborate State department which lacked the necessary qualifications, and whose existence is entirely separable from State ownership of Railway stocks and capital. The test of the war period and long experience have shown in Belgium, France and Germany, in Canada and India, to take only five examples, that whether or not there is public ownership of capital, unification and co-ordination are essential. In short, efficient railway management demands the absence of competition, control by experts, decentralisation and regional autonomy as far as possible, and finally a measure of democracy within the industry itself. Such a national industry, if created as an independent and privately owned force in the State, might be productive of great harm, and the logical conclusion surely is that it should be owned by, and in the end responsible to, the community.

Books.

- "Historical Sketch of State Railway Ownership." ACWORTH.
"Railway Amalgamation in Great Britain." SIMNETT.
"American Railroads, etc." CUNNINGHAM.
"The Case for Nationalisation." DAVIS.
"The Case against Nationalisation." PRATT.
"1911 Report on Japanese National Railways."
"U.S. (1920) Transportation Act."

Questions.

1. *What were the defects of the pre-war State Railways on the Continent, and how far were they the logical result of Nationalisation?*
2. *What checks could be devised to safeguard State Railways from bureaucracy?*
3. *Is State ownership of capital, as distinct from State management, an essential for any real reform of the railways?*
4. *To what causes do you ascribe the failure of private enterprise in the Railways?*

CHAPTER IX.

NATIONALISATION AND THE COMMUNITY.

THE student is now ready to consider the problems of nationalisation. Every advance in Railway organisation has been seen to be in this direction. War time experience leading up to the 1921 Act has been indicating the adoption of no revolutionary policy, but merely the necessary culmination of a century's evolution. Before examining some of the main arguments for and against nationalisation—and the problems are not easy—a brief recapitulation of the history outlined previously will be worth while. We have seen the waste and inefficiency resulting from the lack of effective State control right from the beginning of our Railways; how competition has brought grave financial injustice and unnecessary burdens in its train, so that to-day the workers are pay-

ing in depleted wages and as travellers in higher fares because of capital badly invested or thrown away, whereas in other countries State control from the first has largely eliminated those evils. We have traced the growing realisation that since Railways are a natural monopoly, consolidation, amalgamation and unity are essential even from the shareholders' point of view. Mr. Simnett, in his book,¹ recalls, in connection with the Railways Act, 1921, that in 1852 there were proposals to amalgamate the L. & S.W. and L.B. & S.C. Railways and also the L. & N.W. and Midland Railways, and that 50 years ago "Houghton's idea was to prevent wasteful competition by amalgamating the S.E. Chatham and Dover and Brighton lines."²

The Railway Clearing House in Seymour Street, Euston, was instituted to prevent duplication and complication of rival systems, and the new Act will very largely remove the necessity for it, thus saving all the needless labour arising solely out of absurd competition. Duplicate trains running half-empty on different lines, heavy terminal expenses arising from terminal monopolies and discriminating charges, wasteful advertising, empty goods trains, will all be abolished. Parliamentary strife with all its costly delays, the hosts of competing carriers sending up charges, not to mention hordes of directors and surplus officials, will no longer exist. Standardisation will be more possible, while the common use of rolling-stock, permanent-way and technical equipment and officers, will save expense and promote better service.

It is not the advocates of nationalisation who are on the defensive, but rather its opponents who should everywhere be called upon to explain their opposition to the experiences of generations of Railway officials, select committees, traders, Parliaments and Royal Commissions, whose evidence can be read in Blue Books and reports of various kinds. That there are difficulties in adopting a full policy of nationalisation is frankly admitted, and these will be discussed honestly, but the main argument is plainly supported by all the amazing results of years of folly and enquiry leading to amelioration.

Let us quote two historians. Mr. Cleveland Stevens says, in the concluding chapter of his illuminating review of British Railways, "Amalgamation undoubtedly paves the way for nationalisation, *which will be easier to carry out as the number of companies decreases.*"³ And again, "Private interests have been protected, but the general interest has in the main been ignored."⁴ Mr. Acworth says, "Railway business is not a fit subject for competition. Railways ought to be a monopoly either owned or closely regulated by the State."

At this point it is well to recollect that not merely has the State tardily and ineffectively interfered from time to time to mitigate

¹ Simnett, p. 10.

² Simnett, p. 13.

³ Cleveland-Stevens, p. 319.

⁴ Cleveland-Stevens, p. 316. Quotes Sir George S. Gibb, "Railway Nationalisation," Royal Economic Society, November, 1908.

the worst evils of competition, and not only is the Railways Act, 1921, a practical admission of the inevitability of adopting nationalisation, but also the State has actually the power under Act 7 and 8, Vic. Cap. 85 to purchase all Railways constructed after 1844 at 25 years' purchase upon giving in writing three months' notice of the intention to do so. The purchase price was to be the average annual profit of the preceding three years, or if less than 10 per cent. to be fixed by arbitration.

A fairer method of purchase would appear to be to buy them out on the basis of the average purchase price on the Stock Exchange for the last five years—£50-£60 per £100 share. This would cover the post-war slump in shares and the boom after the 1921 Act, and incidentally would further materially reduce the amount of water, and complete the process already begun under the 1921 Act.

There are some people who object, not without some reason, to compensation being paid, seeing that Railway shareholders are so fortunately placed; but it seems unfair to discriminate against other investors by singling out Railway capitalists for special treatment. In any case, even if repudiation of the obligation to compensate were just, it would not be a wise procedure. If the State purchased the Railways on the former basis it would have to pay a sum of over £1,000 millions for them, while on the latter this would be reduced by one-third or one-half. This would not have to be paid in cash. Holders of Railway stock could receive in exchange a certain amount of Government Railway stock, or, of course, they could share in a Government loan. These would be for them excellent security, and by creating a Sinking Fund the Government could in time pay off the capital debt. A big question arising would be how far should payments be made for watered stock.

The all-important question, however, in considering nationalisation, especially now that, with the advent to power of a Labour Government, it has become practical politics, is What kind of public ownership and/or control will there be? To talk of nationalisation in the abstract is absurd. We have seen how different are the various forms of State interference abroad, for example, in France, Germany and Canada.

Under a system of public ownership there are four main possibilities for operating the railroads:—

- (a) By a Government Department.
- (b) Through a Board of Control not represented directly in Parliament.
- (c) By leasing them to one or more private companies.
- (d) Full self-government by the Railway operatives.

(a) Experience abroad everywhere shows the supreme necessity for preventing management of the Railways by a Government Department. It is true that in our own country we have a body

of efficient and highly-trained civil servants, but there would still be the danger of bureaucracy. Railway history in Belgium for the last 30 years has proved that Railway administration must be kept aloof from practical politics to avoid corruption and inefficiency. The main case against nationalisation is based upon the assumption that our advocates of nationalisation intend to introduce a system of rigid bureaucratic control, whereas it is realised that unless the Railways themselves are allowed a large measure of self-government, State control must largely fail. Parliament as now constituted is not the ideal body for discussing the details of Railway administration. This, of course, is part of the general demand for reorganisation of our machinery of representative government.

There are differing opinions as to the wisdom of retaining the Ministry of Transport. At present it is almost dead; having given birth to the 1921 Act, its main work has ceased. Should it be revived, or could not control be exercised through the responsible Minister of some other State Department?

(b) The Plumb scheme somewhat embodies this idea, which is also to be found in the Canadian State Railway Board.

The Plumb scheme was embodied in a Bill which was brought before Congress, proposing a Board of 15 directors, five to be named by the president representing the public, five by the operating officials, and five by the employees. The plan was supported by the A.F.L. and the Railway Unions,⁸ but it would be unwise to suggest a like co-operation on a similar Railway board in this country. This kind of controlling board, however, seems to offer a more suitable solution than the other alternatives.

(c) France and Italy have tried with no success the system of controlling privately-owned Railways by subsidising them, the results being quite uneconomical, inefficient and financially wasteful. Similar disadvantages would follow the leasing of publicly-owned Railways to private companies. This also has failed when it has been tried. (See Acworth, p. 20.)

(d) Ultimately, when Parliament has been transformed and a new set of political and industrial institutions achieved, the Railways will probably take their place within the new Industrial Parliament as a self-governing unit, subject only to a certain measure of financial control and correlation with other branches of industry. Interim steps must meanwhile be taken until public opinion has been brought to the full appreciation of the necessary alterations. Many experiments have been tried, and varying theories put into operation, but the student having made up his mind whither Railway development is tending must ensure that the next steps are forward and not retrogressive. Already one learns from a very eminent Railway authority that one centralising force is emerging within the circle of the Big Four. The next chapter will point the necessity for workers' organisation to achieve a like measure of unity of vision if the goal of real self-government in the Railway industry is to be reached.

Books.

- "The Case for Nationalisation." E. DAVIES.
"The Case Against Nationalisation." E. A. PRATT.
"Railway Nationalisation." W. CUNNINGHAM.
"Railway Nationalisation." C. EDWARDS.
"History of Modern Transport." E. A. PRATT.
"English Railways, etc." CLEVELAND-STEVENS.
*See "Contemporary Review," Vol. 117.
"American Railroads: Government Control and Reconstruction Policies." W. J. CUNNINGHAM.
"Contemporary Review," vol. 117. PLUMB SCHEME.
"My Plan for the Railroad." PLUMB.
"Le Socialisme contre l'état." VANDERVELDE.
"Principles of Economics" (new edition 1922). TAUSSIG.
"History of State Railway Ownership." ACWORTH.

Questions.

1. *Do you think economy is the principal argument for Nationalisation?*
2. *Should Nationalisation be run on a profit-making basis?*
3. *What should be the relations between the industry and the Government, and, if the Railways are to be separated from politics, how will the community exercise its final control?*
4. *Why is it essential that the Railways should have considerable independence from political control?*
5. *Who would bear the burden in the event of the industry being run at a loss?*
6. *Which system of public ownership and/or control do you prefer, and why?*

CHAPTER X.

NATIONALISATION AND WORKERS' CONTROL.

MANY of the difficulties connected with any consideration of the problems of nationalisation would disappear if it were understood that the most enlightened supporters of public ownership would introduce proposals for an adequate measure of workers' control. What exactly is meant by this? The ultimate aim of all industrial reconstruction must be to secure self-government; but this must mean different things for different industries. For example, workers' control must involve the establishment of numerous committees to direct and govern industry, but in an industry like the Railways, where there is required for the responsible administrative posts a high degree of knowledge and efficiency, power must be much more in the hands of a few technical experts who of course should be included in any scheme for workers' control.

The war precipitated the acute demand for self-government in industry, and the shop stewards' movement for a time held out great hopes of a speedy realisation of their ambitions to certain groups of workers. It is important also to remember in this connection that in certain industries the Government recognised the shop stewards' movement in order to speed-up production. This

is often overlooked. While, however, this movement marks an important stage in the evolution of self-government it has not led to any big results. The younger men have only retained a measure of their early enthusiasm, and their horizons have been necessarily narrowed owing to the straggle to maintain the bare minimum standard of living achieved in recent years.

Before effective workers' control can become a possibility in this country, one preliminary is essential. The folly of sectionalism and warring unions must be for ever exorcised. The last strike of the A.S.L.E. & F.* indicates how much damage is done to Trade Unionism as a whole, as well as to the Railways in particular, when petty jealousies and small loyalties are allowed to transcend the larger issues and demands of economic progress. The future lies undoubtedly with Industrial Unionism, and while craft unions in the past have been of great service in some phase of the Trade Union movement, the supreme need is now for one water-tight organisation in each industry, giving if necessary a large amount of self-determination to constituent elements' such as in the case of the Railways, the A.S.L.E. & F. and the R.C.A., would be. Until the workers present a united front to the masters of industry they cannot hope to conquer nor can they expect to be able to control their industry even if a large measure of self-government were conceded to them. Fusion of the three main Railway unions may be impossible at present, but some form of amalgamation should be possible without imposing undue limitation upon either of the component parts. The difficulties are of course tremendous, but it appears futile for the numerically smaller unions to pursue a policy of sectionalism—even admitting that the N.U.R. does not make easy the path to amalgamation or industrial unionism—when their numbers are roughly 60,000 (A.S.L.E. & F.), 58,000 (R.C.A.) and 500,000 (N.U.R.). Some arrangement will also have to be made in regard to those Railway workers in engineering shops who are organised in the other craft unions.

There are proposals for securing a greater unity of organisation. Some Midland workers have proposed a scheme for amalgamation which would give a large amount of freedom to the A.S.L.E. & F. and the R.C.A. if they were to form with the N.U.R. one great Railway workers' union. Some sacrifice of pride will have to be made soon, for any scheme for workers' control which offered separate sectional representation on each of the numerous committees that would have to be set up would surely be unworkable and foredoomed to failure. The whole problem is bound up, of course, with the general policy of the T.U.C., and there is needed at once a drastic overhauling of the machinery for co-ordinating the various parts of the T.U. movement and the formulation of some plan for the scientific direction of the whole of its activities. Not only during the war did the men improvise machinery for securing a more direct influence over union policy, and in many shops a speedier and more effective method of negotiation with the

* Written in March, 1924.

† See Footnote 4, Chapter VI.

employers, but also the agreement of 1920 led to the formation of various councils to which the 1921 Act is seen to have given statutory sanction. These have been operating for some time, and according to Railway managers and workers alike have been working well and affording the workers a magnificent opportunity of training themselves for the larger control of their industry. While the larger unions in the mining, engineering, shipbuilding and railway industries have preferred the machinery and councils evolved by themselves for obvious reasons, the Whitley Report also marks an important stage in the development of workers' control. Paragraph 14 (b), Cd. 8606 (1917-18) says, "That Works Committees representative of the management and the employees should be instituted . . . to act in close co-operation with district and national machinery." As a supplement to the Final Report of the Whitley Committee there was issued a Report on Works Committees, Cd 9001/1918. This is often forgotten, and contains an important plea for the development of this idea. The companies cultivated it, as can be seen, for example, in Circular No. 2814, G.W.R., and the General Circular on Railway Councils, (Railways Act, 1921), Southern Railway.

Briefly, the present position in each Railway is this: In every station and depot where there are more than 75 employees in a department or a group of grades, there is a local committee consisting of four representatives of the employers and four of the employees. Each Railway station has five sectional councils, each representing one generalised grade of workers, i.e., one clerical and supervisory, two engineers, engine drivers and firemen, three guards, porters and signalmen, four goods and five general labourers. Twelve representatives of both sides are elected to each council, which has some executive local autonomy and considers subjects passed on to it by the Railway Council. For each Railway there is one Railway Council—composed of 10 representatives of both sides, two men being elected from each sectional council—whose function is to discuss things referred to it by a sectional council. It possesses little or no initiative. Failing agreement, a sectional council may refer matters to the Railway Council, direct negotiation between the Trade Unions and the companies or the Central Wages Board, and a Railway company may submit differences to either of the two last-mentioned.

These schemes are open to various objections. The councils are subject too much to the central and national wages boards and do not possess enough autonomy. They are organised by companies and not nationally. There is no ladder from the "all grades" local committee to the sectional and Railways Councils, which are "one grade." Not enough appreciation is shown of the different needs of town and country railwaymen. The scales in local discussion are too heavily weighted in favour of the employers; the principle of equal representation of employers and employed is part of the capitalist system and is fundamentally undemocratic and unsound.

All suggestions for real workers' control at present must be tentative, and improvements in these schemes have already been suggested by groups of railwaymen, but whatever forms the new industrial order may take, certain broad principles can be laid down. Some compromise must be reached between the conflicting claims of the sectional and regional organisations. Probably the best solution would be to confine local administrative work to the regional "all grades" local and divisional councils, and the critical quasi-legislative work to the sectional "one-grade" local and divisional councils controlled by a central board consisting of representatives from each section and an equal number of impartial directors representing the community. This board should be distinct from party politics and should perform the functions of a board of directors, the general manager of the Railway being responsible to, and possibly chairman of, this board. Its limits would be settled by the constituent Act of Parliament, but it should be as far as possible free from any kind of outside interference. Its financial connection with other State concerns and the way in which profit should be distributed are further questions to be considered, methods of providing for consumers' representation at each stage in the control of the industry may also have to be worked out to ensure that, given full autonomy, under no circumstances should the industry be allowed to abuse its position.

Although the details may appear difficult, the ideal of workers' control will prove to be the 20th century's contribution to the emancipation of mankind.

Books.

"Workshop Organisation." G. D. H. COLE.

"Labour in the Coal Mining Industry." G. D. H. COLE.

"Contemporary Review," vol. 117 (Plumb Scheme).

Cd. 9001/1918. Supplementary Report on Works Committees.
Scheme for Fusion of Railway Unions.

Midland Workers' Scheme.

Conference of District Councils. Report on Workers' Control.

Southern Railway General Circular on Railway Councils.
(Railways Act, 1921. Cd. 8606 and 9085, 1917-18).

"The Reorganisation of British Railways." WALKDEN.

Questions.

1. *How would you solve the difficulties existing between industrial and craft unionism on the Railways?*
2. *Would nationalisation involve the abandonment of the right to strike?*
3. *Why is local autonomy desirable and how could this be obtained without weakening central control?*
4. *What should be the relation between the technical experts and the workers' committees?*
5. *How would a self-governing Railway industry raise its capital and what check on its finances would there be?*
6. *Do you favour direct or indirect representation of the workers on the central committee of control?*